



STATE OF INDIANA
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January 21, 2010

Board of Directors
Echo Housing Corporation
414 Baker Ave.
Evansville, IN 47710

We have reviewed the audit report prepared by Timothy J. Otte CPA, PC, Independent Public Accountant, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Echo Housing Corporation, as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

Timothy J.  Otte CPA, PC

ECHO HOUSING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
ECHO Housing Corporation

We have audited the accompanying consolidated statements of financial position of ECHO Housing Corporation (a nonprofit organization) and its subsidiary as of December 31, 2008 and 2007 and the related statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ECHO Housing Corporation and its subsidiary as of December 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Timothy J. Otte, C.P.A., P.C.

Timothy J Otte CPA PC

August 14, 2009

ECHO HOUSING CORPORATION

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Consolidated Notes to Financial Statements	6-9

ECHO Housing Corporation
Consolidated Statement of Financial Position
December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and equivalents	\$ 243,330	\$ 95,978
Accounts receivable	18,259	18,843
Property tax receivable	-	9,150
Grants receivable	20,785	33,335
Total current assets	<u>282,374</u>	<u>157,307</u>
Property and Equipment- Net	<u>1,185,673</u>	<u>1,680,013</u>
Other		
Investment- Lucas Place LLC	860,821	860,821
Notes receivable- Lucas Place LLC	1,047,966	988,647
Deposits	77	77
Total other	<u>1,908,863</u>	<u>1,849,545</u>
Total Assets	<u>\$ 3,376,910</u>	<u>\$ 3,686,865</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued expenses	\$ 14,921	\$ 3,559
Security deposits	6,300	6,800
Line of credit	-	106,775
Grants Payable- Lucas Place LLC	140,082	118,424
Current maturities of long-term debt	18,283	25,202
Total current liabilities	<u>179,586</u>	<u>260,760</u>
Long-Term Liabilities	<u>135,489</u>	<u>237,626</u>
Net Assets- unrestricted	<u>3,061,834</u>	<u>3,188,479</u>
Total Liabilities and Net Assets	<u>\$ 3,376,910</u>	<u>\$ 3,686,865</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Activities
For the Years Ended December 31, 2008 and 2007

UNRESTRICTED NET ASSETS

	<u>2008</u>	<u>2007</u>
Support and Revenue		
Federal financial assistance grants	\$ 180,680	\$ 210,964
Nonfederal financial assistance grants	-	12,500
Contributions	672	919
Interest income	59,573	56,187
Rent	152,412	164,160
Gain or (Loss) on Disposition of Properties	(26,672)	-
Property tax refund	20,338	10,231
Insurance proceeds	-	5,230
Other	3,156	16,056
Total support and revenue	<u>390,159</u>	<u>476,246</u>
Expenses		
Program Services	449,636	406,108
Supporting Services	57,167	56,464
Total expenses	<u>506,804</u>	<u>462,572</u>
Change in Net Assets	(116,645)	13,674
Net Assets- Beginning of Year	3,188,479	3,174,805
Prior Period Adjustment	<u>(10,000)</u>	<u>-</u>
Net Assets- End of Year	<u>\$ 3,061,834</u>	<u>\$3,188,479</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Functional Expenses
For the Years Ended December 31, 2008 and 2007

	Program Services	Supporting Services	2008 Total	2007 Total
Advertising	\$ 475	\$ -	\$ 475	\$ 495
Bad Debts	21,848	-	21,848	-
Depreciation	53,990	2,187	56,177	56,319
Grants	92,373	-	92,373	82,504
Insurance	23,043	3,266	26,309	20,228
Interest	25,294	-	25,294	25,385
Miscellaneous	2,165	2,178	4,342	3,258
Office supplies	2,084	4,220	6,305	3,351
Pension expense	-	1,364	1,364	308
Professional fees	-	15,055	15,055	20,542
Property Taxes	3,002	-	3,002	31,576
Rent	2,298	-	2,298	-
Repairs & maintenance	65,265	-	65,265	42,336
Supplies	1,592	1,562	3,154	10,386
Telephone	-	4,958	4,958	4,918
Travel & training	-	6,599	6,599	2,738
Utilities	15,875	-	15,875	9,524
Wages, taxes, & benefits	140,332	15,777	156,109	148,706
	<u>\$ 449,636</u>	<u>\$ 57,167</u>	<u>\$ 506,804</u>	<u>\$ 462,572</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ (116,645)	\$ 13,674
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	56,178	56,319
(Increase) decrease in receivables	22,284	(22,810)
Increase (decrease) in accounts payable	33,020	28,838
Increase (decrease) in accrued liabilities	(500)	(2,500)
(Gain) or Loss on dispositions	(13,841)	-
Prior period adjustments	10,000	-
Total adjustments	<u>107,141</u>	<u>59,847</u>
Net cash provided (used) by operating activities	(9,504)	73,521
Cash flow from investing activities:		
Cash payments for the purchase of property	(57,994)	(51,486)
Proceeds from sales	490,000	-
Notes receivable	(59,319)	(55,961)
Net cash provided (used) by investing activities	<u>372,687</u>	<u>(107,447)</u>
Cash flow from financing activities:		
Proceeds from Long-Term borrowings	-	-
Line of credit	(106,775)	106,775
Reduction of long-term debt	(109,056)	(27,914)
Net cash provided (used) by financing activities	<u>(215,831)</u>	<u>78,861</u>
Net increase (decrease) in cash and equivalents	147,352	44,935
Cash and equivalents, beginning of year	<u>95,978</u>	<u>51,043</u>
Cash and equivalents, end of year	<u><u>\$ 243,330</u></u>	<u><u>\$ 95,978</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 25,294	\$ 25,385

See notes to financial statements

**ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission- To acquire, rehabilitate and/or develop property for the purpose of providing homeless, near homeless, and other low income families with decent, safe, energy efficient, and affordable housing helping our clients move towards stabilization and self-sufficiency.

Principles of Consolidation- The consolidated financial statements include the account of ECHO Housing Corporation and its wholly owned subsidiary, ECHO Development Corporation. All material interorganization transactions have been eliminated.

Use of 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 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.

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

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 Association 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. The accompanying financial statements include the assets, liabilities, net assets and financial activities maintained by and directly under the administration of the ECHO Housing Corporation.

Income Taxes- The Organization is exempt from taxation under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Cash and Cash Equivalents- All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Functional Allocation of Expenses- The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among program and supporting services.

Economic Dependency- During the year ended December 31, 2008 and 2007, the Organization received 46% and 47% of its support from grant sources, respectively.

ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

Accounts Receivable- Accounts receivable at December 31, 2008 and 2007 consist of amounts due from tenants. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debts expense. An allowance for doubtful accounts was not considered necessary at December 31, 2008 and 2007.

Grants Receivable- Grants receivable at December 31, 2008 and 2007 consist of government grants.

Property and Equipment- Property and equipment are valued at cost or when appropriate by the fair market value at the time of acquisition. When property is donated or purchased at less than fair market value, appraisals are used or the value is determined based on prior knowledge by the board of directors. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$500. Depreciation is computed on the straight-line method. Maintenance and repairs are charged to operations when incurred.

At December 31, 2008 and 2007, the costs and related accumulated depreciation of Property and Equipment consisted of the following:

	<u>2008</u>	<u>2007</u>
Land & Building	\$ 1,583,300	\$ 2,204,922
Office Equipment & Fixtures	9,028	9,028
Playground Equipment	<u>7,506</u>	<u>7,506</u>
Total Cost	<u>1,599,834</u>	<u>2,221,456</u>
Less Accumulated Depreciation	<u>(414,161)</u>	<u>(541,443)</u>
Net Carrying Value	<u>\$ 1,185,673</u>	<u>\$ 1,680,013</u>

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in the total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation’s financial statements for the year ended December 31, 2007, from which the summarized information was derived.

NOTE 2- RELATED PARTY TRANSACTIONS

The management of the Organization also serves the same capacity for two other organizations, which are the ECHO Development Corporation and the Lucas Place LLC.

ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

NOTE 3- LONG-TERM DEBT

The Organization's obligation at December 31, 2008 and 2007 under notes payable consists of the following:

	2008	2007
7.5% note payable due in 35 monthly installments of \$ 906, including interest, beginning April 30, 2002 and then 185 monthly installments of \$862, including interest, beginning March 30, 2005 with a variable rate subject to index changes. Final payment due July 30, 2020, secured by real estate and assignment of rents.	\$ 80,071	\$ 84,950
Notes payable due in monthly installments of \$1,544, with a variable rate (0.5% over the bank's prime, with an interest floor of 6.0%, and with a interest rate ceiling of 10.5%, with an initial rate of 9.0%). Final payment due May 21, 2017, secured by real estate.	-	90,592
Notes payable due in 59 monthly installments of \$633, including interest at 7.0%, secured by real estate, with a balloon payment of \$55,563 due on August 8, 2010.	59,100	63,378
Notes payable due in 59 monthly installments of \$897, including interest at 7.3%, secured by real estate, with the final payment due June 9, 2010.	<u>14,602</u>	<u>23,908</u>
	153,772	262,828
Less current portion	<u>(18,283)</u>	<u>(25,202)</u>
Long-term debt	<u>\$ 135,489</u>	<u>\$ 237,626</u>

The future scheduled maturities of long-term debt are as follows:

Years ending December 31,	
2009	\$ 18,283
2010	65,165
2011	5,416
2012	5,814
2013	6,242
Thereafter	<u>52,853</u>
	<u>\$ 153,772</u>

**ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007**

NOTE 4- RETIREMENT PLAN

The Organization has a 403 (B) Voluntary Participation Retirement Plan. Employer contributions of \$1,364 and \$308 were made for 2008 and 2007, respectively.

NOTE 5- NOTES RECEIVABLE

At December 31, 2008, the Organization had provided a total loan of \$1,048,966 including \$390,459 in accrued interest in the rehabilitation of Lucas Place LLC. Interest is accrued at 6% per year. This note was created as part of the low-income housing tax credit project. No payments are due until the credit compliance period has ended.

NOTE 6- INVESTMENT

ECHO Development Corporation has a 0.1% interest in a general partnership joint venture (Lucas Place, LLC) formed to utilize low-income tax credits, which is accounted for using the cost method. Investments consisting of \$860,821 represent capital contributions.

NOTE 7- RENTAL HOUSING

The Organization has thirty three units that are leased to low-income families that meet income guidelines and have an acceptable rental or housing history. Applications are processed in the order received, which may involve a waiting list. Renewable one-year leases are available for these properties provided the family remains income eligible and abides by the terms of the lease.

NOTE 8- LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit, of which \$43,225 was unused at December 31, 2007. Interest is payable monthly and carries a variable interest rate equal to 1% above the bank's prime rate. The credit line is secured by real estate. The line of credit was not renewed in 2008.

NOTE 9- PRIOR PERIOD ADJUSTMENT

A previously reported expenditure related to an option to purchase agreement to sell real estate was discovered during the current year. Accordingly, an adjustment of \$10,000 was made during 2008 to decrease net assets and increase selling expenses.