

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Totals for the Year Ended December 31, 2010)

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Balance Sheet	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 13
Schedule of Functional Unrestricted Revenue and Expenses.....	14 - 15
Schedule of Expenditures of Federal and State Awards	16 - 17
Note to the Schedule of Expenditures of Federal and State Awards.....	18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	19 - 20
Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and Internal Control Over Compliance.....	21 - 22
Schedule of Findings and Questioned Costs	23 - 25

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, 2011, 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' 2010 financial statements and, in our report dated June 15, 2011, 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, 2011, 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 25, 2012, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional unrestricted revenue and expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state 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 in accordance with applicable State of Wisconsin audit guides, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin

June 25, 2012
Ritz Holman LLP

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MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
BALANCE SHEET
DECEMBER 31, 2011
(With Summarized Totals for December 31, 2010)

ASSETS		2011	2010
CURRENT ASSETS			
Cash and Cash Equivalents	\$	327,334	\$ 36,603
Net Accounts Receivable		44,303	65,291
Grants Receivable		923,180	1,003,199
Prepaid Expenses		14,010	9,828
Inventory - Supplies		20,070	30,679
Total Current Assets	\$	<u>1,328,897</u>	<u>\$ 1,145,600</u>
FIXED ASSETS			
Land	\$	34,088	\$ 34,088
Buildings		722,187	722,187
Office Equipment		146,230	141,541
Vehicles		39,589	71,758
Less: Accumulated Depreciation		(740,133)	(733,881)
Net Fixed Assets	\$	<u>201,961</u>	<u>\$ 235,693</u>
OTHER ASSETS			
Properties Held for Resale	\$	754,467	\$ 816,259
Security Deposit		550	550
Total Other Assets	\$	<u>755,017</u>	<u>\$ 816,809</u>
TOTAL ASSETS	\$	<u><u>2,285,875</u></u>	<u><u>\$ 2,198,102</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$	67,843	\$ 274,983
Accrued Payroll and Payroll Taxes		155,098	149,804
Refundable Advance - Grant		23,563	45,919
Security Deposits		595	595
Lines of Credit		150,000	49,000
Deferred HOME Revenue		609,852	652,204
Bank Construction Loans		150,781	129,186
Current Portion of Long-Term Liabilities		9,147	8,500
Total Current Liabilities	\$	<u>1,166,879</u>	<u>\$ 1,310,191</u>
LONG-TERM LIABILITIES			
Mortgages Payable	\$	83,543	\$ 90,303
Capital Lease Payable		4,356	6,201
Less: Current Portion of Long-Term Liabilities		(9,147)	(8,500)
Total Long-Term Liabilities	\$	<u>78,752</u>	<u>\$ 88,004</u>
Total Liabilities	\$	<u><u>1,245,631</u></u>	<u><u>\$ 1,398,195</u></u>
NET ASSETS			
Unrestricted			
Operating	\$	400,292	\$ 264,494
Board Designated		130,114	130,114
Temporarily Restricted		509,838	405,299
Total Net Assets	\$	<u>1,040,244</u>	<u>\$ 799,907</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>2,285,875</u></u>	<u><u>\$ 2,198,102</u></u>

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, 2011
(With Summarized Totals for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
REVENUE				
United Way of Greater Milwaukee	\$ 147,236	\$ 124,490	\$ 271,726	\$ 272,623
Community Development Block Grants	944,482	---	944,482	564,149
Other Grants	188,712	---	188,712	166,227
City of Milwaukee CDBG - HOME	970,399	---	970,399	1,093,430
City of Milwaukee - HAP	99,855	---	99,855	68,149
City of Milwaukee - HOME	89,893	---	89,893	86,107
City of Milwaukee - Housing Authority	7,514	---	7,514	6,305
Milwaukee County - Department on Aging	93,550	---	93,550	95,571
State of Wisconsin - Refugee	47,500	---	47,500	47,495
Americorps	163,740	---	163,740	201,886
State of Wisconsin - Department of Commerce	44,843	---	44,843	29,003
Local Initiatives Support Corporation	38,228	---	38,228	---
Milwaukee Area Workforce Investment Board	147,549	---	147,549	351,284
Foundation Grants	156,589	31,161	187,750	129,998
Operation Impact	31,934	38,529	70,463	92,423
First-Time Juvenile Offender Program	162,242	---	162,242	151,906
Hunger Task Force	7,199	---	7,199	---
Neighborhood Improvement Development Corporation	3,563	---	3,563	---
House Sales	524,441	93,165	617,606	664,706
Program Fees	705,106	---	705,106	654,603
Fund-Raising Events				
Fund-Raising Income	22,786	---	22,786	20,193
Investment Income	120	---	120	85
Rental Income	7,140	---	7,140	7,365
Contributions	49,558	---	49,558	72,826
Fee for Service	86,439	---	86,439	59,178
Insurance Proceeds	83,098	---	83,098	---
In-Kind Revenue	20,151	---	20,151	---
Other Revenue	9,985	---	9,985	26,241
Net Assets Released From Restrictions	182,806	(182,806)	---	---
Total Revenue	<u>\$ 5,036,658</u>	<u>\$ 104,539</u>	<u>\$ 5,141,197</u>	<u>\$ 4,861,753</u>
EXPENSES				
Program Services				
Social Services	\$ 1,266,207	\$ ---	\$ 1,266,207	\$ 1,500,950
Housing Repair and Graffiti Removal	3,010,153	---	3,010,153	2,965,463
Management and Supporting Services	588,049	---	588,049	285,091
Fund-Raising	36,451	---	36,451	78,089
Total Expenses	<u>\$ 4,900,860</u>	<u>\$ ---</u>	<u>\$ 4,900,860</u>	<u>\$ 4,829,593</u>
CHANGE IN NET ASSETS	<u>\$ 135,798</u>	<u>\$ 104,539</u>	<u>\$ 240,337</u>	<u>\$ 32,160</u>
Net Assets, Beginning of Year				
Before Prior Period Adjustment	\$ 394,608	\$ 405,299	\$ 799,907	\$ 688,719
Prior Period Adjustment	---	---	---	79,028
Net Assets, Beginning of Year				
After Prior Period Adjustment	<u>\$ 394,608</u>	<u>\$ 405,299</u>	<u>\$ 799,907</u>	<u>\$ 767,747</u>
NET ASSETS, END OF YEAR	<u>\$ 530,406</u>	<u>\$ 509,838</u>	<u>\$ 1,040,244</u>	<u>\$ 799,907</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, 2011
(With Summarized Totals for the Year Ended December 31, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Before Effect of Change In Accounting Principle	\$ 240,337	\$ 32,160
Net Effect of Adopting New Accounting Principle	---	79,028
Change in Net Assets	\$ 240,337	\$ 111,188
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	38,421	41,090
(Increase) Decrease in Net Accounts Receivable	20,988	(23,204)
(Increase) Decrease in Grants Receivable	80,019	(112,879)
(Increase) Decrease in Prepaid Expenses	(4,182)	(1,322)
(Increase) Decrease in Inventory - Supplies	10,609	(10,338)
(Increase) Decrease in Properties Held for Resale	61,792	22,630
Increase (Decrease) in Accounts Payable and Accrued Expenses	(207,140)	111,908
Increase (Decrease) in Accrued Payroll and Payroll Taxes	5,294	(50,671)
Increase (Decrease) in Refundable Advance - Grant	(22,356)	(6,381)
Increase (Decrease) in Security Deposits	---	(1,947)
Increase (Decrease) in Deferred Revenue	---	(79,028)
Net Cash Provided by Operating Activities	\$ 223,782	\$ 1,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (4,689)	\$ ---
Net Cash Used by Investing Activities	\$ (4,689)	\$ ---
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds From Mortgage Payable	\$ ---	\$ 125,000
Proceeds From Deferred HOME and Fresh Start Revenue	213,191	324,682
Proceeds From Bank Construction Loans	51,544	44,536
Proceeds From Line of Credit	797,000	297,000
Repayment of Mortgage Payable	(6,760)	(231,654)
Repayment of Deferred HOME and Fresh Start Revenue	(255,543)	(285,178)
Repayment of Bank Construction Loans	(29,949)	(141,270)
Repayment of Line of Credit	(696,000)	(298,000)
Repayment of Capital Lease	(1,845)	(4,054)
Net Cash Provided (Used) by Financing Activities	\$ 71,638	\$ (168,938)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 290,731	\$ (167,892)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,603	204,495
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 327,334	\$ 36,603
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 19,525	\$ 12,236

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

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A - Summary of Significant Accounting Policies

Organization

Milwaukee Christian Center, Inc. serves Milwaukee's south side community in order that problems are solved, lives are enriched, and families are strengthened.

MCC CHDO, LLC is a Community Housing Development Organization which produces affordable housing for sale to income eligible homeowners. This includes infill housing, the construction of new homes on vacant lots, and the acquisition and rehabilitation of existing homes. Both categories of houses (new or rehab) 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.

MCC Youthbuild, 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 of 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 Youthbuild, LLC. MCC CHDO, LLC and MCC Youthbuild, LLC are Milwaukee Christian Center, Inc. limited liability companies. Milwaukee Christian Center, Inc. is the sole member of MCC CHDO, LLC and MCC Youthbuild, LLC. All significant intercompany transactions and accounts are eliminated.

Accounting Method

The accompanying financial statements of Milwaukee Christian Center, Inc. and Affiliates (the "Organization") 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 the Organization 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, 2011

NOTE A - Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Organization reports 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, 2011, the Organization had \$120,794 of temporarily time- and purpose-restricted net assets and \$389,044 of temporarily purpose-restricted net assets.

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

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. 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. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Reclassifications

Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE B - Comparative Financial Information

The financial information shown for 2010 in the accompanying financial statements is included to provide a basis of comparison with 2011 and presents summarized totals only.

NOTE C - Net Accounts Receivable

Net Accounts Receivable consists primarily of fees from program services.

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE D - Grants Receivable

Grants Receivable consists of the following amounts as of December 31, 2011:

<u>Source</u>	<u>Amount</u>
United Way	\$120,794
Milwaukee County - Department on Aging	6,082
Milwaukee County - Department of Family Care	35,585
Milwaukee County - First-Time Juvenile Offender Program	4,566
Milwaukee County CDBG - Kids Place	2,667
Milwaukee County - TRACKER	21,244
City of Milwaukee - Adultbuild	29,242
City of Milwaukee - Housing Trust Fund	47,549
City of Milwaukee - HAP	65,748
City of Milwaukee - CDBG-NIP	145,211
City of Milwaukee - HOME	198,314
City of Milwaukee - Fresh Start	24,483
City of Milwaukee - Pathways	11,477
City of Milwaukee CDBG - Youth Recreation	14,164
City of Milwaukee - CDBG - ARRA	28,535
City of Milwaukee CDBG - Crime Reduction/Prevention	8,472
Social Development Commission	8,679
Safe and Sound	4,636
Community Advocates - Brighter Futures	26,422
Local Initiatives Support Corporation	12,969
Milwaukee County Children's Court Service Network	1,920
Milwaukee Area Workforce Investment Board, Inc.	17,653
United Migrant Opportunity Services/UMOS, Inc.	20,650
Children's Outing Association	8,220
Social Development Commission	5,344
Department of Children and Families	10,497
Americorps	38,577
Other	<u>3,480</u>
Total	<u>\$923,180</u>

NOTE E - Properties Held for Resale

The Organization constructs properties for resale through the CHDO program. The program is being fully 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, 2011</u>
2223-25 S. 18 th Street	\$174,050
2221 S. 18 th Street	111,076
1234-36 S. 23 rd Street	2,501
1215 S. 22 nd Street	<u>85,874</u>
Total	<u>\$373,501</u>

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE E - Properties Held for Resale (continued)

The Organization constructs properties for resale through the Youthbuild program. The program is being fully 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, 2011</u>
2337 S. 11 th Street	\$169,496
1200 W. Washington Street	64,473
1638 S. 23 rd Street	3,247
1983 S. 11 th Street	<u>143,750</u>
Total	<u>\$380,966</u>
<u>Summary of Properties Held For Resale</u>	<u>Amount</u>
CHDO Program	\$373,501
Youthbuild Program	<u>380,966</u>
Total	<u>\$754,467</u>

See Note T for subsequent sales.

NOTE F - Refundable Advance - Grant

The Organization received the following amounts as of December 31, 2011, to be recognized as revenue in the subsequent year:

<u>Source</u>	<u>Amount</u>
Americorps	<u>\$23,563</u>

NOTE G - Lines of Credit

The Organization has a \$50,000 line of credit available with a local bank that bears interest at LIBOR plus 5.75% (7% at December 31, 2011). At December 31, 2011, a total of \$50,000 was drawn on this line of credit. The Organization also has a \$100,000 line of credit available with LISC that bears interest at 6%, which is due November 1, 2012. At December 31, 2011, a total of \$100,000 was drawn on this line of the credit.

NOTE H - Deferred HOME Revenue

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, 2011, \$276,891 was drawn on this account.

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE H - Deferred HOME Revenue (continued)

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, 2011, \$332,961 was drawn on this account.

NOTE I - Bank Construction Loans

As of December 31, 2011, the Organization had the following outstanding construction loans payable:

A \$30,000 construction loan is available from a bank secured by property at 2337 S. 11th Street. Interest of LIBOR + 5.5% will be payable monthly (6.6% at December 31, 2011). The principal balance of \$27,371 will be due on December 9, 2012.

A \$109,600 construction loan is available from a bank secured by property at 2223-25 S. 18th Street. Interest of LIBOR + 5.5% will be payable monthly (6.6% at December 31, 2011). The principal balance of \$87,173 will be due on July 16, 2012.

A \$56,000 construction loan is available from a bank secured by property at 1215 S. 22nd Street. Interest of 7% will be payable monthly. The principal balance of \$36,237 was due May 5, 2012 and subsequently refinanced with a due date of May 5, 2013.

NOTE J - Mortgages Payable

The following is a summary of Mortgages Payable as of December 31, 2011:

<u>Lender</u>	<u>Due Date</u>	<u>Rate</u>	<u>Amount</u>
American Baptist Church of WI	08/15/2026	6.5%	\$25,272
Local Bank	06/05/2017	7.9%	27,674
Local Bank	10/05/2014	9.1%	13,901
Local Bank	06/05/2017	7.9%	<u>16,696</u>

Total \$83,543

Future minimum payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 7,426
2013	8,071
2014	7,040
2015	3,328
2016	3,582
Thereafter	<u>54,096</u>
Total	<u>\$83,543</u>

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE K - Capital Lease

The Organization leases a copier under a capital lease with capitalized cost of \$8,503. Accumulated depreciation for the year ended December 31, 2011 relating to this copier was \$4,110. Depreciation expense reported in the statement of activities includes \$1,701 for the copier under this capital lease.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$1,722
2013	1,779
2014	<u>855</u>
Total	<u>\$4,356</u>

NOTE L - 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 57% of the Organization's revenue was from government grants as of December 31, 2011.

NOTE M - 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 periods immediately preceding an employee's period of employment with the Organization 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 made monthly contributions of 3% of eligible employees' monthly gross wages for January through December of 2011. Total pension expense for 2011 was \$46,268 of which cash contributions totaled \$38,179 and \$8,089 in forfeitures for employees leaving the plan prior to being 100% vested.

NOTE N - Board Designated Net Assets

At December 31, 2011, the Organization had \$130,114 of net assets designated for capital improvements.

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE O - Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consist of the following amounts at December 31, 2011:

<u>Program</u>	<u>Amount</u>
United Way	\$120,794
Youth Risk Prevention	3,696
Real Estate Proceeds	204,022
Youth Build	16,161
Operation Impact	150,165
Person in Crisis Housing	<u>15,000</u>
Total Temporarily Restricted Net Assets	<u>\$509,838</u>

NOTE P - 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 2011, total lease payments were \$42,708.

The Organization leases space within Kosciusko Community Center from Milwaukee County under a three-year lease which originally expired December 31, 2010. The Organization elected to extend the lease for a one-year period. The lease allows for another one-year period option. During 2011, total lease payments were \$6,000. Minimum future rental payments under this non-cancelable operating lease as of December 31, 2011, are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	<u>\$6,900</u>

NOTE Q - Prior Period Adjustment

During the year ended December 31, 2010, the Organization changed its treatment of the activities of the Operating Impact program. In previous years the Organization collected donations to be used by a separate group, Operating Impact, with any unspent portion of these donations recorded as deferred revenue. Beginning January 1, 2010, the Organization began recording these donations as income while recognizing any expenses for the program on the Statement of Activities for the year ended December 31, 2010. Those donations unspent as of year end are treated as temporarily purpose-restricted. This treatment is preferred as it properly reflects the fiscal relationship of the Organization with Operating Impact.

Because certain accounting records are not available, it is impracticable to determine the cumulative effect of applying the change retroactively. However, the Center had all of the information necessary to apply the change for the year ended December 31, 2010. The effect of this change was to increase the change in temporarily restricted net assets by \$79,028 for the year ended December 31, 2010.

MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE R - Related Party

The Organization rented vehicles and received snow plowing from a company co-owned by the brother of its NIP director. The amount incurred was \$58,333 for the year ended December 31, 2011. At December 31, 2011, \$5,660 was included in accounts payable.

NOTE S - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of December 31, 2011, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE T - Subsequent Events

The Organization sold the following properties after year end:

2223-25 S. 18th Street on March 23, 2012 at a sales price of \$83,000
2337 S. 11th Street on April 25, 2012 at a sales price of \$80,000
1983 S. 11th Street on April 30, 2012 at a sales price of \$94,000
2221 S. 18th Street on June 13, 2012 at a sales price of \$94,000

The Organization purchased the following properties after year end:

1417 S. 21st Street on May 16, 2012 at a sales price of \$25,000
A lot at 2227-29 S. 17th Street on May 17, 2012 at a sales price of \$500
Accepted offer for \$295,000 at 807 S. 14th Street that is expected to close in August 2012. This property will be used as the main location of the Organization.

The \$109,600 bank construction loan was paid on March 23, 2012.

The \$30,000 bank construction loan was paid on April 25, 2012.

The \$56,000 bank construction loan was refinanced on May 12, 2012 with a new due date of May 5, 2013.

Subsequent events were evaluated through June 25, 2012, which is the date the financial statements were available to be issued.

MILWAUKEE CHRISTIAN CENTER AND AFFILIATES
SCHEDULE OF FUNCTIONAL UNRESTRICTED REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Totals for the Year Ended December 31, 2010)

	Human Services	CDBG Grants	City of Milwaukee HOME	City of Milwaukee HAP	Milwaukee Public Schools	Fresh Start	Milwaukee County	Milwaukee Area Workforce Investment Board	State Refugee Grant	Other Grants and Revenue	Total 2011	Total 2010
REVENUE												
United Way of Greater Milwaukee Community Development	\$ 147,236	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 147,236	\$ 148,423
Block Grants	---	930,622	---	---	---	---	13,860	---	---	---	944,482	564,149
Other Grants	---	---	---	---	---	---	---	---	---	188,712	188,712	166,227
City of Milwaukee CDBG HOME	---	---	970,399	---	---	---	---	---	---	---	970,399	1,093,430
City of Milwaukee - HAP	---	---	---	99,855	---	---	---	---	---	---	99,855	68,149
City of Milwaukee - HOME	---	---	69,893	---	---	---	---	---	---	---	69,893	86,107
Milwaukee County - Department on Aging	---	---	---	---	---	---	93,550	---	---	---	93,550	95,571
State of Wisconsin - Refugee	---	---	---	---	---	---	---	---	47,500	---	47,500	47,496
Americorps	---	---	---	---	---	163,740	---	---	---	---	163,740	201,886
State of Wisconsin - Department of Commerce	---	---	---	---	---	44,843	---	---	---	---	44,843	29,003
Local Initiatives Support Corporation	---	---	---	---	---	---	---	---	---	38,228	38,228	---
City of Milwaukee Housing Authority	---	---	---	---	---	---	---	---	---	7,514	7,514	6,305
Milwaukee Area Workforce Investment Board	---	---	---	---	---	---	---	147,549	---	---	147,549	351,284
Foundation Grants	10,500	---	---	---	2,000	---	---	---	---	144,089	156,589	71,402
Operation Impact	---	---	---	---	---	---	---	---	---	31,934	31,934	59,816
First-Time Juvenile Offender Program	---	---	---	---	---	---	---	---	---	162,242	162,242	151,906
Hunger Task Force	7,199	---	---	---	---	---	---	---	---	---	7,199	---
Neighborhood Improvement Development Corporation	---	---	---	---	---	---	---	---	---	3,563	3,563	---
House Sales	---	---	---	---	---	524,441	---	---	---	---	524,441	605,288
Program Fees	4,892	---	---	---	235,439	24,552	424,347	---	---	15,876	705,106	654,603
Fund-Raising Events Income	---	---	---	---	---	---	---	---	---	22,786	22,786	20,193
Investment Income	---	---	---	---	---	1	---	---	---	119	120	85
Rental Income	---	---	---	---	---	---	---	---	---	7,140	7,140	7,365
Contributions	4,130	---	---	---	---	---	---	---	---	45,428	49,558	72,826
Fee for Service	---	---	---	---	---	---	---	---	---	86,439	86,439	59,178
Insurance Proceeds	---	---	---	---	---	---	---	---	---	83,098	83,098	---
In-Kind Revenue	12,555	---	---	---	---	---	---	---	---	7,596	20,151	---
Other Revenue	3,542	---	---	---	---	1,048	---	---	---	5,395	9,985	26,241
Net Assets Released From Restrictions	124,200	---	---	---	---	13,049	---	---	---	45,557	182,806	144,491
Total Revenue	<u>\$ 314,254</u>	<u>\$ 930,622</u>	<u>\$ 1,060,292</u>	<u>\$ 99,855</u>	<u>\$ 237,439</u>	<u>\$ 771,674</u>	<u>\$ 531,757</u>	<u>\$ 147,549</u>	<u>\$ 47,500</u>	<u>\$ 895,716</u>	<u>\$ 5,036,658</u>	<u>\$ 4,731,423</u>
(carried forward)												

MILWAUKEE CHRISTIAN CENTER AND AFFILIATES
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Totals for the Year Ended December 31, 2010)

	Human Services	CDBG Grants	City of Milwaukee HOME	City of Milwaukee HAP	Milwaukee Public Schools	Fresh Start	Milwaukee County	Milwaukee Area Workforce Investment Board	State Refugee Grant	Other Grants and Revenue	Total 2011	Total 2010
Total Revenue (brought forward)	\$ 314,254	\$ 930,622	\$ 1,060,292	\$ 99,855	\$ 237,439	\$ 771,674	\$ 531,757	\$ 147,549	\$ 47,500	\$ 895,716	\$ 5,036,658	\$ 4,731,423
EXPENSES												
Salaries and Wages	\$ 110,643	\$ 498,484	\$ 388,455	\$ 34,025	\$ 95,959	\$ 121,473	\$ 283,580	\$ 60,726	\$ 23,520	\$ 663,601	\$ 2,280,466	\$ 2,242,452
Pension	3,025	10,380	8,150	801	734	2,974	5,369	---	549	12,713	44,695	13,571
Employee Benefits	2,036	45,369	11,407	109	164	10,244	21,298	6,511	---	39,977	137,115	185,833
Payroll Taxes	14,237	86,714	84,568	9,554	12,836	20,591	33,408	12,803	2,837	80,775	358,323	382,238
Professional Fees and Contracted Services	8,412	36,590	1,757	4,905	1,083	7,828	3,326	23,534	7,462	107,130	202,027	227,116
Office Supplies	5,374	1,466	241	354	63	97	3,797	656	765	15,257	28,070	43,969
Program Supplies	9,119	11,545	168,886	11,850	4,305	---	418	1	11	62,478	268,613	294,902
Food	29,256	52	---	---	6,088	---	5,708	46	---	13,125	54,275	43,129
Uniforms	---	(15)	378	---	---	---	---	788	---	2,478	3,629	4,906
Telephone	4,422	6,469	4,501	421	---	---	3,780	323	---	10,533	30,449	28,486
Internet Expense	290	660	20	29	---	---	---	8	---	837	1,844	2,129
Postage	63	1,335	57	85	---	---	1,532	15	---	1,515	4,602	4,897
Printing and Publications	3,030	131	8	12	---	---	1,116	7	7	1,964	6,275	5,306
Occupancy	20,293	56,518	2,220	3,243	---	---	19,165	791	5,604	94,270	202,104	131,934
Subcontractors	---	37,780	329,475	22,901	---	---	---	---	---	63	390,219	279,435
Tool Expense	---	685	5,816	392	---	---	---	291	---	218	7,402	45,215
Equipment Rental and Maintenance	2,280	4,356	295	269	---	---	666	97	12	4,604	12,579	11,502
Depreciation Expense	---	---	---	---	---	---	---	---	---	38,421	38,421	41,090
Travel	2,229	2,075	2,344	50	---	442	6,761	648	439	14,637	29,625	19,132
Vehicle Expense	1,780	36,933	27,292	4,541	---	12,973	4	777	1	7,146	91,447	87,872
Field Trip Expense	530	---	---	---	4,273	---	360	---	---	21,739	26,902	25,327
Interest Expense	---	757	1,329	---	---	5,483	---	---	---	11,956	19,525	12,236
Insurance	4,460	19,402	11,277	2,173	---	5,002	1,693	2,023	47	9,300	55,377	37,703
Dues and Subscriptions	125	80	22	5	---	---	---	---	---	7,869	8,101	7,850
Training	869	7,950	3,345	---	---	---	235	7,440	---	851	20,690	24,505
Licenses and Fees	2,707	6,514	3,695	975	141	25	42	804	---	6,178	21,081	20,829
Advertising	---	---	---	---	---	---	---	---	---	889	889	4,234
Bank Charges	4	222	1,157	---	---	19	1	---	---	1,922	3,325	3,950
Non-Capitalized Equipment	1,585	---	100	---	---	---	172	---	50	7,052	8,959	25,197
Administrative	33,911	46,338	11,602	9,201	18,944	24,308	58,865	17,752	6,196	(227,817)	(700)	(3,210)
Cost of Properties Sold	---	---	---	---	---	476,491	---	---	---	---	476,491	514,598
Cost of Properties in Progress	---	---	---	---	---	6,306	---	---	---	---	6,306	---
Operation Impact	---	---	---	---	---	---	---	---	---	31,934	31,934	59,816
Participant Workshops	24	1,977	(74)	---	---	---	---	---	---	---	1,927	1,116
Inventory Adjustments	---	---	---	---	---	---	---	---	---	725	725	(3,724)
In-Kind Expenses	12,555	---	---	---	---	---	---	---	---	7,596	20,151	---
Other Expenses	(330)	853	852	24	12	---	---	60	---	5,526	6,997	4,052
Total Expenses	\$ 272,929	\$ 921,620	\$ 1,069,175	\$ 105,919	\$ 144,602	\$ 694,256	\$ 451,296	\$ 136,101	\$ 47,500	\$ 1,057,462	\$ 4,900,860	\$ 4,829,593
CHANGE IN ASSETS	\$ 41,325	\$ 9,002	\$ (8,883)	\$ (6,064)	\$ 92,837	\$ 77,418	\$ 80,461	\$ 11,448	\$ ---	\$ (161,746)	\$ 135,798	\$ (98,170)
Change in Inventory		\$ (10,609)									\$ (10,609)	\$ 10,338

MILWAUKEE CHRISTIAN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ State ID	Expenditures	Total
FEDERAL EXPENDITURES				
U.S. Department of Housing and Urban Development				
City of Milwaukee - Community Development Block Grant				
Community Development Block Grants/Entitlement Grants	14.218	---	\$ 439,169	
Community Development Block Grants/Entitlement Grants - ARRA	14.253	---	158,605	
City of Milwaukee - Community Development Block Grant - Adult Build				
Community Development Block Grants/Entitlement Grants	14.218	---	100,000	
City of Milwaukee - Community Development Block Grant - RAMP (HAP)				
Community Development Block Grants/Entitlement Grants	14.218	---	99,855	
City of Milwaukee - Community Development Block Grant - Fresh Start				
Community Development Block Grants/Entitlement Grants	14.218	---	67,309	
Milwaukee County - Community Development Block Grant				
Community Development Block Grants/Entitlement Grants	14.218	---	13,860	
Safe and Sound, Inc. - Safe Place				
Community Development Block Grants/Entitlement Grants	14.218	---	20,000	
Total CDBG Entitlement Grant Cluster				\$ 898,798
City of Milwaukee - HOME				
Home Investment Partnerships Program	14.239	---	\$ 970,399	
City of Milwaukee - HOME - Fresh Start				
Home Investment Partnerships Program	14.239	---	288,799	
City of Milwaukee - CHDO				
Home Investment Partnerships Program	14.239	---	89,893	
Total CFDA #14.239				1,349,091
Local Initiatives Support Corporation				
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	---		38,228
Total U.S. Department of Housing and Urban Development				\$ 2,286,117
U.S. Department of Justice				
Milwaukee County Department on Health and Human Services - First Time Juvenile Offender Program				
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	---		\$ 16,395
Milwaukee Public Schools - Summer Stars				
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	---		2,250
Total U.S. Department of Justice				\$ 18,645
U.S. Department of Labor				
Milwaukee Area Workforce Investment Board				
WIA Adult Program	17.255	---		\$ 45,651
Milwaukee Area Workforce Investment Board				
Civic Justice				
WIA Pilots, Demonstrations, and Research Projects	17.261	---		10,308
Milwaukee Area Workforce Investment Board				
Youthbuild	17.274	---		36,365
City of Milwaukee - Community Development Block Grant - Pathways				
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	17.275	---		91,805
Total U.S. Department of Labor				\$ 184,129
U.S. Department of Health and Human Services				
Milwaukee County Department on Aging - Nutrition Site Supervision				
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	560350		\$ 40,000
Social Services Block Grant	93.667	435.561		1,626

The accompanying note is an integral part of this schedule.

MILWAUKEE CHRISTIAN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ State ID	Expenditures	Total
Milwaukee County Department on Health and Human Services - First Time Juvenile Offender Program				
Stephanie Tubbs Jones Child Welfare Services Program	93.645	---		55
Foster Care Title IV-E - ARRA	93.658	---		55
United Migrant Opportunity Services/UMOS Inc. - Neighborhood Ambassador Program				
Community Services Block Grant	93.569	---		24,620
State of Wisconsin Department of Workforce Development - State Refugee Grant				
Refugee and Entrant Assistance Discretionary Grants	93.576	1570		47,500
Milwaukee County Department on Aging - Outreach SE Asian Elderly Temporary Assistance for Needy Families	93.558	435.561	\$ 831	
Milwaukee Area Workforce Investment Board - Transitional Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program - ARRA	93.714	---	13,200	
United Migrant Opportunity Services/UMOS Inc. - U-Step Transitional Jobs Program				
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program - ARRA	93.714	---	32,762	
Total TANF Cluster				46,793
Milwaukee County Department on Aging - CMU Service Contract Medical Assistance Program	93.778	435.564		256,709
Community Advocates, Inc. - Brighter Futures Block Grants for Prevention and Treatment of Substance Abuse	93.959	---		75,000
U.S. Corporation for National and Community Service Wisconsin National and Community Service Board - AmeriCorps AmeriCorps - ARRA	94.006	---		163,740
U.S. Department of Homeland Security Hunger Task Force				
Emergency Food and Shelter National Board Program - ARRA	97.024	---		7,199
Total U.S Department of Health and Human Services				<u>\$ 663,297</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 3,152,188</u>
STATE EXPENDITURES				
State of Wisconsin -				
Milwaukee County Department on Aging -				
Outreach SE Asian Elderly		435.560510	\$	20,000
Outreach SE Asian Elderly		435.561		11,622
Care Management Unit		435.564		167,393
Milwaukee County Department of Health and Human Services - Delinquency and Court Services				
First Time Juvenile Offender Program		410.313		5,398
First Time Juvenile Offender Program		301.263		155,891
TOTAL STATE EXPENDITURES				<u>\$ 360,304</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, 2011

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 applicable state of Wisconsin audit guides. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 Applicable State of Wisconsin Audit Guides

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

We have audited the financial statements of Milwaukee Christian Center, Inc. and Affiliates as of and for the year ended December 31, 2011, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with applicable State of Wisconsin audit guides.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Milwaukee Christian Center, Inc. and Affiliates' 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control 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 Milwaukee Christian Center, Inc. and Affiliates' 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 in accordance with applicable State of Wisconsin audit guides.

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

We noted certain matters that we reported to management of Milwaukee Christian Center, Inc. and Affiliates in a separate letter dated June 25, 2012.

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.

A handwritten signature in black ink, appearing to read "Ritz Holman" followed by a stylized "CPA" or similar initials.

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
June 25, 2012

Report on Compliance With Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

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

Compliance

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

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, Milwaukee Christian Center, Inc. and Affiliates did not comply with requirements regarding allowable costs/cost principles that are applicable to its Community Development Block Grants, Home Investment Partnerships Program and Refugee and Entrant Assistance Programs. Compliance with such requirements is necessary, in our opinion, for Milwaukee Christian Center, Inc. and Affiliates to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Milwaukee Christian Center, Inc. and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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

Internal Control Over Compliance

Management of Milwaukee Christian Center, Inc. and Affiliates 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 Milwaukee Christian Center, Inc. and Affiliates' 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 control over compliance. Accordingly, we do not express an opinion on the effectiveness of Milwaukee Christian Center, Inc. and Affiliates' 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-1. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Milwaukee Christian Center, Inc. and Affiliates' responses 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. and Affiliates' responses and, accordingly, we express no opinion on the responses.

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 LLP
Certified Public Accountants

Milwaukee, Wisconsin
June 25, 2012

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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? | No |
| b. Significant deficiencies identified? | 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? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Qualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 7. Identification of major programs: | <u>CFDA No.</u> |
| CDBG Entitlement Grants Cluster | 14.218, 14.253 |
| Home Investment Partnerships Program | 14.239 |
| Refugee and Entrant Assistance - Discretionary Grants | 93.576 |
| 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, 2011**

B. FINANCIAL STATEMENT FINDINGS

No matters were reported.

C. FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

Item 2011-1 Allowable Costs/Cost Principles

U.S. Department of Housing and Urban Development

City of Milwaukee

CFDA #14.218 - Community Development Block Grants/Entitlement

CFDA #14.253 - Community Development Block Grants/Entitlement Grants - ARRA

CFDA #14.239 - Home Investment Partnerships Program

U.S. Department of Health and Human Services

Wisconsin Department of Children and Families

CFDA #93.576 - Refugee and Entrant Assistance-Discretionary Grants

Statement of Condition:

The Organization allocated its costs using its initial allocation plan that was prepared for the City of Milwaukee. Subsequently, the cost allocation plan was amended and approved by the City of Milwaukee which was based on budgeted Full-Time Equivalents (FTE). The Organization allocated costs throughout the year on the initial allocation plan that the Organization sent to the City that was based on budgeted FTEs and not on actual FTEs for each period.

Criteria:

Federal and State regulations require use of actual numbers to allocate expenses.

Effect:

The costs allocated to government grants may have been different had the Organization used the actual, after-the-fact FTEs and grantors could deny payment.

Cause:

The Organization allocated expenses based on budgeted FTEs.

Recommendation:

The Organization should base its allocation plan on actual FTEs rather than budgeted FTEs.

Management Response:

While we understand that it would be optimal to have a budget in place in the beginning of the year, in 2011 this was not possible. We prepared a budget for 2011 in December of 2010; however it was not submitted to the city because the city and other funding sources had not determined the amount of funding for certain programs i.e. Adultbuild. We did not receive the final budgets for Adultbuild until October of 2011 yet it was retroactive to January 1, 2011. In the meantime, a number of other grants had closed during the course of the year and could not be reopened. i.e. United Way, MAWIB. The process of reopening a grant that has been closed with a funding source is complex. Analysis of previous levels that were charged to the contracts in 2010 indicated that similar levels would have been submitted in 2011. Any determination of overcharging a contract could have been offset by additional programmatic and administrative costs. We have been fortunate that all programs levels were known for 2012 and the Cost Allocation process has already been approved. It is the city's policy that the approved budget be used throughout the contract year. We will make all efforts in the future to allocate based on actual expenses.

**MILWAUKEE CHRISTIAN CENTER, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

D. OTHER ISSUES (continued)

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, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with applicable State of Wisconsin audit guides?

Department of Children and Families	Yes
Department of Health Services	Yes
Department of Workforce Development	N/A
Department of Corrections	N/A

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 25, 2012