



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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June 26, 2009

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, 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 Echo Housing 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.

We call your attention to the findings in the report. The management letter contains two comments.

STATE BOARD OF ACCOUNTS

Timothy J.  Otte CPA, PC

ECHO HOUSING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

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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) and its subsidiary as of December 31, 2007 and 2006 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, 2007 and 2006 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.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of ECHO Housing Corporation and its subsidiary taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Indiana State Board of Accounts, and is not a required part of the consolidated financial statements of ECHO Housing Corporation. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

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

Timothy J. Otte CPA, PC
August 5, 2008

ECHO Housing Corporation
Consolidated Statement of Financial Position
December 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and equivalents	\$ 95,978	\$ 51,043
Accounts receivable	18,843	22,278
Property tax receivable	9,150	-
Grants receivable	33,335	16,241
Total current assets	<u>157,307</u>	<u>89,562</u>
Property and Equipment- Net	<u>1,680,013</u>	<u>1,684,846</u>
Other		
Investment- Lucas Place LLC	860,821	860,821
Notes receivable- Lucas Place LLC	988,647	932,686
Deposits	77	77
Total other	<u>1,849,545</u>	<u>1,793,583</u>
Total Assets	<u>\$ 3,686,865</u>	<u>\$ 3,567,992</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued expenses	\$ 3,559	\$ 3,359
Security deposits	6,800	9,500
Line of credit	106,775	-
Grants Payable- Lucas Place LLC	118,424	89,587
Current maturities of long-term debt	25,202	23,341
Total current liabilities	<u>260,760</u>	<u>125,787</u>
Long-Term Liabilities	<u>237,626</u>	<u>267,401</u>
Net Assets- unrestricted	<u>3,188,479</u>	<u>3,174,805</u>
Total Liabilities and Net Assets	<u>\$ 3,686,865</u>	<u>\$ 3,567,992</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Activities
For the Years Ended December 31, 2007 and 2006

UNRESTRICTED NET ASSETS

	<u>2007</u>	<u>2006</u>
Support and Revenue		
Federal financial assistance grants	210,964	220,875
Nonfederal financial assistance grants	12,500	19,500
Contributions	919	5,610
Interest income	56,187	54,114
Rent	164,160	182,032
Proceeds from sale of assets	-	5,500
Property tax refund	10,231	-
Insurance proceeds	5,230	-
Other	16,056	2,240
Total support and revenue	<u>476,246</u>	<u>489,872</u>
Expenses		
Program Services	406,108	461,239
Supporting Services	56,464	48,031
Total expenses	<u>462,572</u> ¹	<u>509,270</u>
Change in Net Assets	13,674	(19,398)
Net Assets- Beginning of Year	3,174,805	3,194,203
Prior Period Adjustment	<u>-</u>	<u>-</u>
Net Assets- End of Year	<u>\$ 3,188,479</u>	<u>\$3,174,805</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Functional Expenses
For the Years Ended December 31, 2007 and 2006

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2007 Total</u>	<u>2006 Total</u>
Advertising	\$ 495	\$ -	495	495
Depreciation	53,907	2,412	56,319	55,503
Grants	82,504	-	82,504	82,504
Insurance	17,637	2,591	20,228	15,307
Interest	25,385	-	25,385	20,453
Management fees	-	-	-	5,780
Miscellaneous	1,968	1,291	3,258	5,265
Office supplies	-	3,351	3,351	5,927
Pension expense	-	308	308	-
Professional fees	-	20,542	20,542	11,660
Property Taxes	31,576	-	31,576	4,190
Repairs & maintenance	42,336	-	42,336	85,591
Selling expenses	-	-	-	9,781
Supplies	8,935	1,450	10,386	16,651
Telephone	-	4,918	4,918	3,617
Travel & training	-	2,738	2,738	2,222
Utilities	9,524	-	9,524	6,934
Wages, taxes, & benefits	131,842	16,863	148,706	155,885
	<u>\$ 406,108</u>	<u>\$ 56,464</u>	<u>\$ 462,572</u>	<u>\$ 487,766</u>

See notes to financial statements

ECHO Housing Corporation
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets	\$ 13,674	\$ (19,399)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	56,319	55,503
(Increase) decrease in receivables	(22,810)	1,627
Increase (decrease) in accounts payable	28,838	(767)
Increase (decrease) in accrued liabilities	(2,500)	18,534
Donated real estate	-	-
Prior period adjustments	-	-
Total adjustments	<u>59,847</u>	<u>74,897</u>
Net cash provided (used) by operating activities	73,521	55,499
Cash flow from investing activities:		
Cash payments for the purchase of property	(51,486)	(57,259)
Proceeds from sales	-	5,549
Notes receivable	<u>(55,961)</u>	<u>(52,794)</u>
Net cash provided (used) by investing activities	<u>(107,447)</u>	<u>(104,503)</u>
Cash flow from financing activities:		
Proceeds from Long-Term borrowings	-	-
Line of credit	106,775	-
Reduction of long-term debt	<u>(27,914)</u>	<u>(27,008)</u>
Net cash provided (used) by financing activities	<u>78,861</u>	<u>(27,008)</u>
Net increase (decrease) in cash and equivalents	44,935	(76,012)
Cash and equivalents, beginning of year	<u>51,043</u>	<u>127,055</u>
Cash and equivalents, end of year	<u>\$ 95,978</u>	<u>\$ 51,043</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 25,385	\$ 20,453
Noncash Investing Activities		
Donated real estate	\$ -	\$ -

See notes to financial statements

**ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 and 2006**

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, 2007 and 2006, the Organization received 47% and 49% of its support from grant sources, respectively.

**ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 and 2006**

Accounts Receivable- Accounts receivable at December 31, 2007 and 2006 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, 2007 and 2006.

Grants Receivable- Grants receivable at December 31, 2007 and 2006 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, 2007 and 2006, the costs and related accumulated depreciation of Property and Equipment consisted of the following:

	<u>2007</u>	<u>2006</u>
Land & Building	\$ 2,204,922	\$ 2,153,436
Office Equipment & Fixtures	9,028	9,028
Playground Equipment	<u>7,506</u>	<u>7,506</u>
Total Cost	<u>2,221,456</u>	<u>2,169,970</u>
Less Accumulated Depreciation	<u>(541,443)</u>	<u>(485,124)</u>
Net Carrying Value	<u>\$ 1,680,013</u>	<u>\$ 1,684,846</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, 2006, 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.

NOTE 3- RETIREMENT PLAN

The Organization has a 403 (B) Voluntary Participation Retirement Plan. Employer contributions of \$308 were made for 2007.

ECHO HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 and 2006

NOTE 4- LONG-TERM DEBT

The Organization's obligation at December 31, 2007 and 2006 under notes payable consists of the following:

	2007	2006
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.	\$ 84,950	\$ 89,894
Notes payable due in monthly installments of \$633, 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	101,953
Notes payable due in 59 monthly installments of \$1,544, including interest at 7.0%, secured by real estate, with a balloon payment of \$54,818 due on August 8, 2010.	63,378	66,339
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>23,908</u>	<u>32,556</u>
	262,828	290,742
Less current portion	<u>(25,202)</u>	<u>(23,341)</u>
Long-term debt	<u>\$ 237,626</u>	<u>\$ 267,401</u>

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

Years ending December 31,	
2008	\$ 25,202
2009	27,277
2010	75,599
2011	16,202
2012	17,607
Thereafter	<u>100,941</u>
	<u>\$ 262,828</u>

SUPPLEMENTARY INFORMATION

**ECHO Housing Corporation
Consolidated Schedule of Federal Awards
For the Year Ended December 31, 2007**

U.S. Department of Housing and Urban Development	Total Award	CFDA No.	Prior Receipts	Current Year Receipts	Current Year Expenditures
<i>Pass-through from the Department of Metropolitan Development of the City of Evansville:</i>					
2007 Community Development Block Grant	23,110	14.218	-	22,806	22,806
2007 Community Development Block Grant- Supplemental	16,047	14.218	-	16,047	16,047
2003 Home Investment Partnership Program	167,936	14.239	48,882	33,049	33,049
2006 Home Investment Partnership Program (CHDO)	12,000	14.239	-	12,000	12,000
2005 Supportive Housing Agreement (SHP- SS & Oper)	92,382	14.235	-	92,382	92,382
2005 Supportive Housing Agreement (SHP- Admin)	3,695	14.235	-	3,695	3,695
<i>Pass-through from the Indiana Housing and Community Development Authority</i>					
2-1-06/6-30-07 Emergency Shelter Grant	30,905	14.231	14,388	16,517	16,517
7-1-06/6-30-08 Emergency Shelter Grant	33,005	14.231	-	14,593	14,593
				\$ 211,089	\$ 211,089

Basis of Presentation: The schedule of federal awards is presented on the accrual basis of accounting.

Timothy J.  Otte CPA, PC

Copy For Your Records
Timothy J. Otte, CPA, PC

To the Board of Directors
ECHO Housing Corporation

In planning and performing our audit of the financial statements of ECHO Housing Corporation as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered ECHO Housing Corporation's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies of material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.


A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weakness:

Due to lack of expertise in preparing financial statements, there is an inadequate design of internal control over preparation of the financial statements.

There is a lack of segregation of duties related to accounting functions.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Newburgh, IN


August 5, 2008

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Timothy J. Otte CPA, PC

Copy For Your Records
Timothy J. Otte, CPA, PC

August 5, 2008

ECHO Housing Corporation
414 Baker Street
Evansville, IN 47710

We have audited the financial statements of ECHO Housing Corporation for the then year ended December 31, 2007 and have issued our report thereon dated August 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 22, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 22, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by ECHO Housing Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2007. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the consolidated 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 were no significant estimates affecting the financial statements other than depreciation.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of any 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, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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 auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee and management of ECHO Housing Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


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