



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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 18, 2009

Board of Directors
Hope of Evansville, Inc.
608 Cherry Street
Evansville, IN 47713

We have reviewed the audit report prepared by Timothy J. Otte CPA, PC, Independent Public Accountants, for the period October 1, 2007 to September 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Hope of Evansville, Inc., as of September 30, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the finding in the report. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

Timothy J.  Otte CPA, PC

HOPE OF EVANSVILLE, INC.
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007

4266 Bell Road, Suite 11 • P.O. Box 308 • Newburgh IN. 47629
Phone: 812.490.8600 • Fax: 812.490.8601

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TABLE OF CONTENTS

	Page
GENERAL	
Independent Auditor's Report	1
Statement of Assets, Liabilities and Net Assets- Modified Cash Basis	2
Statement of Support, Revenue, and Expenses- Modified Cash Basis	3
Notes to Financial Statements	4-6
SUPPLEMENTARY	
Schedule of Federal and State Awards	7

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hope of Evansville, Inc.

We have audited the accompanying statements of assets, liabilities and net assets- modified cash basis of the Hope of Evansville, Inc. (a nonprofit organization) as of September 30, 2008 and 2007, and the related statements of support, revenue, and expenses – modified cash basis for the years then ended. These financial statements are the responsibility of Organization's management. Our responsibility is to express an opinion on the 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 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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Hope of Evansville, Inc. as of September 30, 2008 and 2007, and its support, revenue, and expenses for the years then ended, on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Hope of Evansville, Inc., taken as a whole. The accompanying schedule of federal and state 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 financial statements of Hope of Evansville, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Timothy J Otte CPA PC
Newburgh, IN
December 15, 2008

Hope of Evansville, Inc.
Statement of Assets, Liabilities, and Net Assets- Modified Cash Basis
September 30, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and Cash Equivalents	\$ 190,449	\$ 58,352
Certificates of Deposit	45,483	-
Total Current Assets	<u>235,932</u>	<u>58,352</u>
Property and Equipment		
Office Equipment	22,937	22,937
Less Accumulated Depreciation	<u>(19,655)</u>	<u>(18,077)</u>
Total Property and Equipment	<u>3,282</u>	<u>4,859</u>
Total Assets	<u><u>\$ 239,214</u></u>	<u><u>\$ 63,212</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Notes Payable- OGC	9,385	3,600
Line of Credit- DMD	35,000	35,000
Overcharges	30	-
Mortgage Release Escrow	<u>1,733</u>	<u>1,373</u>
Total Current Liabilities	<u>46,148</u>	<u>39,973</u>
Long-Term Liabilities		
Notes Payable- OGC	<u>-</u>	<u>9,085</u>
Net Assets- unrestricted	<u>193,066</u>	<u>14,153</u>
Total Liabilities and Net Assets	<u><u>\$ 239,214</u></u>	<u><u>\$ 63,212</u></u>

See notes to financial statements

Hope of Evansville, Inc.
Statement of Support, Revenue, and Expenses- Modified Cash Basis
For the Years Ended September 30, 2008 and 2007

Unrestricted Net Assets

	<u>2008</u>	<u>2007</u>
Support and Revenue		
Grants	\$ 141,043	\$ 148,996
Client Fees	5,895	5,660
Lien Release Fees	510	243
Seller Processing Fees	28,299	10,199
Mortgage Education Fees	-	1,468
Contributions	10,220	20,107
OGC Reimbursement	16,404	7,483
Other	636	190
Total Support and Revenue	<u>203,008</u>	<u>194,346</u>
 Expenses		
Classes- Living the Dream	1,081	1,114
Contracted Services	1,311	1,517
Depreciation	1,577	2,883
Down Payment Assistance	136,953	58,989
Dues & Subscriptions	315	290
Insurance	581	676
Interest	-	253
Internet	951	1,006
Marketing	395	-
Miscellaneous	1,055	1,090
Office Supplies	1,967	1,958
OGC Director	3,553	3,553
Postage	395	449
Professional Fees	3,505	3,575
Rent	7,800	7,848
Repairs & Maintenance	1,055	672
Telephone	2,402	1,993
Travel/Training	3,643	4,487
Wages & Taxes	78,840	64,374
Total Expenses	<u>247,379</u>	<u>156,728</u>
 Change in Net Assets	(44,371)	37,618
 Net Assets, beginning of year	14,153	(23,465)
 Transfer from OGC	223,283	-
 Net Assets, end of year	<u>\$ 193,066</u>	<u>\$ 14,153</u>

See notes to financial statements

**HOPE OF EVANSVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission

The Organization provides counseling and assistance with housing needs for clients located in the Evansville, Indiana area under the guidelines established by the Housing and Urban Development provisions.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis differs from generally accepted accounting principles primarily because the Organization has not recognized accounts receivables from grantors and contributors, prepaid expenses, accounts payable, accrued expenses and related effects on earnings. The financial statements are not intended to present financial position or results of operations in conformity with generally accepted accounting principles.

Tax Status

The Organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. The Organization is not classified as a private foundation

Financial Statement 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 Organization is required to report information regarding its net assets and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Property and Equipment

Property and equipment are valued at cost. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$250. Depreciation is computed on the straight-line method. Maintenance and repairs are charged to operations when incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**HOPE OF EVANSVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

NOTE 2- OPERATING LEASES

The Organization leases its office space on a month-to-month basis requiring payments of \$650. Rent paid for the years ended September 30, 2008 and 2007 were \$7,800 and \$7,800 respectively.

NOTE 3- CONCENTRATIONS

For the years ended September 30, 2008 and 2007, the Organization received 52% and 43%, respectively of its support from one grant source.

NOTE 4- LINE OF CREDIT

A \$35,000 unsecured revolving line of credit with a The City of Evansville, of which \$35,000 was used at September 30, 2008. The loan is non-interest bearing and is to be utilized with the Down Payment Assistance Program.

In addition, the Organization has a \$25,000 line of credit with a local bank, of which \$25,000 was unused at September 30, 2008. Interest is payable monthly and carries a variable interest rate equal to the bank's prime rate with an initial rate of 7.0%. The credit line is unsecured.

NOTE 5- DEPOSITS HELD IN A FINANCIAL INSTITUTION

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents. At times, such cash and cash equivalents in banks are in excess of the FDIC insurance limit. Credit risk with respect to cash and cash equivalents is minimized by using high-credit quality financial institutions.

NOTE 6- SUBSEQUENT EVENT

Pursuant to a plan of merger adopted on October 1, 2008, the Organization merged with Hope of Evansville, Inc. (a nonprofit organization). The combined organizations will continue to operate under the name of Hope of Evansville, Inc., the surviving entity. Pursuant to the transfer, \$223,283 in cash and equivalents was transferred to Hope of Evansville, Inc.

**HOPE OF EVANSVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

NOTE 7- RELATED PARTY TRANSACTIONS

On October 23, 2006, as part of the joint venture agreement between Our Greater Community, Inc. (OGC) and Hope of Evansville, Inc., OGC agreed to pay off an existing loan of \$15,985 between Hope of Evansville, Inc. as debtor and Old National Bank, as lender. In return, Hope of Evansville, Inc. will provide \$300 per month interest free, to OGC as reimbursement for the satisfaction of the note. As of September 30, 2008, the balanced owed was \$9,385. The obligation was discontinued upon the merger between the Organization and Hope of Evansville, Inc.

Prior to the merger, the following related party transactions also existed:

Hope of Evansville, Inc. was paying OGC \$323 per month as compensation for management services provided by the Executive Director of OGC. Total compensation for services was \$3,553 for the years ended September 30, 2008 and 2007, respectively.

OGC was reimbursing Hope of Evansville for office space and administrative costs. Total amount reimbursed was \$16,404 and \$7,483 for the years ended September 30, 2008 and 2007, respectively.

Finally, the Organization was affiliated with OGC through common board members.

SUPPLEMENTARY INFORMATION

**Hope of Evansville, Inc.
Schedule of Federal & State Awards
For the Year Ended September 30, 2008**

U.S. Department of Housing and Urban Development	Total Award	Prior receipts	Current Year Receipts	Current Year Expenses
U.S. Department of Housing and Urban Development 2007	\$ 34,000	-	\$ 27,872	\$ 27,872
<i>Pass-through from the Department of Metropolitan Development of the City of Evansville:</i>				
Home Investment Partnerships Program- 2007 Down Payment Assistance	150,000	-	47,535	81,631
Home Investment Partnerships Program- 2006 Down Payment Assistance	100,000	40,500	58,371	50,322
Home Investment Partnerships Program- 2007 CHDO	12,000	-	5,346	9,970
Home Investment Partnerships Program- 2008 CHDO	10,000	-	1,619	9,026
Indiana Foreclosure Prevention Network (IFPN)				
IFPN Contract	9,250	-	300	300
IFPN Supplemental Contract	42,897	-	-	-
Indiana Housing & Community Development Authority	155,000	-	-	-
			<u>\$ 141,043</u>	<u>\$ 179,121</u>

Basis of Presentation: The accompanying schedule of federal and state awards includes the federal grant activity of Hope of Evansville, Inc. and is presented on the modified cash basis of accounting.

Timothy J. Otte CPA, PC

December 15, 2008

Board of Directors
Hope of Evansville, Inc.
608 Cherry Street
Evansville, IN 47713

We have audited the statement of assets, liabilities, and net assets- modified cash basis and the related statement of support, revenue, and expenses- modified cash basis of Hope of Evansville, Inc. for the year ended September 30, 2008, and have issued our report thereon dated December 15, 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 October 1, 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 November 4, 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 Hope of Evansville, Inc. 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 September 30, 2008. 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.

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 Hope of Evansville, Inc. 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.

Timothy J. Otte CPA, PC

To the Board of Directors of Hope of Evansville, Inc.

In planning and performing our audit of the financial statements of Hope of Evansville, Inc. as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Hope of Evansville, Inc.'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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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. We consider the following deficiency to be a significant deficiency in internal control.

The absence of controls over the preparation of financial statements is considered a significant deficiency because there is more than a remote likelihood exists that a misstatement of the financial statements that is more than inconsequential could occur and not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of management. 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

Timothy J. Otte CPA PC

December 15, 2008