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February 3, 2010

Board of Directors  
Community Homebuyers Corporation  
227 W. Jefferson Blvd., Ste. 1200 S.  
South Bend, IN 46601

We have reviewed the audit report prepared by Christine A. Lauber, CPA, Independent Public Accountant, for the period January 1, 2007 to December 31, 2007. 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 Community Homebuyers Corporation, as of December 31, 2007, 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



# COMMUNITY HOMEBUYERS CORPORATION

## FINANCIAL STATEMENTS

December 31, 2007 and 2006

COMMUNITY HOMEBUYERS CORPORATION, INC.

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CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

Independent Auditor's Report

To the Board of Directors  
Community Homebuyers Corporation, Inc.  
South Bend, IN

I have audited the accompanying statement of financial position of the Community Homebuyers Corporation, Inc. as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Homebuyers Corporation, Inc. as of December 31, 2007 and 2006, and its changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

July 15, 2008

**COMMUNITY HOMEBUYERS CORPORATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash, unrestricted	\$ 94,143	\$ 90,110
Cash, restricted	3,708	12
Cash in escrow	11,836	13,199
Receivables	88,629	112,452
CHC CDBG forgivable loans	1,050,035	1,046,724
Reserve for forgivable loans	(1,050,035)	(1,046,724)
CHC loans	58,000	104,500
	256,315	320,273
<b>TOTAL ASSETS</b>	<b>\$ 256,315</b>	<b>\$ 320,273</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 59	\$ 287
Loan closing costs	600	350
Line of credit	58,000	104,500
Escrow deposits	11,835	13,199
Accrued expenses	4,577	4,587
Other current liabilities	3,705	3,000
	78,775	125,922
<b>TOTAL CURRENT LIABILITIES</b>	<b>78,775</b>	<b>125,922</b>
<b>Net assets</b>		
Unrestricted net assets	173,832	194,339
Temporarily restricted net assets	3,708	12
	177,540	194,351
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 256,315</b>	<b>\$ 320,273</b>

**COMMUNITY HOMEBUYERS CORPORATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the years ended December 31, 2007 and 2006**

	2007		2006		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
<b>REVENUES AND OTHER SUPPORT</b>					
South Bend CDBG funds	\$ -	\$ 239,895	\$ -	\$ 244,981	\$ 244,981
Servicing Fees	23,303	-	22,297	-	22,297
Mortgage loan interest	7,235	-	7,726	-	7,726
Origination fee revenue	21,212	-	25,863	-	25,863
Document preparation fee	3,800	-	4,600	-	4,600
Interest income	8	-	12	-	12
Pre-approved fee	1,400	-	1,450	-	1,450
Miscellaneous income	3,164	-	-	-	-
Net assets released from restrictions	236,199	(236,199)	251,632	(251,632)	-
<b>TOTAL REVENUES</b>	<b>296,321</b>	<b>3,696</b>	<b>313,580</b>	<b>(6,651)</b>	<b>306,929</b>
<b>EXPENSES</b>					
Legal fees expense	4,053	-	3,314	-	3,314
Computer supplies expense	397	-	689	-	689
Audit and tax expense	4,225	-	4,625	-	4,625
Interest expense	8,788	-	7,320	-	7,320
Investment expense	2	-	12	-	12
Advertising expense	-	-	264	-	264
Debt forgiveness expense	239,895	-	244,981	-	244,981
Program administration expense	58,824	-	58,824	-	58,824
Bank service charge expense	425	-	268	-	268
Miscellaneous expense	219	-	115	-	115
<b>TOTAL EXPENSES</b>	<b>316,828</b>	<b>-</b>	<b>320,412</b>	<b>-</b>	<b>320,412</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>194,339</b>	<b>12</b>	<b>201,171</b>	<b>6,663</b>	<b>207,834</b>
<b>CHANGE IN NET ASSETS</b>	<b>(20,507)</b>	<b>3,696</b>	<b>(6,832)</b>	<b>(6,651)</b>	<b>(13,483)</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 173,832</b>	<b>\$ 3,708</b>	<b>\$ 194,339</b>	<b>\$ 12</b>	<b>\$ 194,351</b>

**COMMUNITY HOMEBUYERS CORPORATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (16,811)	\$ (13,483)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in current liabilities	2,581	(4,950)
(Increase) decrease in accounts receivable	23,824	(97,497)
(Increase) decrease in notes receivable	46,500	(104,500)
Increase (decrease) in accounts payable	(228)	287
Total adjustments	72,677	(206,660)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>55,866</b>	<b>(220,143)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from line of credit	(46,500)	104,500
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(46,500)</b>	<b>104,500</b>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	9,366	(115,643)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<b>103,321</b>	<b>218,964</b>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 112,687</b>	<b>\$ 103,321</b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during the year for:		
Interest expense	\$ 8,788	\$ 7,320

**COMMUNITY HOMEBUYERS CORPORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1      Nature of activities and summary of significant accounting policies**

**Nature of activities**

The Community Homebuyers Corporation, Inc. (CHC) is an Indiana not-for-profit corporation organized under the laws of the State of Indiana. The mission of CHC is to provide affordable housing opportunities to low and moderate-income residents of St. Joseph County with emphasis upon providing housing opportunities in neighborhoods considered at housing risk.

Eligible borrowers must live within St. Joseph County, and their household income may not exceed 120% of median as adjusted for household size. Funding of the Organization's program comes from both private and public resources.

**Significant accounting policies**

**Income tax status**

CHC operates as a not-for-profit corporation under the Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana tax law, which provides exemption from federal and state income taxes.

**Basis of accounting**

The financial statements of Community Homebuyers Corporation, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The preparation of financial statements in conformity with generally accepted accounting principles also requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure notes at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Basis of presentation**

Financial statement presentations follow 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.

**COMMUNITY HOMEBUYERS CORPORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1**      **Continued**

**Restricted and unrestricted revenue and support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

**Cash and cash equivalents**

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The restricted cash disclosed on the statement of position represents escrow amounts and program income, required to be segregated.

**Allowance for doubtful accounts**

In the opinion of management, substantially all accounts receivable are collectible in full, therefore no allowance for doubtful accounts is provided. The Company directly expenses any charge-offs.

**Property and equipment**

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the useful lives of the assets.

**COMMUNITY HOMEBUYERS CORPORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2      Line of credit**

Community Homebuyers Corporation, Inc. has a line of credit with a maximum limit of \$500,000. The line of credit carries an interest rate at prime. The rate at December 31, 2007 and 2006 was 8.25% and 7.25% respectively. The Organization uses the line of credit to provide mortgages. Community Homebuyers Corporation, Inc. owns the loans until they are sold to investors. The Organization receives interest on each mortgage until it is sold.

	<u>2007</u>	<u>2006</u>
The outstanding balance at December 31 was:	\$ 58,000	\$ 104,500

**Note 3      Administration agreement and contributed services**

The Organization has entered into an agreement with the City of South Bend, wherein the City provides administrative, business, and personnel services along with office space, furniture and fixtures to the Organization.

	<u>2007</u>	<u>2006</u>
The charges for these services and facilities were:	\$ 58,824	\$ 58,824

**Note 4      Community Development Block Grant Loan/Grant Program**

This program is for individuals whose gross income does not exceed 80% of the median. The program offers qualified individuals an 80% - 95% traditional CHC first mortgage combined with a Community Development Block Grant (CDBG) loan. If an individual attends six post-purchase counseling sessions in the first twelve months and after twelve consecutive months of successful payment history within the first five years of the mortgage, the CDBG loan will be forgiven at a rate of 1/60 per month. The program remains in effect as long as the borrower remains the occupant of the home and is not in default on the first mortgage. Funds for this program are provided by the City of South Bend and the City of Mishawaka.

	<u>2007</u>	<u>2006</u>
The CDBG loan/grant program advances were:	\$ 239,895	\$ 244,981

**COMMUNITY HOMEBUYERS CORPORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5**            **Concentrations of risk**

The Organization receives a noteworthy amount of its support from federal, state and local governments, its ability to function would be jeopardized if the current levels of support were reduced.

In addition to the above concentration, the cash accounts of Community Homebuyers Corporation, Inc. are on deposit at one banking institution. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for a maximum of \$100,000. Although the Organization has not experienced any losses on the accounts, the balances may exceed the FDIC insured limits.

The Organization is located in the City of South Bend; therefore its programs will be directly affected by local economic conditions in the City of South Bend.

**Note 6**            **Contingencies**

Loans are pooled and sold to Fannie Mae periodically as the portfolio grows. Two pools of loans were securitized “with recourse”. Should the debtor default on the loan, the balance would have to be paid back to Fannie Mae. The balance in the pools is \$ 540,258 for the first securitization and \$ 761,720 for the third securitization.

The participating banks bear the liability for these pools, not the Organization. However, the Organization will initially repay the debt to Fannie Mae and complete any repairs necessary to prepare the property for sale. The participating banks will reimburse the Organization once the sale is complete. This creates a potential cash flow problem for the Organization, but ultimately it is not the Organization’s liability.

**Note 7**            **Statement of functional expense**

The Organization has one program with expenses related exclusively to that program. Accordingly, no statement of functional expense has been issued as this information is reflected in the statement of activities.

**Note 8**            **Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
South Bend CDBG loan/grant program:	\$ 3,708	\$ 12



# CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

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Christine A. Lauber, CPA  
Michele L. Lorah  
Chad J. McDonald  
Beth A. Santana  
Peter W. Schubert

June 25, 2008

To the Board of Directors  
Community Homebuyers Corporation, Inc.  
South Bend, IN

In planning and performing my audit of the financial statements of Community Homebuyers Corporation, Inc., for the years ended December 31, 2007 and 2006, I considered the Organization's internal control structure to plan my auditing procedures and not to provide assurance on internal control.

My comments and recommendations are intended to improve and enhance operational efficiencies and are presented for your consideration. This letter does not affect my report, dated July 15, 2008, on the financial statements of the Community Homebuyers Corporation, Inc.

## Operating losses

You have had four consecutive years of operating losses totaling \$77,403. The main reason is you have not reached the budgeted loan closings and each year you fall farther short of your goal. The annual budget is set at just about breakeven. The budget was set anticipating 32 loan closings; you reached 60% of that goal with 19 closings. I suggest employing a more aggressive advertising campaign; it may not be enough to rely on referrals from lenders.

You may consider partnering up with the Center for the Homeless, Hope Rescue Mission or the YWCA. They may have residents close to leaving the facilities who will remember your program when preparing for home ownership.

I wish to commend the Board of Directors for their efforts in addressing issues brought about by my recommendations and their dedication to Community Homebuyers Corporation, Inc. It is very rewarding to see a board so involved in its organization and the commitment to its success. I would like to thank the accounting staff for their support and assistance during the audit.

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

Very truly yours,

Christine A Lauber



# CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

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Christine A. Lauber, CPA  
Michele L. Lorah  
Chad J. McDonald  
Beth A. Santana  
Peter W. Schubert

To the Board of Directors  
Community Homebuyers Corporation, Inc.  
South Bend, IN

I have audited the financial statements of Community Homebuyers Corporation, Inc. for the years ended December 31, 2007 and 2006, and have issued my report thereon dated July 15, 2008. Professional standards require that I provide you with the following information related to my audit.

## **My Responsibility under Professional Standards**

As stated in the engagement letter, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by me.

As part of my audit, I considered the Organization's internal control. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

## **Significant accounting policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of the engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements.

I noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There are currently no sensitive estimates affecting the financial statements of Community Homebuyers Corporation, Inc.

### **Significant audit adjustments**

For purposes, of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me, but not recorded by the Organization that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. There are no proposed material audit adjustments relating to the financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

### **Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

**Issues discussed prior to retention**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor.

This information is intended solely for the use of the Board of Directors and management of Community Homebuyers Corporation, Inc. and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "C. A. Lauber", written over a horizontal line.

June 24, 2008