

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(With Summarized Totals for the Year Ended December 31, 2006)**



**RITZ, HOLMAN, BUTALA, FINE LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES

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# RITZ, HOLMAN, BUTALA, FINE LLP

TWO PLAZA EAST, SUITE 550  
330 EAST KILBOURN AVENUE  
MILWAUKEE, WI 53202-3144  
(414) 271-1451  
FAX (414) 271-7464

## Independent Auditor's Report

Board of Directors  
Milwaukee Christian Center, Inc. and Affiliates

We have audited the accompanying balance sheet of Milwaukee Christian Center, Inc. and Affiliates as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Milwaukee Christian Center, Inc. and Affiliates management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organizations' 2006 financial statements and, in our report dated June 28, 2007, we expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Christian Center, Inc. and Affiliates as of December 31, 2007, and the changes in their net assets and their 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 our report dated June 26, 2008, on our consideration of Milwaukee Christian Center, Inc. and Affiliates internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Milwaukee Christian Center, Inc. and Affiliates taken as a whole. The accompanying schedule of functional unrestricted revenue and expenses, schedules of revenue and expenses, and the schedule of expenditures of federal and state awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Provider Agency Audit Guide*, 1999 revision, issued by the Wisconsin Departments of Health and Family Services, Workforce Development, and Corrections, are presented for purposes of additional analysis and are 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.

*Ritz, Holman, Butala, Fine LLP*

RITZ, HOLMAN, BUTALA, FINE LLP  
Certified Public Accountants

Milwaukee, Wisconsin  
June 26, 2008



America Counts on CPAs

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**BALANCE SHEET**  
**DECEMBER 31, 2007**  
(With Summarized Totals for December 31, 2006)

ASSETS	2007	2006
<b>CURRENT ASSETS</b>		
Cash in Banks	\$ 223,194	\$ 215,898
Net Accounts Receivable	108,634	90,652
Grants Receivable	659,314	652,884
Prepaid Expenses	3,796	5,097
Inventory - Supplies	28,039	30,860
Total Current Assets	\$ 1,022,977	\$ 995,391
<b>FIXED ASSETS</b>		
Land	\$ 34,088	\$ 30,800
Buildings	722,187	653,203
Office Equipment	115,105	100,479
Vehicles	68,788	50,722
Less: Accumulated Depreciation	(650,153)	(617,974)
Net Fixed Assets	\$ 290,015	\$ 217,230
<b>OTHER ASSETS</b>		
Properties Held for Resale	\$ 829,405	\$ 544,299
Security Deposit	550	550
Total Other Assets	\$ 829,955	\$ 544,849
<b>TOTAL ASSETS</b>	\$ 2,142,947	\$ 1,757,470
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 81,527	\$ 127,875
Accrued Payroll and Payroll Taxes	84,236	95,313
Refundable Advance	83,420	95,303
Security Deposits	595	---
Deferred Revenue	---	1,489
Line of Credit	50,000	50,000
Construction Loans	454,600	361,849
Bank Construction Loans	409,123	227,316
Current Portion of Long-Term Liabilities	10,101	4,012
Total Current Liabilities	\$ 1,173,602	\$ 963,157
<b>LONG-TERM LIABILITIES</b>		
Mortgages Payable	\$ 107,778	\$ 29,756
Capital Lease Payable	12,593	16,999
Less: Current Portion of Long-Term Liabilities	(10,101)	(4,012)
Total Long-Term Liabilities	\$ 110,270	\$ 42,743
Total Liabilities	\$ 1,283,872	\$ 1,005,900
<b>NET ASSETS</b>		
Unrestricted		
Operating	\$ 522,994	\$ 420,081
Board Designated	130,114	181,325
Temporarily Restricted	205,967	150,164
Total Net Assets	\$ 859,075	\$ 751,570
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,142,947	\$ 1,757,470

The accompanying notes are an integral part of these financial statements.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
(With Summarized Totals for the Year Ended December 31, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2007</u>	<u>Total 2006</u>
<b>REVENUE</b>				
United Way of Greater Milwaukee	\$ 125,507	\$ 112,708	\$ 238,215	\$ 230,986
Community Development Block Grants	493,589	---	493,589	548,459
Other Grants	150,881	---	150,881	191,237
City of Milwaukee CDBG				
HOME	1,253,645	---	1,253,645	1,126,844
City of Milwaukee - HAP	166,738	---	166,738	150,000
City of Milwaukee - HOME	128,993	---	128,993	79,007
Milwaukee County - Department of Aging	83,550	---	83,550	83,550
State of Wisconsin - Refugee	20,000	---	20,000	22,595
Americorps	145,776	---	145,776	40,840
State of Wisconsin -				
Department of Commerce	62,203	---	62,203	39,172
Freshstart - HUD	244,226	---	244,226	158,257
Foundations Grants	24,926	79,221	104,147	49,916
First Time Juvenile Offender Program	345,898	---	345,898	326,776
House Sales	557,549	13,655	571,204	193,536
Program Fees	176,637	---	176,637	236,969
Fund-Raising Events				
Fund-Raising Income	13,067	---	13,067	6,514
Investment Income	2,532	---	2,532	3,101
Rental Income	1,126	---	1,126	450
Contributions	102,728	383	103,111	100,209
Fee for Service	101,555	---	101,555	89,591
Other Revenue	22,679	---	22,679	13,669
Net Assets Released From Restrictions	150,164	(150,164)	---	---
Total Revenue	<u>\$ 4,373,969</u>	<u>\$ 55,803</u>	<u>\$ 4,429,772</u>	<u>\$ 3,691,678</u>
<b>EXPENSES</b>				
Program Services				
Social Services	\$ 1,298,534	\$ ---	\$ 1,298,534	\$ 1,069,598
Housing Repair and Graffiti Removal	2,647,779	---	2,647,779	2,299,756
Management and Supporting Services	259,336	---	259,336	221,656
Fund-Raising	116,618	---	116,618	103,252
Total Expenses	<u>\$ 4,322,267</u>	<u>\$ ---</u>	<u>\$ 4,322,267</u>	<u>\$ 3,694,262</u>
CHANGE IN NET ASSETS	\$ 51,702	\$ 55,803	\$ 107,505	\$ (2,584)
Net Assets, Beginning of Year	<u>601,406</u>	<u>150,164</u>	<u>751,570</u>	<u>754,154</u>
NET ASSETS, END OF YEAR	<u>\$ 653,108</u>	<u>\$ 205,967</u>	<u>\$ 859,075</u>	<u>\$ 751,570</u>

The accompanying notes are an integral part of these financial statements.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
(With Summarized Totals for the Year Ended December 31, 2006)

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 107,505	\$ (2,584)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	35,330	26,003
(Increase) Decrease in Net Accounts Receivable	(17,982)	(24,263)
(Increase) Decrease in Grants Receivable	(6,430)	113,168
(Increase) Decrease in Prepaid Expenses	1,301	6,596
(Increase) Decrease in Inventory - Supplies	2,821	(1,521)
(Increase) Decrease in Properties Held for Resale	(285,106)	(442,585)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(46,348)	(144,049)
Increase (Decrease) in Accrued Payroll and Payroll Taxes	(11,077)	26,150
Increase (Decrease) in Refundable Advance	(11,883)	36,601
Increase (Decrease) in Security Deposits	595	---
Increase (Decrease) in Deferred Revenue	(1,489)	1,489
	<u>\$ (232,763)</u>	<u>\$ (404,995)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<u>\$ (108,115)</u>	<u>\$ (60,572)</u>
	<u>\$ (108,115)</u>	<u>\$ (60,572)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds From Mortgage	\$ 80,000	\$ 30,000
Proceeds From Line of Credit	---	50,000
Proceeds From Construction Loan	92,751	273,752
Proceeds From Bank Construction Loans	181,807	227,316
Repayment of Mortgage	(1,978)	(6,504)
Repayment of Line of Credit	---	(13,616)
Repayment of Capital Lease	(4,406)	(4,013)
	<u>\$ 348,174</u>	<u>\$ 556,935</u>
Net Increase in Cash and Cash Equivalents	\$ 7,296	\$ 91,368
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>215,898</u>	<u>124,530</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 223,194</u>	<u>\$ 215,898</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 9,945	\$ 5,356

The accompanying notes are an integral part of these financial statements.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies**

**Organization**

Milwaukee Christian Center, Inc. is incorporated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is considered to be other than a private foundation. The Organization serves Milwaukee's South Side community in order that problems are solved, lives are enriched, and families are strengthened.

MCC-YB, LLC, a Wisconsin Fresh Start Initiative, is a workforce development program centered on academic advancement and vocational training for low-income, at-risk, young adults, ages 18 to 24, most of whom have dropped out of high school. The youth build a home working under skilled carpenters for half a day and attend GED classes at Journey House for half a day. The homes must be sold to households who meet the HUD income guidelines as being low income, defined as having family income no greater than 80% of County Median Income.

MCC-CHDO, LLC is a Community Housing Development Organization which produces affordable housing for sale to income eligible homeowners. This includes both in fill housing - the construction of new homes on vacant lots and the acquisition and rehabilitation of existing homes. Both categories of houses (rehab or new) will be affirmatively marketed to income-qualifying homeowners. The homes must be sold to households who meet the HUD income guidelines as being low income, defined as having family income no greater than 80% of County Median Income.

**Combined Financial Statements**

The combined financial statements include the accounts of Milwaukee Christian Center, Inc., MCC-CHDO, LLC and MCC-YB, LLC. MCC-CHDO, LLC and MCC-YB, LLC are Milwaukee Christian Center, Inc. limited liability companies. Milwaukee Christian Center Inc. is the sole member of MCC-CHDO, LLC and MCC-YB, LLC. All significant intercompany transactions and accounts are eliminated.

**Accounting Method**

The accompanying financial statements of Milwaukee Christian Center, Inc. and Affiliates have been prepared on the accrual basis of accounting.

**Fixed Assets**

All acquisition of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Fixed Assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

**Refundable Advances**

Refundable Advances represents advances of funds from various funding sources to Milwaukee Christian Center, Inc. and Affiliates to be recognized in the subsequent year.

**Government Grants**

Funds due from various funding sources under government grants are recognized as revenue in the accounting period in which the expenses are incurred.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies (continued)**

**Basis of Presentation**

Financial Statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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. Assets of the restricted classes are created only by donor-imposed restrictions.

At December 31, 2007, the Organization had \$112,708 of temporarily time-restricted net assets and \$93,259 of temporarily purpose-restricted net assets.

**Restricted and Unrestricted Revenue**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Inventory**

Inventory consists of building supplies which is recorded at estimated average value.

**Contributions**

Milwaukee Christian Center Inc. and Affiliates account for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

**NOTE B - Comparative Financial Information**

The financial information shown for 2006 in the accompanying financial statements is included to provide a basis of comparison with 2007 and presents summarized totals only.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE C - Concentration of Credit Risk**

The Organization's checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2007, cash balances at a single bank exceeded the insured limit by \$31,806.

**NOTE D - Net Accounts Receivable**

Net Accounts Receivable consists primarily of fees from program services. At December 31, 2007, the allowance for doubtful accounts balance was \$4,155.

**NOTE E - Grants Receivable**

Grants Receivable consists of the following amounts as of December 31, 2007:

<u>Source</u>	<u>Amount</u>
United Way	\$112,708
Milwaukee County - Department on Aging	33,971
City of Milwaukee CDBG - Youth Recreation	13,237
Milwaukee County - First Time Juvenile Offender Program	520
City of Milwaukee CDBG - Crime Reduction/Prevention	5,149
Children's Outing Association	1,431
Social Development Commission	6,395
Safe and Sound	13,596
Milwaukee County - TRACKER	9,870
Fighting Back, Inc. - Brighter Futures	8,686
Youthbuild - HUD	13,798
State of Wisconsin - Department of Commerce	15,888
Americorps	25,709
City of Milwaukee - CDBG-NIP	97,997
City of Milwaukee - CHDO	28,888
City of Milwaukee - HAP	37,238
City of Milwaukee - HOME	221,633
City of Milwaukee Health Department	<u>12,600</u>
Total	<u>\$659,314</u>

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE F - Properties Held for Resale**

The Organization is constructing properties for resale through the CHDO program. The program is being financed by the City of Milwaukee HOME, Community Development Block Grant and Bank Loans. The locations and balances of the properties consist of the following:

<u>Location</u>	<u>Balance as of December 31, 2007</u>
701 S. 38 <sup>th</sup> Street	\$ 9,476
707 S. 38 <sup>th</sup> Street	141,273
714 S. 39 <sup>th</sup> Street	21,825
708 S. 39 <sup>th</sup> Street	22,571
2324 S. 16 <sup>th</sup> Street	179,792
2328 S. 16 <sup>th</sup> Street	177,224
3163 N. 40 <sup>th</sup> Street	84,881
1428 S. Comstock Street	38,400

The Organization is constructing properties for resale through the Youthbuild program. The program is being financed by the City of Milwaukee HOME, Community Development Block Grant and Bank Loans. The locations and balances of the properties consist of the following:

<u>Location</u>	<u>Balance as of December 31, 2007</u>
2049-51 S. 15 <sup>th</sup> Street	\$ 79,738
1900 W. Arrow Street	2,236

The Organization is constructing a property for resale through the Neighborhood Improvement Project. The program is being financed by the Community Development Block Grant. The location and balance of the property consists of the following:

<u>Location</u>	<u>Balance as of December 31, 2007</u>
2460 S. 15 <sup>th</sup> Street	\$71,297

**NOTE G - Refundable Advance**

Milwaukee Christian Center, Inc. and Affiliates received the following amount as of December 31, 2007, to be recognized as revenue in the subsequent year:

<u>Source</u>	<u>Amount</u>
Americorps	\$15,292
City of Milwaukee CDBG - NIP	68,058
Other	<u>70</u>
Total	<u>\$83,420</u>

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE H - Line of Credit**

The Organization has available a \$50,000 line of credit with Marshall & Ilsley Bank that bears interest at the prime rate plus 1%. At December 31, 2007, a total of \$50,000 was drawn upon the line of credit.

**NOTE I - Construction Loans**

The City of Milwaukee allocated HOME funds to be used as a subsidy for the construction of new houses through the CHDO program. The ultimate disposition for the property is sale to an income eligible owner-occupant. Income generated from the use of these funds must be used for program-related activities or returned to the City of Milwaukee. As of December 31, 2007, \$299,357 was drawn on this account.

The City of Milwaukee allocated HOME funds to be used as a subsidy for the construction of new houses through the Youthbuild program. The ultimate disposition for the property is sale to an income eligible owner-occupant. Income generated from the use of these funds must be used for program-related activities or returned to the City of Milwaukee. As of December 31, 2007, \$86,723 was drawn on this account

The City of Milwaukee Community Development Block Grant also allocated funds to be used as a subsidy for the construction of houses through the Neighborhood Improvement Project. The ultimate disposition for the property is sale to an income eligible owner-occupant. Income generated from the use of these funds must be used for program-related activities or returned to the City of Milwaukee. As of December 31, 2007, \$68,520 was drawn on this account.

**NOTE J - Bank Construction Loans**

As of December 31, 2007, Milwaukee Christian Center, Inc. and Affiliates had the following outstanding mortgages payable:

A \$68,800 mortgage from a bank secured by property at 1428 S. Comstock Street. Interest of 7.75% will be payable monthly. The principal balance of \$17,223 will be due on February 1, 2037.

A \$72,000 mortgage from a bank secured by property at 3163 N. 40th Street. Interest of 7.75% will be payable monthly. The principal balance of \$35,616 will be due on February 1, 2037.

A \$129,600 mortgage from a bank secured by property at 708 S. 39th Street. Interest of 7.00% will be payable monthly. The principal balance of \$19,027 will be due on September 17, 2037.

A \$129,600 mortgage from a bank secured by property at 707 S. 38th Street. Interest of variable + 1.00% will be payable monthly. The principal balance of \$80,165 will be due October 1, 2008.

A \$129,600 mortgage from a bank secured by property at 714 S. 39<sup>th</sup> Street. Interest of 7.00% will be payable monthly. The principal balance of \$19,855 will be due September 21, 2007.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE J - Bank Construction Loans (continued)**

A \$129,600 mortgage from a bank secured by property at 701 S. 38<sup>th</sup> Street. Interest of 7.50% will be payable monthly. The principal balance of \$8,541 will be due October 1, 2008.

A \$125,600 mortgage from a bank secured by properties at 2324 S. 16<sup>th</sup> Street. Interest of 7.75% will be payable monthly. The principal balance of \$114,596 will be due August 31, 2008.

A \$125,600 mortgage from a bank secured by a property at 2328 S. 16<sup>th</sup> Street. Interest of 7.75% will be payable monthly. The principal balance of \$112,727 will be due September 24, 2008.

A \$ 30,000 mortgage from a bank secured by a property at 2049 S. 15<sup>th</sup> Street. Interest of variable + 1.00% will be payable monthly. The principal balance of \$1,373 will be February 17, 2008

**NOTE K - Mortgages Payable**

The following is a summary of Mortgages Payable as of December 31, 2007:

<u>Lender</u>	<u>Due Date</u>	<u>Rate</u>	<u>Amount</u>
American Baptist Church of Wisconsin	08/15/2026	6.6%	\$ 28,992
U.S. Bank	06/05/2017	7.9	30,880
U.S. Bank	10/05/2014	9.1	29,299
U.S. Bank	06/05/2017	7.9	<u>18,607</u>
Total			<u>\$107,778</u>

Future minimum payments are as follows:

2008	\$ 5,255
2009	5,717
2010	6,220
2011	6,768
2012	7,364
Thereafter	<u>76,454</u>
Total	<u>\$107,778</u>

**NOTE L - Capital Lease**

The Organization leases a telephone system and a copier which have been capitalized. Minimum future payments are as follows:

2008	\$ 4,846
2009	5,338
2010	<u>2,409</u>
Total	<u>\$12,593</u>

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE M - Concentration of Risk**

The Organization receives grants from various government agencies whose programs rely on the availability of funding from the United States government. Approximately 67% of the Organization's revenue was from government grants as of December 31, 2007.

**NOTE N - Retirement Fund**

The Organization maintains a Defined Contribution Plan covering substantially all employees who are at least 21 years old, and who worked at least one year including prior employment within the three full calendar year period immediately preceding an employee's period of employment with Milwaukee Christian Center, Inc. as an employee in the nonprofit health or social services field. The contributions are vested upon completion of three years of vesting service or upon attainment of early retirement age. The Organization makes monthly contributions of 6% of eligible employees' monthly gross wages. Contributions totaled \$86,980 in 2007.

**NOTE O - Operating Lease**

The Organization leased facilities on a month to month basis for the Neighborhood Improvement Project, which provides home repairs to eliminate existing code violations for qualifying homeowners living on the south side of Milwaukee. During 2007, total lease payments were \$40,275.

The Organization leases space within Kosciusko Community Center from Milwaukee County, under a three-year lease which expires December 31, 2010, with an option to extend the term by two additional one-year periods.

Minimum future rental payments under a non-cancelable operating lease, as of December 31, 2007, are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 3,300
2009	4,200
2010	<u>5,100</u>
Total	<u>\$12,600</u>

**NOTE P - Related Party**

The Organization rented vehicles and received snow plowing from a company co-owned by the brother of its NIP director. The amount paid was \$48,528 for the year ended December 31, 2007.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE Q - Subsequent Events**

The Organization purchased a new property in 2008, which is located at 1315 S. 21<sup>st</sup> Street.

The Organization sold the following properties during 2008:

707 S. 38<sup>th</sup> Street on February 28, 2008 for \$145,000  
2324 S. 16<sup>th</sup> Street on March 27, 2008 for \$132,500  
2328 S. 16<sup>th</sup> Street on June 13, 2008 for \$132,000

The Organization received a \$72,000 mortgage from a bank secured by property at 1315 S. 21<sup>st</sup> Street. Interest rate of 6.25% will be payable monthly.

The Organization is a defendant in a lawsuit filed by a former employee for alleged discrimination filed with the Equal Rights Division. The Organization is contesting the merits of the case and believes that the individual was terminated for reasonable cause and that the case will be dismissed with a finding of no probable cause.

**MILWAUKEE CHRISTIAN CENTER AND AFFILIATES**  
**SCHEDULE OF FUNCTIONAL UNRESTRICTED REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
(With Summarized Totals for the Year Ended December 31, 2006)

	Human Services	CDBG Grants	City of Milwaukee HOME	City of Milwaukee HAP	Milwaukee Public Schools	Fresh Start	Milwaukee County	State Refugee Grant	Other Grants and Revenue	Total 2007	Total 2006
<b>REVENUE</b>											
United Way of Greater Milwaukee	\$ 125,507	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 125,507	\$ 116,584
Community Development Block Grants	---	493,589	---	---	---	---	---	---	---	493,589	548,459
Other Grants	3,000	---	---	---	---	---	---	---	147,881	150,881	181,587
City of Milwaukee CDBG HOME	---	---	1,253,645	---	---	---	---	---	---	1,253,645	1,126,844
City of Milwaukee - HAP	---	---	---	166,738	---	---	---	---	---	166,738	150,000
City of Milwaukee - HOME	---	---	---	---	---	---	---	---	128,993	128,993	79,007
Milwaukee County - Department on Aging	---	---	---	---	---	---	83,550	---	---	83,550	83,550
State of Wisconsin - Refugee	---	---	---	---	---	---	---	20,000	---	20,000	22,595
Americorps	---	---	---	---	---	145,776	---	---	---	145,776	40,840
State of Wisconsin - Department of Commerce	---	---	---	---	---	62,203	---	---	---	62,203	39,172
Freshstart-HUD	---	---	---	---	---	244,226	---	---	---	244,226	158,257
Foundations Grants	---	---	---	---	---	---	---	---	24,926	24,926	23,804
First Time Juvenile Offender Program	---	---	---	---	143,447	---	---	---	202,451	345,898	326,776
House Sales	---	---	---	---	---	557,549	---	---	---	557,549	193,536
Program Fees	68	---	---	---	34,975	---	121,649	---	19,945	176,637	236,969
Fund-Raising Events Income	---	---	---	---	---	---	---	---	13,067	13,067	6,514
Investment Income	---	55	---	---	---	---	---	---	2,477	2,532	3,101
Rental Income	---	---	---	---	---	---	---	---	1,126	1,126	450
Contributions	1,085	---	---	---	---	---	---	---	101,643	102,728	100,209
Fee for Service	---	---	---	---	---	---	---	---	101,555	101,555	89,591
Other Revenue	1,684	378	(366)	---	---	273	---	---	20,710	22,679	13,669
Loss on Disposal of Fixed Assets	---	---	---	---	---	---	---	---	---	---	---
Net Assets Released From Restrictions	114,402	---	---	---	---	---	---	---	35,762	150,164	158,077
<b>Total Revenue (carried forward)</b>	<b>\$ 245,746</b>	<b>\$ 494,022</b>	<b>\$ 1,253,279</b>	<b>\$ 166,738</b>	<b>\$ 178,422</b>	<b>\$ 1,010,027</b>	<b>\$ 205,199</b>	<b>\$ 20,000</b>	<b>\$ 800,536</b>	<b>\$ 4,373,969</b>	<b>\$ 3,699,591</b>

**MILWAUKEE CHRISTIAN CENTER AND AFFILIATES**  
**SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(With Summarized Totals for the Year Ended December 31, 2006)**

	Human Services	CDBG Grants	City of Milwaukee HOME	City of Milwaukee HAP	Milwaukee Public Schools	Fresh Start	Milwaukee County	State Refugee Grant	Other Grants and Revenue	Total 2007	Total 2006
Total Revenue (brought forward)	\$ 245,746	\$ 494,022	\$ 1,253,279	\$ 166,738	\$ 178,422	\$ 1,010,027	\$ 205,199	\$ 20,000	\$ 800,536	\$ 4,373,969	\$ 3,699,591
<b>EXPENSES</b>											
Salaries and Wages	\$ 143,545	\$ 246,187	\$ 408,798	\$ 94,320	\$ 108,154	\$ 131,539	\$ 106,206	\$ 12,379	\$ 506,347	\$ 1,757,475	\$ 1,701,344
Pension	7,961	12,902	19,232	4,495	1,494	4,733	4,141	---	23,469	78,427	74,032
Employee Benefits	17,148	38,677	18,064	14,719	448	7,665	4,648	---	29,855	131,224	161,024
Payroll Taxes	15,101	30,524	62,744	10,832	12,316	17,676	10,967	1,447	52,249	213,856	230,216
Professional Fees and Contracted Services	5,289	19,686	---	2,089	935	3,290	8,010	2,848	51,223	93,370	79,056
Office Supplies	3,772	7,334	278	710	6	1,767	131	212	7,095	21,305	19,393
Program Supplies	1,932	19,543	155,214	19,179	13	1,439	302	---	31,348	228,970	232,060
Food	13,603	42	---	---	624	2,200	1,108	1	19,810	37,388	37,167
Uniforms	---	90	384	342	---	1,557	---	---	---	2,373	3,334
Telephone	2,015	4,393	2,919	2,258	---	1,650	2,864	99	7,250	23,448	22,618
Internet Expense	---	839	---	45	---	4	---	---	1,295	2,183	1,925
Postage	294	1,485	---	128	---	8	---	---	3,172	5,087	6,488
Printing and Publications	1,901	262	---	1,063	---	84	1,428	---	13,604	18,342	19,359
Occupancy	6,962	46,176	613	3,684	---	489	2,270	471	43,685	104,350	107,540
Subcontractors	---	---	492,202	18,098	---	847	---	---	1,915	513,062	515,501
Tool Expense	---	229	21,656	939	---	2,943	---	---	156	25,923	11,840
Equipment Rental and Maintenance	3,395	3,709	171	417	---	674	---	417	8,245	17,028	16,374
Depreciation Expense	---	---	---	---	---	---	---	---	35,330	35,330	26,003
Lead Testing and Renewals	---	---	---	---	---	---	---	---	---	---	8,974
Travel	1,382	406	504	125	---	4,172	2,862	68	7,358	16,877	15,099
Vehicle Expense	3,529	4,049	36,386	8,217	---	6,561	1,796	---	9,356	69,894	58,717
Field Trip Expense	6	1,616	---	---	---	---	---	---	8,540	10,162	13,275
Interest Expense	---	367	3,116	30	---	---	---	---	6,432	9,945	5,357
Insurance	3,529	13,171	10,069	1,994	---	1,177	626	---	19,218	49,784	50,279
Dues and Subscriptions	265	269	---	23	---	50	---	---	8,646	9,253	9,049
Training	948	107	7,541	310	---	828	469	92	2,546	12,841	5,483
Licenses and Fees	531	390	3,490	908	---	302	---	---	9,252	14,873	9,554
Advertising	383	493	---	---	---	128	1,582	---	430	3,016	3,525
Bank Charges	135	1,948	---	17	---	---	---	---	283	2,383	1,361
Rebate Reimbursement	---	6,559	---	---	---	---	---	---	---	6,559	15,760
Non-Capitalized Equipment	1,887	420	5,361	33	1,600	17	855	---	2,658	12,831	9,419
Administrative	25,632	39,592	---	15,263	13,691	16,417	16,379	1,966	(157,269)	(28,329)	(4,400)
Cost of Properties Sold	---	---	---	---	---	460,120	---	---	---	460,120	115,437
Cost of Properties in Progress	---	---	---	---	---	7,191	---	---	---	7,191	2,444
Grant to MCC-CHDO, LLC	---	---	---	---	---	128,993	---	---	---	128,993	71,143
Grant to MCC-YB, LLC	---	---	---	---	---	216,922	---	---	---	216,922	27,425
Other Expenses	40	252	---	---	---	391	---	---	9,128	9,811	11,087
Total Expenses	\$ 261,185	\$ 501,717	\$ 1,248,742	\$ 200,238	\$ 139,281	\$ 1,021,834	\$ 166,644	\$ 20,000	\$ 762,626	\$ 4,322,267	\$ 3,694,262
CHANGE IN ASSETS	\$ (15,439)	\$ (7,695)	\$ 4,537	\$ (33,500)	\$ 39,141	\$ (11,807)	\$ 38,555	\$ ---	\$ 37,910	\$ 51,702	\$ 5,329
Change in Inventory		\$ (2,821)								\$ (2,821)	\$ 1,521

**MCC-CHDO, LLC**  
**SCHEDULE OF REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Revenue			
Milwaukee Christian Center Grant	\$	128,993	
Property Sales		206,900	
City of Milwaukee - HOME		123,441	
Total Revenue		<u>459,334</u>	\$ 459,334
Expenses			
Salaries and Wages	\$	79,970	
Pension		3,571	
Employee Benefits		12,301	
Payroll Taxes		10,341	
Professional Fees and Contracted Services		8,086	
Office Supplies		568	
Program Supplies		22	
Telephone		1,712	
Internet Expense		66	
Postage		113	
Printing		20	
Occupancy		3,235	
Equipment Rental and Maintenance		277	
Travel		1,338	
Interest Expense		26	
Insurance		971	
Dues and Subscriptions		21	
Training		8	
Licenses and Fees		227	
Advertising		257	
Bank Charges		15	
Non-Capitalized Equipment		57	
Administrative		5,344	
Cost of Properties Sold		303,551	
Other Expenses		6	
Total Expenses		<u>432,103</u>	432,103
Net Change in Assets			<u>\$ 27,231</u>

**MCC-YB, LLC**  
**SCHEDULE OF REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Revenue		
Milwaukee Christian Center Grant	\$ 216,901	
Interest Income	96	
Total Revenue	<u>                    </u>	\$ 216,997
Expenses		
Salaries and Wages	\$ 127,145	
Pension	4,982	
Employee Benefits	7,183	
Payroll Taxes	16,767	
Professional Fees	7,894	
Office Supplies	1,767	
Program Supplies	398	
Food	2,200	
Uniforms	1,557	
Telephone	1,654	
Postage	8	
Printing	84	
Occupancy	490	
Tool Expense	2,943	
Equipment Rental and Maintenance	674	
Travel	3,441	
Vehicle Expense	6,561	
Insurance	1,177	
Dues and Subscriptions	50	
Training	828	
Licenses and Fees	302	
Advertising	128	
Other Expenses	384	
Cost of Properties in Progress	11,850	
Non-Capitalized Equipment	17	
Administrative	16,417	
Total Expenses	<u>                    </u>	<u>216,901</u>
Net Change in Assets		<u>\$ 96</u>

**MILWAUKEE CHRISTIAN CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b>FEDERAL EXPENDITURES</b>			
U.S. Department of Housing and Urban Development - Youthbuild Implementation	14.243	---	\$ 244,226
City of Milwaukee Community Development Block Grant			
Various	14.218	---	728,811
City of Milwaukee			
Home Funds	14.239	---	1,300,930
CHDO Funds	14.239		314,575
U.S. Department of Justice			
Milwaukee Public Schools			
Summer Stars	16.541	---	3,500
U.S. Department of Health and Human Services			
Milwaukee County Department on Aging			
SE Asian - AM	93.667	561	11,277
Nutrition Site Supervision	93.045	560350	10,773
United Migrant Opportunity Services, Inc			
Neighborhood Ambassador Project	93.558	---	4,760
State of Wisconsin Department of Workforce Development			
Older Refugee Services	93.566	---	20,000
Milwaukee County Department of Health and Human Services Delinquency and Court Services			
First Time Juvenile Offender Program	93.645	369	180,587
Fighting Back, Inc.			
Brighter Futures Initiative	93.959	547463	48,300
Wisconsin National and Community Service Board	94.006	---	145,776
			<u>\$ 3,013,515</u>
<b>STATE EXPENDITURES</b>			
U.S. Department of Health and Human Services -			
Milwaukee County Department on Aging -			
SE Asian - AM		561	\$ 22,802
Nutrition Site Supervision		560350	19,227
U.S. Department of Health and Human Services -			
Milwaukee County Department on Aging/ Area Health Education Center System			
SE Asian - AM		151305	6,337
City of Milwaukee Health Department			
Tobacco Control		158125	12,600
			<u>\$ 60,966</u>

The accompanying note is an integral part of this schedule.

**MILWAUKEE CHRISTIAN CENTER, INC.**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal and state activity of Milwaukee Christian Center, 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* and the *Provider Agency Audit Guide*, 1999 revision, issued by the Wisconsin Departments of Health and Family Services, Workforce Development, and Corrections. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



# RITZ, HOLMAN, BUTALA, FINE LLP

TWO PLAZA EAST, SUITE 550  
330 EAST KILBOURN AVENUE  
MILWAUKEE, WI 53202-3144  
(414) 271-1451  
FAX (414) 271-7464

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 and the Provider Agency Audit Guide

To the Board of Directors of  
Milwaukee Christian Center, Inc.

We have audited the financial statements of Milwaukee Christian Center, Inc. as of and for the year ended December 31, 2007, and have issued our report thereon dated June 26, 2008. 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 *Provider Agency Audit Guide*, issued by the Wisconsin Departments of Health and Family Services, Workforce Development, and Corrections.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Milwaukee Christian Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as Item 2007-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.



To the Board of Directors of  
Milwaukee Christian Center, Inc.  
Page Two

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Milwaukee Christian Center, Inc.'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* or the *Provider Agency Audit Guide*.

We noted certain matters that we reported to management of Milwaukee Christian Center, Inc. in a separate letter dated June 26, 2008.

Milwaukee Christian Center, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Milwaukee Christian Center, Inc.'s response and, accordingly, we express no opinion on it.

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.



RITZ, HOLMAN, BUTALA, FINE LLP  
Certified Public Accountants

Milwaukee, Wisconsin  
June 26, 2008



# RITZ, HOLMAN, BUTALA, FINE LLP

TWO PLAZA EAST, SUITE 550  
330 EAST KILBOURN AVENUE  
MILWAUKEE, WI 53202-3144  
(414) 271-1451  
FAX (414) 271-7464

## Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors of  
Milwaukee Christian Center, Inc.

### Compliance

We have audited the compliance of Milwaukee Christian Center, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Milwaukee Christian Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Milwaukee Christian Center, Inc.'s management. Our responsibility is to express an opinion on Milwaukee Christian Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Milwaukee Christian Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Milwaukee Christian Center, Inc.'s compliance with those requirements.

In our opinion, except for the noncompliance described in the preceding paragraph, Milwaukee Christian Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.



To the Board of Directors of  
Milwaukee Christian Center, Inc.  
Page Two

Internal Control Over Compliance

The management of Milwaukee Christian Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Milwaukee Christian Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

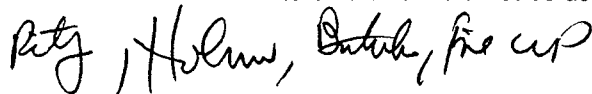
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Organization's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2007-1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Organization's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Items 2007-1 to be material weaknesses.

Milwaukee Christian Center, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Milwaukee Christian Center, Inc.'s response and, accordingly, we express no opinion on it.

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.



RITZ, HOLMAN, BUTALA, FINE LLP  
Certified Public Accountants

Milwaukee, Wisconsin  
June 26, 2008

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**A. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued?  | Unqualified   |
| 2. Internal control over financial reporting:                                    |               |
| a. Material weakness(es) identified?   | Yes           |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted?                         | No            |

**Federal Awards**

- |  |                 |
|--|-----------------|
| 4. Internal control over major programs:   |                 |
| a. Material weakness(es) identified?   | No              |
| b. Significant deficiencies identified not considered to be material weaknesses?                                     | No              |
| 5. Type of auditor's report issued on compliance for major programs?   | Unqualified     |
| 6. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | Yes             |
| 7. Identification of major programs:   | <u>CFDA No.</u> |
| Home Investment Partnership Program  | 14.239          |
| Community Development Block Grants/Entitlement Grants  | 14.218          |
| 8. Dollar threshold used to distinguish between Type A and Type B programs?  | \$300,000       |
| 9. Auditee qualified as low-risk auditee?  | Yes             |

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**B. FINANCIAL STATEMENT FINDINGS**

Item 2007-1 All property loans were not recorded on the books for CHDO, LLC and a HOME advance was not taken as revenue when a property was sold

Statement of Condition:

The Organization was aware of all CHDO property loans and requirement to recognize the HOME advance when properties are sold but did not record the activity in the accounting software.

Criteria:

The Organization should properly record all loans and recognize a HOME advance when properties are sold in the accounting software.

Cause:

The Organization did not record all the CHDO loans and recognize a Home advance as income.

Effect:

All CHDO loans were not recorded on the books and Home advance was not recognized as income. Significant and material audit adjustment was necessary to report the financial statements based on generally accepted accounting principles.

Recommendation:

The Organization should properly record all CHDO loans and recognize HOME advances when properties are sold in the accounting software.

Management Response:

The Milwaukee Christian Center has been made aware of issues that arose in 2007 with our Accounting Procedures.

In the middle of 2007 we received a grant to provide Technical Assistance. We had an initial meeting at the end of 2007 to figure out how to properly account for intercompany billing and accounting for real estate transactions. This has been of great help with our 2008 financials. We plan on having another meeting this summer.

We also plan on devising and implementing a checklist of items we need to review monthly. This will include items like reconciling interest and mortgage statements to their corresponding QuickBooks accounts and verifying grant balances. This should ensure that all revenue and expenses get booked.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**C. FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**D. OTHER ISSUES**

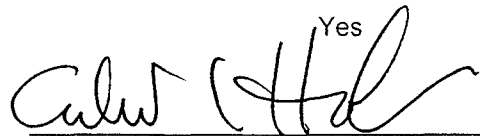
1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e., material noncompliance, non-material noncompliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Provider Agency Audit Guide*:

Department of Health and Family Services	Yes
Department of Workforce Development	No
Department of Corrections	Yes

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner

  
\_\_\_\_\_  
ANDREW C. HOLMAN

5. Date of report June 26, 2008



# RITZ, HOLMAN, BUTALA, FINE LLP

TWO PLAZA EAST, SUITE 550  
330 EAST KILBOURN AVENUE  
MILWAUKEE, WI 53202-3144  
(414) 271-1451  
FAX (414) 271-7464

Milwaukee Christian Center, Inc. and Affiliates  
2137 W. Greenfield Ave.  
Milwaukee, WI 53204

In planning and performing our audit of the financial statements of Milwaukee Christian Center, Inc. and Affiliates for the year ended December 31, 2007, we considered the Organization's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency:

1. The intercompany billings between MCC-CHDO, LLC, MCC-YB, LLC and Neighborhood Improvement Project were not properly recorded throughout the year. It is recommended that the intercompany billings be properly allocated and recorded between the companies.
2. Two out of 37 expenses tested for Milwaukee Christian Center did not have proper approval. It is recommended that all expenses be properly approved prior to disbursement.
3. One out of 37 expenses tested for Neighborhood Improvement Project did not have supporting documentation. It is recommended that all expenses have supporting documentation prior to payment.
4. Currently only one individual opens the mail. It is recommended that two people open the mail together and that both sign off on the deposit summary.

This letter does not affect our report dated June 26, 2008, on the financial statements of Milwaukee Christian Center, Inc. and Affiliates.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

RITZ, HOLMAN, BUTALA, FINE LLP  
Certified Public Accountants

June 26, 2008



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