

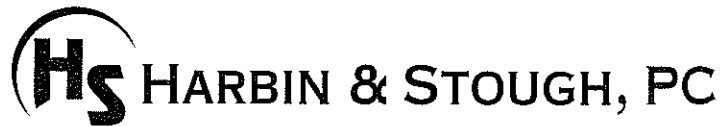
HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
FINANCIAL STATEMENT
SEPTEMBER 30, 2008

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MEMBERS:

American Institute
of Certified Public
Accountants

Alabama Society
of Certified Public
Accountants

February 10, 2009

Board of Directors
Hale empowerment and Revitalization Organization, Inc.
Greensboro, Alabama

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Hale Empowerment and Revitalization Organization, Inc. (a nonprofit Organization), as of September 30, 2008, and the related statements of activities and cash flows for the year then ended. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 financial statement referred to above present fairly, in all material respects, the financial position of the Hale Empowerment and Revitalization Organization, Inc., as of September 30, 2008, 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.

Harbin & Stough, PC

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2008

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 70,986
Grants and Contracts Receivable	164,867
Prepaid Expenses	4,475
Accumulated Construction Costs – HUD Program	399,528
Unconditional Promise to Give Use of Building	<u>808</u>

TOTAL CURRENT ASSETS 640,664

PROPERTY AND EQUIPMENT:

Building	256,426
Furniture and Equipment	30,839
Leasehold Improvements	46,931
Land	61,000
Idle Property	<u>46,284</u>

TOTAL PROPERTY & EQUIPMENT 441,480

Less: Accumulated Depreciation 197,395

NET PROPERTY AND EQUIPMENT 244,085

OTHER ASSETS:

Long-term Unconditional Promise to Give Use of Building	<u>71,112</u>
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TOTAL ASSETS \$ 955,861

See Notes to Financial Statement.

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2008

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 91,597
Accrued Payroll Tax and Related Liability	979
Accrued Wages	<u>6,777</u>

TOTAL CURRENT LIABILITIES 99,353

LONG-TERM LIABILITIES

Regions Bank	<u>150,000</u>
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TOTAL LIABILITIES 249,353

NET ASSETS:

Unrestricted	634,588
Temporarily Restricted	<u>71,920</u>

TOTAL NET ASSETS 706,508

TOTAL LIABILITIES AND NET ASSETS \$ 955,861

See Notes to Financial Statements.

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2008

UNRESTRICTED NET ASSETS:

UNRESTRICTED REVENUES AND OTHER SUPPORT:

Grants	\$ 781,613
Contributions	56,708
Interest Income	728
Rental Income	6,000
Sale of Houses	38,250
Reimbursed Expense	221,223
Disposition of Equipment	<u>(15,742)</u>

TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT 1,088,780

NET ASSETS RELEASED FROM RESTRICTIONS:

Expiration of Time Restrictions	<u>808</u>
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TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT 1,089,588

EXPENSES:

Program Services:

Housing and Related Programs	903,068
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Supporting Services:

Management and General	<u>78,690</u>
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TOTAL EXPENSES 981,758

INCREASE IN UNRESTRICTED NET ASSETS 107,830

(continued)

See Notes to Financial Statements.

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2008

TEMPORARILY RESTRICTED NET ASSETS:

REVENUES AND OTHER SUPPORT:	
Expiration of Time Restrictions	<u> (808)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u> (808)</u>
INCREASE IN NET ASSETS	107,022
NET ASSETS, BEFINNING OF YEAR	<u>599,486</u>
NET ASSETS, END OF YEAR	<u><u>706,508</u></u>

See Notes to Financial Statement.

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (Decrease) in Net Assets	107,022
Adjustments to Reconcile Changes in Net Assets to Net	
Cash Provided by (used in) Operating Activities:	
Depreciation	17,642
Disposition of Equipment	15,742
Impairment Loss on Idle Equipment	
Net Unconditional Promise to Give Donated Facilities	808
(Increase) Decrease in Operating Assets:	
Grants and Contracts Receivable	(101,140)
Prepaid Expenses	(1,171)
Other Current Assets	(294,577)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	74,452
Accrued Payroll Tax and Related Liability	132
Accrued Wages	<u>4,481</u>

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (176,609)

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of Property and Equipment	(18,000)
Proceeds from Sale of Equipment	<u>32,000</u>

NET CASH USED IN INVESTING ACTIVITIES 14,000

(continued)

See Notes to Financial Statements.

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Notes Payable	210,000
Repayments of Notes Payable	<u>(60,000)</u>

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES 150,000

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (12,609)

Cash and Cash Equivalents, Beginning of Year 83,595

CASH AND CASH EQUIVALENTS, END OF YEAR 70,986

See Notes to Financial Statements.

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Hale Empowerment and Revitalization Organization, Inc., is a not-for-profit entity that was incorporated on September 15, 1994. The Organization's mission is to empower families to create change in their built environment through increased accessibility of information and education about homeownership, home repair and rental assistance programs for Hale County. The Organization's primary sources of revenue are derived from grants and contributions from governments, other not-for-profit entities and the general public.

B. BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

C. 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 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.

D. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

(continued)

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2008

E. GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and contracts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. The Organization considers all receivables to be fully collectible and accordingly, no allowance for doubtful accounts is provided.

F. ACCUMULAED CONSTRUCTION COSTS – HUD PROGRAM

In 2003, the United States Department of Housing and Urban Development (HUD) awarded the Organization a grant for its Rural Housing and Economic Development program. The Organization used the grant funds to purchase a parcel of land and began construction of residential homes that will be sold to qualifying low-income residence of Hale County. The purchase of the land and the initial construction costs are included in the accumulated construction costs- HUD program on the September 30, 2008 statement of financial position.

G. PROPERTY AND EQUIPMENT

Donations of furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributing of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment purchased with unrestricted funds are recorded at cost. It is the Organization's policy to capitalize expenditures for property and equipment in excess of \$150. Depreciation of property and equipment is provided for over the estimated useful lives of assets using the straight-line method, and amounted to \$17,642 in 2008.

(continued)

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2008

H. CONTRIBUTIONS

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that (1) create or enhance non-financial assets or that require specialized skills, (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

I. INCOME TAXES

The Organization is a not-for-profit Organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

J. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers time deposits, certificates of deposit, and all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

K. ADVERTISING COSTS

The Organization expenses the production costs of advertising as incurred, except for direct response advertising, which is capitalized and amortized over its expected period of future benefits. For the year, ended September 30, 2008, all advertising costs were expensed, amounting to \$0.

L. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(continued)

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
 NOTES TO FINANCIAL STATEMENT
 SEPTEMBER 30, 2008

2. CREDIT RISK

The Organization has on deposit cash balances in financial institutions located in Greensboro, Alabama. The balances are insured by the Federal deposit Insurance Corporation up to \$100,000. At September 30, 2008, the Organization's cash balances were under this limit.

3. LONG-TERM PROMISES TO GIVE

As stated in Note 4, the organization leases office facilities from the City of Greensboro for \$1 per year on a ninety-nine year lease that expires in August, 2097. In regards to donated office space, Statement of Financial Accounting Standards No. 116, *Accounting for contributions Received and Contributions Made*, requires that the done record the lesser of the present value of the fair rental value of the facility or the fair the lease was \$80,000, which is less than the present value of the fair rental value of the facility. Each year, the Organization will reduce the balance of the unconditional promise to give by one year's amortization of the recorded value at the inception of the lease. A summary of long-term promises to gibe is shown below:

Fair Market value of the Building	\$ 80,000
Less: Eight Year's Amortization of the Original Recorded Amount	<u>8,080</u>
Net long-term Promises to Give	<u>\$ 71,920</u>
Value of Unconditional Promise to give to be Received in Less than One Year	\$ 808
Value of Unconditional Promise to give to be Received in One to Five Years	4,040
Value of Unconditional Promise to give to be Received in more than Five Years	<u>67,072</u>
	<u>\$ 71,920</u>

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2008

4. OPERATING LEASES

As Lessee:

Effective October 1, 1998, the Organization's office facilities are rented for \$1 per year under an annual lease expiring in August 2007 (Note 3).

The Organization leases three copiers under operating leases expiring at various times through November 2008. Copier lease expense amounted to \$4,070 in 2008.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2008, including renewals for each of the next five years and in the aggregate are:

<u>Year ending September 30,</u>	<u>Amount</u>
2009	\$ 1
2010	1
2011	1
2012	1
2013	1
Subsequent to 2013	<u>84</u>
Total minimum Future Rental Payments	<u>\$ 89</u>

5. NOTES PAYABLE

On July 10, 2008 the Organization took out a loan from Regions Bank in the amount of \$150,000. Interest at a rate of 5.5% is paid monthly. The full principle is due on July 10, 2010.

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2008

6. ECONOMIC DEPENDENCY

The Organization generated a significant portion of its revenue from contracts in 2008 with the U.S. Department of Housing and Urban Development, specifically the Rural Housing and Economic Development Program. These contracts primarily provide for the reimbursement of actual expenditures on a monthly basis. Revenue from these contracts totaled \$230,920 for the year ended September 30, 2008. At September 30, 2008, the amount due from these contracts was \$13,637.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaled \$71,920 for 2008. Temporarily restricted net assets were restated for 2006 due to a subsequently adopted bylaws changing the sole mission of the Organization to the mission of the housing resource center's mission mentioned in Note 1A. the following is a summary of these temporarily restricted net assets:

	<u>2008</u>
For office lease agreement (see Note 3 and 4)	<u>\$71,920</u>

8. RETIREMENT PLAN

Effective January 1, 1997, the Organization offers employees the opportunity for participation in a 403(b) retirement plan. The plan provides that employees can voluntarily contribute to the plan through salary reduction.

9. RELATED PARTY

The Board of Directors consists of nine voting directors, two of whom serve on West Alabama Youth Services, Inc., Board of Directors.

The Director of Housing is also the Director of Hale County's Chapter of Habitat for Humanity. During 2008, the Organization gave sub-grants totaling \$22,627.

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2008

9. RELATED PARTY (continued)

During 2008, the Organization paid development expenses totaling \$179,167 on behalf of Caudwell Creek, Ltd (Note 10). This amount was reimbursed to the Organization during the year. There were no receivables from Caudwell Creek, Ltd. at September 30, 2008.

10. CONTINGENCIES

The Organization has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Management believes that such disallowances, if any, would be immaterial to the financial statements.

11. HOUSING PROGRAMS

In 2005, the following entities were created: Hale Housing Company, LLC – The Organization is the sole 100% member; Cauldwell Creek GP, Inc. – Hale Housing Company, LLC is the 100% stockholder; and Cauldwell Creek, Ltd – General partners are Cauldwell Creek GP, Inc. (.005% partner) and Bennette & Company, LLC (.005% partner) and the limited partner is a tax credit investor (99.99% partner). Cauldwell Creek, Ltd. plans to own single-family rental housing. The financial activity within these entities is immaterial to the Organization's financial statements.

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CERTIFIED PUBLIC ACCOUNTANTS

PATRICIA L. STOUGH
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MEMBERS:

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*Alabama Society
of Certified Public
Accountants*

February 10, 2009

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
**Hale Empowerment and Revitalization
Organization, Inc.**
Greensboro, Alabama

Our report on our audits of the basic financial statements of Hale Empowerment and Revitalization Organization, Inc., for 2008 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of Functional Expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

Harbin & Stough, PC
Certified Public Accountants

HALE EMPOWERMENT AND REVITALIZATION ORGANIZATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Program Services</u>	<u>Supporting Services</u>	
	Housing and <u>Related Programs</u>	Management and General	<u>Total</u>
Salaries	135,828	20,296	156,124
Insurance	5,050	1,424	6,474
Payroll taxes and other fringe benefits	22,550	3,369	25,919
Contract services	159,982	-0-	159,982
Travel	9,368	1,400	10,768
Telephone	5,228	580	5,808
Rent	607	202	809
Utilities	9,264	2,316	11,580
Maintenance and repairs	2,182	242	2,424
Classroom and equipment rent	1,018	3,052	4,070
Office supplies	11,697	1,602	13,299
Postage	1,323	147	1,470
Training	738	-0-	738
Client incentive and service delivery	287,156	-0-	287,156
Advertising	-0-	-0-	-0-
Professional services	15,511	19,294	34,805
Depreciation	15,878	1,764	17,642
Program supplies	42,820	-0-	42,820
Subgrant	-0-	22,627	22,627
Automobile and van	519	58	577
Interest expense	1,479	280	1,759
License/ Dues	2,336	37	2,373
Construction	<u>172,534</u>	<u>-0-</u>	<u>172,534</u>
TOTAL	<u>903,068</u>	<u>78,690</u>	<u>981,758</u>