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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 13, 2013

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

We have reviewed the audit report prepared by Timothy J. Otte CPA, PC, Independent Public Accountant, for the period January 1, 2009 to December 31, 2009. 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, 2009, 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, 2009 and 2008

4266 Bell Road, Suite II • P.O. Box 308 • Newburgh IN. 47629
Phone: 812.490.8600 • Fax: 812.490.8601

Member of American Institute of Certified Public Accountants

ECHO HOUSING CORPORATION

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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, 2009 and 2008 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, 2009 and 2008 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

September 10, 2010

ECHO Housing Corporation
Consolidated Statement of Financial Position
December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and equivalents	\$ 26,682	\$ 243,330
Accounts receivable	19,206	18,259
Grants receivable	17,485	20,785
Total current assets	<u>63,373</u>	<u>282,374</u>
Property and Equipment- Net	<u>1,350,503</u>	<u>1,185,673</u>
Other		
Investment- Lucas Place LLC	860,821	860,821
Notes receivable- Lucas Place LLC	1,110,844	1,047,966
Deposits	77	77
Total other	<u>1,971,741</u>	<u>1,908,863</u>
Total Assets	<u>\$ 3,385,617</u>	<u>\$ 3,376,910</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued expenses	\$ 11,407	\$ 14,921
Security deposits	5,850	6,300
Line of credit	25,518	-
Grants Payable- Lucas Place LLC	88,506	140,082
Current maturities of long-term debt	66,346	18,283
Total current liabilities	<u>197,627</u>	<u>179,586</u>
Long-Term Liabilities	<u>69,798</u>	<u>135,489</u>
Net Assets- unrestricted	<u>3,118,192</u>	<u>3,061,834</u>
Total Liabilities and Net Assets	<u>\$ 3,385,617</u>	<u>\$ 3,376,910</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Activities
For the Years Ended December 31, 2009 and 2008

UNRESTRICTED NET ASSETS

	<u>2009</u>	<u>2008</u>
Support and Revenue		
Federal financial assistance grants	\$ 434,591	\$ 180,680
Contributions	21,678	672
Interest income	64,141	59,573
Rent	151,208	152,412
Gain or (Loss) on Disposition of Assets	(1,136)	(26,672)
Property tax refund	-	20,338
Service Fees	15,640	-
Insurance proceeds	18,446	-
Other	2,409	3,156
Total support and revenue	<u>706,978</u>	<u>390,159</u>
Expenses		
Program Services	578,500	449,636
Supporting Services	72,120	57,167
Total expenses	<u>650,620</u>	<u>506,804</u>
Change in Net Assets	56,358	(116,645)
Net Assets- Beginning of Year	3,061,834	3,188,479
Prior Period Adjustment	<u>-</u>	<u>(10,000)</u>
Net Assets- End of Year	<u>\$ 3,118,192</u>	<u>\$3,061,834</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Functional Expenses
For the Years Ended December 31, 2009 and 2008

	Program Services	Supporting Services	2009 Total
Advertising	\$ 484	\$ -	\$ 484
Bad Debts	17,777	-	17,777
Depreciation	42,348	1,887	44,235
Grants	78,734	-	78,734
Insurance	33,459	3,154	36,612
Interest	12,542	-	12,542
Miscellaneous	2,862	7,013	9,876
Office supplies	13,362	4,288	17,650
Pension expense	-	948	948
Professional fees	1,169	12,732	13,901
Rent	66,010	-	66,010
Repairs & maintenance	101,208	-	101,208
Supplies	53,015	381	53,396
Telephone	-	6,790	6,790
Travel & training	-	9,529	9,529
Utilities	25,867	-	25,867
Wages, taxes, & benefits	129,665	25,397	155,062
	<u>\$ 578,500</u>	<u>\$ 72,120</u>	<u>\$ 650,620</u>

	Program Services	Supporting Services	2008 Total
Advertising	\$ 475	\$ -	\$ 475
Bad Debts	21,848	-	21,848
Depreciation	53,990	2,187	56,177
Grants	92,373	-	92,373
Insurance	23,043	3,266	26,309
Interest	25,294	-	25,294
Miscellaneous	2,165	2,178	4,342
Office supplies	2,084	4,220	6,305
Pension expense	-	1,364	1,364
Professional fees	-	15,055	15,055
Property Taxes	3,002	-	3,002
Rent	2,298	-	2,298
Repairs & maintenance	65,265	-	65,265
Supplies	1,592	1,562	3,154
Telephone	-	4,958	4,958
Travel & training	-	6,599	6,599
Utilities	15,875	-	15,875
Wages, taxes, & benefits	140,332	15,777	156,109
	<u>\$ 449,636</u>	<u>\$ 57,167</u>	<u>\$ 506,804</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ 56,358	\$ (116,645)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	44,235	56,178
(Increase) decrease in receivables	2,353	22,284
Increase (decrease) in payables	(51,576)	33,020
Increase (decrease) in accrued liabilities	(3,964)	(500)
(Gain) or Loss on dispositions	1,136	(13,841)
Prior period adjustments	-	10,000
Total adjustments	<u>(7,816)</u>	<u>107,141</u>
Net cash provided (used) by operating activities	48,542	(9,504)
Cash flow from investing activities:		
Cash payments for the purchase of property	(210,202)	(57,994)
Proceeds from sales	-	490,000
Notes receivable	(62,878)	(59,319)
Net cash provided (used) by investing activities	<u>(273,080)</u>	<u>372,687</u>
Cash flow from financing activities:		
Proceeds from Long-Term borrowings	-	-
Line of credit	25,518	(106,775)
Reduction of long-term debt	(17,628)	(109,056)
Net cash provided (used) by financing activities	<u>7,890</u>	<u>(215,831)</u>
Net increase (decrease) in cash and equivalents	(216,648)	147,352
Cash and equivalents, beginning of year	<u>243,330</u>	<u>95,978</u>
Cash and equivalents, end of year	<u>\$ 26,682</u>	<u>\$ 243,330</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 12,542	\$ 25,294

See notes to financial statements

**ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

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 U.S. generally accepted accounting principles promulgated by the FASB *Accounting Standards Codification*. Under those principles, 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. At December 31 2009 and 2008, the Organization had no 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, 2009 and 2008, the Organization received 61% and 46% of its support from grant sources, respectively.

ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

Accounts Receivable- Accounts receivable at December 31, 2009 and 2008 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, 2009 and 2008.

Grants Receivable- Grants receivable at December 31, 2009 and 2008 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, 2009 and 2008, the costs and related accumulated depreciation of Property and Equipment consisted of the following:

	<u>2009</u>	<u>2008</u>
Land & Building	\$ 1,786,570	\$ 1,583,300
Office Equipment & Fixtures	14,224	9,028
Playground Equipment	<u>7,506</u>	<u>7,506</u>
Total Cost	<u>1,808,300</u>	<u>1,599,834</u>
Less Accumulated Depreciation	<u>(457,797)</u>	<u>(414,161)</u>
Net Carrying Value	<u>\$ 1,350,503</u>	<u>\$ 1,185,673</u>

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.

NOTE 3- RETIREMENT PLAN

The Organization has a 403 (B) Voluntary Participation Retirement Plan. Employer contributions of \$948 and \$1,364 were made for 2009 and 2008, respectively.

NOTE 4- LINE OF CREDIT

The Organization has a \$125,000 revolving line of credit, of which \$99,482 was unused at December 31, 2009. Interest is payable monthly and carries a variable interest rate equal to 2.5% above the bank's prime rate. The credit line is secured by real estate.

ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

NOTE 5- LONG-TERM DEBT

The Organization's obligation at December 31, 2009 and 2008 under notes payable consists of the following:

	2009	2008
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.	\$ 74,844	\$ 80,071
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.	56,723	59,100
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>4,578</u>	<u>14,602</u>
	136,144	153,772
Less current portion	<u>(66,346)</u>	<u>(18,283)</u>
Long-term debt	<u>\$ 69,798</u>	<u>\$ 135,489</u>

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

Years ending December 31,	
2010	\$ 66,346
2011	5,416
2012	5,814
2013	6,242
2014	6,700
Thereafter	<u>45,626</u>
	<u>\$ 136,144</u>

**ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

NOTE 6- NOTES RECEIVABLE

At December 31, 2009, the Organization had provided a total loan of \$1,110,844 including \$453,337 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 7- 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 8- RENTAL HOUSING

The Organization has thirty 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 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.

NOTE 10- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through September 10, 2010, 2010, the date the financial statements were available to be issued.

In 2010, the Organization has entered into a community partnership to provide permanent supporting housing for homeless veterans with disabilities by constructing an apartment complex that will consist of 27 one-bedroom apartment units. The project to be known as Lucas Place II is expected to cost \$2,900,000 with \$2,227,000 of that amount already being secured from federal, state, and local agencies.

In addition, the Organization is in the process of refinancing its note that requires a balloon payment in August of 2009.