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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, 2010 to December 31, 2010. 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, 2010, 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.

We call your attention to the findings in the report. The Schedule of Findings and Questioned Costs included two findings relating to the financial statements and the major Federal program. The first finding is a material weakness concerning lack of segregation of duties and the second finding concerns the absence of controls over the preparation of the financial statements and note disclosures.

STATE BOARD OF ACCOUNTS

Timothy J.  Otte CPA, PC

ECHO HOUSING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

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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) as of December 31, 2010 and 2009, and the related consolidated 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 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 the significant estimates made by management, as well as evaluation 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 as of December 31, 2010 and 2009, 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.

In accordance with *Government Auditing standards*, we have also issued our report dated September 27, 2011, on our consideration of ECHO Housing Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal 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 is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other 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 consolidated financial statements as a whole.

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

Handwritten signature of Timothy J. Otte, C.P.A., P.C. in black ink.

Newburgh, Indiana

September 27, 2011

ECHO Housing Corporation
Consolidated Statements of Financial Position
December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and equivalents	\$ 8,545	\$ 26,682
Accounts receivable	37,975	19,206
Employee advances	400	-
Grants receivable	14,132	17,485
Note receivable	1,738	-
Total current assets	<u>62,791</u>	<u>63,373</u>
Property and Equipment- Net	<u>1,539,908</u>	<u>1,350,503</u>
Other		
Investment- Lucas Place LLC	860,821	860,821
Notes receivable- Lucas Place LLC	1,177,494	1,110,844
Deposits	77	77
Total other	<u>2,038,392</u>	<u>1,971,741</u>
Total Assets	<u>\$ 3,641,091</u>	<u>\$ 3,385,617</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued expenses	\$ 29,674	\$ 11,407
Security deposits	5,800	5,850
Line of credit	98,672	25,518
Grants Payable- Lucas Place LLC	60,762	88,506
Current maturities of long-term debt	9,454	66,346
Total current liabilities	<u>204,361</u>	<u>197,627</u>
Long-Term Liabilities	<u>111,317</u>	<u>69,798</u>
Net Assets		
Unrestricted	3,284,787	3,118,192
Temporarily restricted	40,625	-
Total net assets	<u>3,325,412</u>	<u>3,118,192</u>
Total Liabilities and Net Assets	<u>\$ 3,641,091</u>	<u>\$ 3,385,617</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statements of Activities
For the Years Ended December 31, 2010 and 2009

CHANGE IN UNRESTRICTED NET ASSETS:

	<u>2010</u>	<u>2009</u>
Support and Revenue		
Federal financial assistance grants	\$ 633,728	\$ 434,591
Contributions	10,304	21,678
Interest income	66,673	64,141
Rent	164,070	151,208
Gain or (Loss) on Disposition of Assets	(11,689)	(1,136)
Service Fees	23,469	15,640
Insurance proceeds	-	18,446
Other	1,316	2,409
Total support and revenue	<u>887,873</u>	<u>706,978</u>
Expenses		
Program Services	685,036	578,500
Supporting Services	69,302	72,120
Total expenses	<u>754,339</u>	<u>650,620</u>
Change in Unrestricted Net Assets	<u>133,534</u>	<u>56,358</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	40,625	-
Net assets released from donor restrictions	-	-
Change in Temporarily Restricted Net Assets	<u>40,625</u>	<u>-</u>
Net Assets- Beginning of Year	3,118,192	3,061,834
Prior Period Adjustment	<u>33,061</u>	<u>-</u>
Net Assets- End of Year	<u>\$ 3,325,412</u>	<u>\$3,118,192</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2010 and 2009

	Program Services	Supporting Services	2010 Total
Bad Debts	\$ 18,622	\$ -	\$ 18,622
Depreciation	46,083	1,024	47,107
Grants- Lucas Place	71,365	-	71,365
Insurance	54,198	4,309	58,507
Interest	11,484	-	11,484
Miscellaneous	2,387	6,732	9,119
New Start Expenses	43,278	-	43,278
Office supplies	8,156	11,240	19,395
Pension expense	-	1,228	1,228
Professional fees	203	17,684	17,886
Property Taxes	5,175	-	5,175
Rental assistance	136,838	-	136,838
Repairs & maintenance	89,415	-	89,415
Supplies	8,223	-	8,223
Telephone	-	10,660	10,660
Travel & training	-	6,354	6,354
Utilities	34,885	-	34,885
Wages, taxes, & benefits	154,724	10,072	164,796
	<u>\$ 685,036</u>	<u>\$ 69,302</u>	<u>\$ 754,339</u>

	Program Services	Supporting Services	2009 Total
Advertising	\$ 484	\$ -	\$ 484
Bad Debts	17,777	-	17,777
Depreciation	42,348	1,887	44,235
Grants- Lucas Place	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>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 174,159	\$ 56,358
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	47,107	44,235
(Increase) decrease in receivables	(15,417)	2,353
Increase (decrease) in payables	(11,520)	(51,576)
Increase (decrease) in accrued liabilities	1,593	(3,964)
(Gain) or Loss on dispositions	11,689	1,136
Prior period adjustments	33,061	-
Total adjustments	<u>66,513</u>	<u>(7,816)</u>
Net cash provided (used) by operating activities	240,672	48,542
Cash flow from investing activities:		
Cash payments for the purchase of property	(253,200)	(210,202)
Proceeds from sales	5,000	-
Notes receivable	(68,389)	(62,878)
Net cash provided (used) by investing activities	<u>(316,589)</u>	<u>(273,080)</u>
Cash flow from financing activities:		
Line of credit	73,154	25,518
Reduction of long-term debt	(15,374)	(17,628)
Net cash provided (used) by financing activities	<u>57,780</u>	<u>7,890</u>
Net increase (decrease) in cash and equivalents	(18,137)	(216,648)
Cash and equivalents, beginning of year	<u>26,682</u>	<u>243,330</u>
Cash and equivalents, end of year	<u><u>\$ 8,545</u></u>	<u><u>\$ 26,682</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 11,484	\$ 12,542

See notes to financial statements

ECHO HOUSING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

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.

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. The Organization's federal Exempt From Income Tax Returns (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents- All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. Per requirements from the United States Department of Housing and Urban Development (HUD), the Organization has established a separate bank account for funds received for the Home Investment Partnerships Program (Lucas Place II).

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.

ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

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, 2010 and 2009, the costs and related accumulated depreciation of Property and Equipment consisted of the following:

	<u>2010</u>	<u>2009</u>
Land & Building	\$ 2,023,081	\$ 1,786,570
Office Equipment & Fixtures	14,224	14,224
Playground Equipment	<u>7,506</u>	<u>7,506</u>
Total Cost	2,044,811	1,808,300
Less Accumulated Depreciation	<u>(504,903)</u>	<u>(457,797)</u>
Net Carrying Value	<u>\$ 1,539,908</u>	<u>\$ 1,350,503</u>

Fair Value Measurement

FASB ASC 820, *Fair Value Measurements*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value. FASB ASC 820 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various other accounting pronouncements.

Assets and liabilities measured at fair value are recorded in accordance with FASB ASC 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs- Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs- Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs- Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

**ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

Economic Dependency- During the year ended December 31, 2010 and 2009, the Organization received 71% and 61% of its support from grant sources, respectively.

Accounts Receivable- Accounts receivable at December 31, 2010 and 2009 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, 2010 and 2009.

Grants Receivable- Grants receivable at December 31, 2010 and 2009 consist of government grants.

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 \$1,228 and \$948 were made for 2010 and 2009, respectively.

NOTE 4- LINE OF CREDIT

The Organization has a \$120,000 revolving line of credit, of which \$21,328 was unused at December 31, 2010. 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.

NOTE 5- NOTES RECEIVABLE

At December 31, 2010, the Organization had provided a total loan of \$1,177,494 including \$519,987 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.

In addition, rental property was sold on contract for \$2,500 on May 1, 2010 with monthly installments of \$192 for thirteen months with interest at the rate of 0% interest per annum on the unpaid principal balance until June 1, 2011 and at the rate of 8% per annum thereafter on the unpaid principal balance. The note was subsequently paid off on September 26, 2011.

ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

NOTE 6- LONG-TERM DEBT

The Organization's obligation at December 31, 2010 and 2009 under notes payable consists of the following:

	2010	2009
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.	\$ 67,441	\$ 74,844
Notes payable due in 59 monthly installments of \$637, including interest at 7.0%, secured by real estate, with a balloon payment of \$32,713 due on August 8, 2015.	53,329	56,723
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>-</u>	<u>4,578</u>
	120,770	136,144
Less current portion	<u>(9,454)</u>	<u>(66,346)</u>
Long-term debt	<u>\$ 111,317</u>	<u>\$ 69,798</u>

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

Years ending December 31,	
2011	\$ 9,454
2012	10,144
2013	10,884
2014	11,678
2015	42,535
Thereafter	<u>36,076</u>
	<u>\$ 120,770</u>

**ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

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

Certain errors resulting in an understatement of previous reported property and equipment were discovered during the current year. Accordingly, an adjustment of \$33,061 was made to increase property and equipment at the beginning of the year. A corresponding entry was made to increase previously reported net assets.

NOTE 10- TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets consist of donations received for the Lucas Place II project that had not yet been expended.

NOTE 11- COMMITMENTS

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 funding being secured from federal, state, and local agencies. The project is expected to be completed in November of 2011.

NOTE 12- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through September 27, 2011, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.

SUPPLEMENTARY INFORMATION

**ECHO HOUSING CORPORATION
SCHEDULE OF FEDERAL AWARDS
DECEMBER 31, 2010**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Supportive Housing Program- 2010	14.235	IN0016B5H021003	\$ 76,365
Supportive Housing Program- Lease Housing	14.235	IN36B702006	186,147

**U.S. Department of Housing and Urban Development
Pass-through programs from:**

Indiana Housing & Community Development Authority			
Home Investment Partnerships Program	14.239	PSH-009-004	191,795
Emergency Shelter Grant (7/01/09 to 6/30/10)	14.231	ES-009-024	10,872
Emergency Shelter Grant (7/01/10 to 6/30/11)	14.231	ES-010-023	20,390
City of Evansville			
Supportive Housing Program- 2010	14.235	IN0038B5H021003	20,636
Supportive Housing Program- 2009	14.235	070-153-431050	289
Supportive Housing Program- Lease Housing	14.235	IN36B702006	26,640
Emergency Shelter Grant- 2010	14.231	279-7288	18,789
Community Development Block Grant- Child Care Vouchers	14.218	231-7250	5,000
Home Investment Partnerships Program- 2005	14.239	2837-276	63,506
Home Investment Partnerships Program- CHDO 2010	14.239	283-7275	13,300

\$ 633,728

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of ECHO Housing Corporation under programs of the federal government for the year ended December 31, 2010. 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*. Because the Schedule presents only a selected portion of the operations of ECHO Housing Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Aurora, Inc.

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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**

To the Board of Directors
ECHO Housing Corporation

We have audited the financial statements of ECHO Housing Corporation as of and for the year ended December 31, 2010, and have issued our report thereon dated September 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ECHO Housing Corporation's internal control over financial reporting as a basis for designing our audit 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 ECHO Housing Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiency as described in the accompanying schedule of findings and questioned costs as item B1 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item B2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ECHO Housing Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 Standard*.

This report is intended solely for the information and use of the board of directors and management of ECHO Housing Corporation 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.

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



Newburgh, IN

September 27, 2011

**INDEPENDENT AUDITOR'S 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
ECHO Housing Corporation

Compliance

We have audited ECHO Housing Corporation's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2010. ECHO Housing Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements is the responsibility of ECHO Housing Corporation's management. Our responsibility is to express an opinion on ECHO Housing Corporation's compliance based on our audit.

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

In our opinion, ECHO Housing Corporation complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal program identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of ECHO Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered ECHO Housing Corporation's internal control over compliance with 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 ECHO Housing Corporation's internal control over compliance

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a remote possibility that material noncompliance with a type of compliance of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs as items B1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs as item B2 to be a significant deficiency.

This report is intended for the information of the board of directors and management of ECHO Housing Corporation and federal awarding agencies and pass-through entities and is intended to be and should not be used by anyone else other than the specified parties.

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



Newburgh, IN
September 27, 2011

**ECHO HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of ECHO Housing Corporation.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance *Government Auditing Standards*. One of the conditions is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of ECHO Housing Corporation were disclosed during the audit.
4. Two significant deficiencies disclosed during the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material effect on each Major Program and Internal Control Over Compliance Required By OMB Circular A-133. One of the conditions is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for ECHO Housing Corporation expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:
 - Supportive Housing Program- CFDA # 14.235
 - Supportive Housing Program (Lease Housing)- CFDA # 14.235
 - Emergency Shelter Grant- CFDA # 14.231
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. ECHO Housing Corporation was not determined to be a low risk auditee.

B. FINDINGS- FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

B1. Condition: The size of the organization precludes the implementation of an effective internal control system due to the lack of segregation of duties.

Criteria: Segregation of duties is a vital part of an effective internal control structure.

Effect of condition: The internal control system is weak.

Cause of condition: The small size of the organization.

Recommendation: Continued involvement of the board of directors in reviewing records.

SIGNIFICANT DEFICIENCY

B2. Condition: The size of the organization precludes the implementation of an effective internal control system due to the absence of controls over the preparation of financial statements and disclosures.

Criteria: Preparation of financial statements and disclosures is considered a vital part of internal control structure.

Effect of condition: The internal control system is weak.

Cause of condition: The small size of the organization.

Recommendation: Continued involvement of the board of directors in reviewing records.

C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS AUDIT

C1. The findings from the financial statements audit listed in section B of this report also are considered findings related to the audit of the major federal award program.

**ECHO HOUSING CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2010**

No prior audit findings.

Timothy J. Otte, C.P.A., P.C.
P.O. Box 308
Newburgh, IN 47629

To whom it may concern:

Re: Corrective actions pursuant for the year ended 2010 audit

Findings: B1 and B2 (Page 18 of the report) Corrective Action

Considering the size of our staff and available resources, it is not possible to segregate duties and have a more effective internal control system. We do believe that we are utilizing the best internal control system possible.

Sincerely,



Stephanie Tenbarger- Executive Director
ECHO Housing Corporation