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November 13, 2013

Board of Directors  
Hope of Evansville, Inc.  
608 Cherry Street  
Evansville, IN 47713-1521

We have reviewed the audit report prepared by Timothy J. Otte, CPA, PC, Independent Public Accountant, for the period October 1, 2008 to September 30, 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 Hope of Evansville, Inc., as of September 30, 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

**HOPE OF EVANSVILLE, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

4266 Bell Road, Suite 11 • P.O. Box 308 • Newburgh IN. 47629  
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Member of American Institute of Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Hope of Evansville, Inc.

We have audited the accompanying statement of financial position of Hope of Evansville, Inc. (a nonprofit organization) as of September 30, 2009, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope of Evansville, Inc. as of September 30, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, state and local 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  
January 15, 2010

**HOPE OF EVANSVILLE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2009**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 1,152,271
Certificates of Deposit	45,753
Grants Receivables	92,310
Homes in Process- INTR	263,197
Total Current Assets	<u>1,553,531</u>

**Property and Equipment**

Office Equipment	25,708
Less Accumulated Depreciation	<u>(20,662)</u>
Total Property and Equipment	<u>5,046</u>

**Long-Term Assets**

Notes Receivable- Debtors	6,424
Less: Allowance for Loan Losses	<u>(6,424)</u>
	<u>-</u>

<b>Total Assets</b>	<b><u><u>\$ 1,558,577</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

DMD-CDBG Loans	\$ 225
FDP- Loan	837,650
Line of Credit- DMD	35,000
Overcharges	30
Mortgage Release Escrow	2,292
Total Current Liabilities	<u>875,197</u>

**Long-Term Liabilities**

Notes Payable- INTR	<u>320,140</u>
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<b>Net Assets- unrestricted</b>	<b><u>363,239</u></b>
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<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,558,577</u></u></b>
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See notes to financial statements

**HOPE OF EVANSVILLE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**Support and Revenue**

Grants	\$ 483,149
Home Sales- INTR	321,660
Development Subsidies	135,000
Client Fees	10,940
Lien Release Fees	953
Seller Processing Fees	42,400
Contributions	33,850
Interest Income	4,966
Other	3,556
Total Support and Revenue	<u>1,036,473</u>

**Expenses**

Classes- Living the dream	1,921
Contracted Services	1,835
Depreciation	1,357
Down Payment Assistance	204,435
Home Sales Expenditures- INTR	497,030
Insurance	3,811
Miscellaneous	1,042
Office Expenses	5,398
Professional Fees	7,656
Rent	7,800
Repairs & Maintenance	1,231
Retirement	3,028
Telephone	2,494
Travel/Training	3,223
Wages & Taxes	172,540
Total Expenses	<u>914,800</u>

Change in Net Assets- Unrestricted	121,673
Net Assets, beginning of year	193,066
Transfer from OGC	48,500
Net Assets, end of year	<u><u>\$ 363,239</u></u>

See notes to financial statements

**HOPE OF EVANSVILLE, INC.  
STATEMENT OF CASH FLOWS  
SEPTEMBER 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 121,673
 <b>Adjustments to Reconcile Increase (Decrease) in Net Assets to net cash provided by operating activities:</b>	
Depreciation	1,357
(Increase) Decrease in Operating Assets:	
Grants Receivables	(92,310)
Certificates of Deposits	(270)
Home in Process	(263,197)
Increase (Decrease) in Operating Liabilities:	
Accrued Expenses	785
<b>Net Cash Provided by Operating Activities</b>	<u><u>(231,963)</u></u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Equipment	(3,121)
Transfer of Assets- OGC	48,500
<b>Net Cash Provided (Used) by Investing Activities</b>	<u><u>45,379</u></u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from FDP Loan	850,000
Payments Received from FDP Loan	(12,350)
Dissolution of OGC Loan	(9,385)
INTR Loan	269,931
Proceeds from INTR Loan	185,209
Development Subsidies- INTR Loan	(135,000)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u><u>1,148,405</u></u>

**Net Increase (Decrease) in Cash** 961,821

**Cash- beginning of year** 190,449

**Cash- end of year** \$ 1,152,271

See notes to financial statements

**HOPE OF EVANSVILLE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**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 financial statements of the Organization are prepared on the accrual basis, where revenues are recognized when earned and expenditures are recognized when incurred.

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 \$500. 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.

Notes Receivable- Debtors

Notes receivable consists of secured and unsecured loans with debtors that are located in the tri-state area. Provision for credit losses on notes receivable is made in amounts required to maintain an adequate allowance to cover anticipated losses. The accounts are charged against the allowance when they are determined to be uncollectible. During the year ended September 30, 2009, the Organization received \$1,761 of principal payments. No current portion of notes receivable was made during the year because of uncertainty of collection.

**HOPE OF EVANSVILLE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**NOTE 2- OPERATING LEASES**

The Organization leases its office space on a month-to-month basis requiring payments of \$650. Rent paid for the year ended September 30, 2009 was \$7,800.

**NOTE 3- CONCENTRATIONS**

For the years ended September 30, 2009 the Organization received 23% 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, 2009. 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, 2009. 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- MERGER**

Pursuant to a plan of merger adopted on October 1, 2008, the Organization merged with Our Greater Community 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, net assets were increased by \$271,783.

**NOTE 7- RETIREMENT PLAN**

The Organization has established a (SIMPLE IRA) retirement plan. Under the plan, employees may contribute up to \$10,500 (\$14,000 for employees who will be at least fifty by the end of the year) of their pre-tax compensation and the Organization will match up to 3% of each participating employee's pretax contribution. Plan expenses incurred for the year ended September 30, 2009 was \$3,028.

**HOPE OF EVANSVILLE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**NOTE 8- INTR LOAN PROGRAM**

Upon the merger being adopted, the Organization became the fiscal agent for the Improving Neighborhoods Through Revitalization (INTR) loan program. The City of Evansville originally applied for the (INTR) loan program from the Indiana Housing and Community Development Authority (IHCDA) and in 2007 this was transferred to the Our Greater Community, Inc. \$1 million has been reserved to provide for the construction of approximately forty new homes in a designated low-income area in downtown Evansville. Proceeds from sales of homes must be maintained in a separate bank account to be used for future construction projects. The City of Evansville and the IHCDA are providing subsidies of up to \$25,000 for construction costs of each new home. Per approval of the IHCDA in May of 2008, this amount was increased to \$45,000. In addition, a local Housing Trust Fund Grant will also be used to pay for development expenses. As of September 30, 2009, \$250,847 in construction costs has been spent on homes that have not been sold.

During the fiscal year, the Organization utilized \$185,209 in loan funds from the IHCDA- INTR loan program to be used in the construction of properties. At September 30, 2009, the balance obligated to the IHCDA was \$505,140 less development subsidies of \$185,000 related to three homes that were sold during the current year and two in the prior year.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursements under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Grant funds related to economic development totaled \$60,574 which could potentially be required to be paid back to the City of Evansville if the Organization is not going to make future loans or collect on the active loans. In addition, any interest earned is required to be paid back to the City of Evansville (DMD). At September 30, 2009, the balance owed was \$225.

**NOTE 10- NOTES PAYABLE- FRONT DOOR PRIDE**

During the fiscal year, the Organization was the recipient of an \$850,000 loan from the City of Evansville (DMD) that is to be used for the Front Door Pride program. The loan originated from two federal grants; the Neighborhood Stabilization Program & the Home Investment Partnership Program. As of September 30, 2009, the balance of the loan was \$837,650 with \$12,350 in construction costs being spent on homes that have not been sold.

## **SUPPLEMENTARY INFORMATION**

**HOPE OF EVANSVILLE, INC.  
SCHEDULE OF FEDERAL, STATE & LOCAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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	\$ 6,128	\$ 6,128
U.S. Department of Housing and Urban Development 2008	43,500	-	36,854	36,854
<i>Pass-through from the Department of Metropolitan Development of the City of Evansville:</i>				
Home Investment Partnerships Program- 2007 Down Payment Assistance-INTR	200,000	-	152,172	152,172
Home Investment Partnerships Program- 2007 Down Payment Assistance	150,000	47,535	91,339	52,243
Home Investment Partnerships Program- Rehab	64,415	-	64,415	64,415
Home Investment Partnerships Program- 2007 CHDO	12,000	5,346	6,803	-
Home Investment Partnerships Program- 2008 CHDO	10,000	1,619	8,232	-
Development Subsidy- DMD	45,906	-	45,906	45,906
Neighborhood Stabilization Program	500,000	-	7,286	7,286
Home Investment Partnership Program INTR New Construction	350,000	-	5,064	5,064
INTR Administration	35,000	-	35,000	35,000
<b>Indiana Foreclosure Prevention Network (IFPN)</b>				
IFPN Contract	250,000	300	21,700	21,700
<b>Indiana Housing &amp; Community Development Authority</b>				
MSP Fund	2,250	-	2,250	2,250
			\$483,148	\$ 429,018

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