

**COMMUNITY REINVESTMENT
ASSOCIATION OF NORTH CAROLINA**

Durham, North Carolina

Audited Financial Statements

Year Ended December 31, 2007



Ty Cox & Co., CPAs, PLLC
Certified Public Accountants
and Consultants

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ASSOCIATION OF NORTH CAROLINA
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Ty Cox & Co., CPAs, PLLC

Durham Office:
1007 Slater Road, Suite 130
Durham, North Carolina 27703

Firm Mailing Address:
Post Office Box 14326
Research Triangle Park, NC 27709

919/ 941-7773 Phone
919/ 287-2784 Fax

**Certified Public Accountants
and Consultants**

www.tycoxcpa.com

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Community Reinvestment
Association of North Carolina
Durham, North Carolina

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of Community Reinvestment Association of North Carolina, (a nonprofit Association) as of December 31, 2007 and the related statements of support and revenues, expenses, and changes in net assets – modified cash basis and statement of functional expenses for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these 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 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 audit provides 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 Community Reinvestment Association of North Carolina as of December 31, 2007, and its support and revenues, expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.

Ty Cox & Co., CPAs, PLLC

Durham, North Carolina
May 15, 2008

FINANCIAL STATEMENTS

COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
**STATEMENT OF ASSETS, LIABILITIES, AND
NET ASSETS - MODIFIED CASH BASIS**

December 31, 2007

Assets	
Current Assets	
Cash and cash equivalents	\$ 121,103
Investments	144,009
Total Current Assets	<u>265,112</u>
Fixed Assets	
Property and equipment, net	<u>370,484</u>
Total Fixed Assets	<u>370,484</u>
Other Assets	
Notes Receivable	<u>100,000</u>
Total Fixed Assets	<u>100,000</u>
Total Assets	<u><u>\$ 735,596</u></u>
Liabilities and Net Assets	
Current Liabilities	
Other Current Liabilities	<u>6,921</u>
Total Liabilities	<u>6,921</u>
Long-Term Liabilities	
Mortgage Payable	<u>293,486</u>
Total Fixed Assets	<u>293,486</u>
Net Assets	
Unrestricted assets	<u>435,189</u>
Total Liabilities and Net Assets	<u><u>\$ 735,596</u></u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
STATEMENT OF SUPPORT AND REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Total
Program Support and Revenues			
Grants	\$ 480,000	\$ 85,000	\$ 565,000
Rental Income	24,965	-	24,965
Interest and Dividend income	8,887	-	8,887
Ad Income	19,900	-	19,900
Contributions	2,750	-	2,750
Film Tax Credit	168,402	-	168,402
Other Income	5,569	-	5,569
Net assets released from restrictions	85,000	(85,000)	-
Total Support and Revenues	<u>795,473</u>	<u>-</u>	<u>795,473</u>
Expenses			
Program services	395,083	-	395,083
Management and general	127,564	-	127,564
Fundraising	28,564	-	28,564
Total Expenses	<u>551,211</u>	<u>-</u>	<u>551,211</u>
Change in Net Assets before Gain on Investments	244,262	-	244,262
Net Gain on Investments	(22,620)		(22,620)
CHANGE IN NET ASSETS FOR THE YEAR	221,642		221,642
Net Assets - Beginning of Year	<u>213,547</u>	<u>-</u>	<u>213,547</u>
NET ASSETS - END OF YEAR	<u><u>\$ 435,189</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 435,189</u></u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
As of December 31, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 123,856	\$ 71,706	\$ 21,729	\$ 217,292
Pension plan contributions	10,786	4,302	1,304	16,393
Other employee benefits	34,060	4,941	1,497	40,498
Payroll taxes	14,456	2,003	607	17,066
Contractor services	8,682	-	-	8,682
Professional fees	4,480	3,091	154	7,724
Supplies	2,839	2,410	107	5,356
Telephone	3,197	2,715	121	6,033
Postage and shipping	515	437	19	971
Occupancy and parking	1,497	1,763	67	3,328
Equipment expense	1,672	197	98	1,967
Fees and licenses	-	-	275	275
Dues and subscriptions	-	325	-	325
Printing and publications	711	517	65	1,293
Travel	8,026	4,075	247	12,348
Conferences and meetings	1,093	109	12	1,214
Evaluation	52,654	-	-	52,654
Other expenses	356	2,139	-	2,495
Nuestro Barrio - Per episode costs	27,627	-	-	27,627
Nuestro Barrio - Operating	27,937	-	-	27,937
Nuestro Barrio - Advertising	32,945	-	-	32,945
Building related expenses	20,630	5,501	1,375	27,506
Insurance	7,817	18,868	270	26,954
Total before depreciation	<u>385,836</u>	<u>125,098</u>	<u>27,948</u>	<u>538,881</u>
Depreciation expense	<u>9,248</u>	<u>2,466</u>	<u>617</u>	<u>12,330</u>
Total Functional Expenses	<u>\$ 395,083</u>	<u>\$ 127,564</u>	<u>\$ 28,564</u>	<u>\$ 551,211</u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Description of Association

Community Reinvestment Association of North Carolina (CRA-NC) is a non-profit association dedicated to changing the practices of North Carolina financial institutions to more fully meet the credit needs of traditionally under-served community through institutional advocacy, research, public education, and community capacity building. CRA-NC is exempt from income taxation under Section 501 (c)(3) of the Internal Revenue Code.

Double Dividend Fund, LLC (the "Fund"), is a subsidiary of CRA-NC that was established during the 2002 fiscal year. The purpose of the Fund, a for-profit organization, is to promote community, housing, and economic development by increasing capital investment portfolio consisting of securities of financial service corporations and other companies whose work is related to building and protecting wealth in low and moderate income communities. The Fund's income is derived from dividend and investment income related to these securities.

B. Principles of Consolidation

The financial statements include accounts of CRA-NC and the Fund after elimination of all significant intercompany balances and transactions.

C. Basis of Accounting

CRA-NC operates on a modified cash basis of accounting. Under this method of accounting, revenues are generally recognized when received and expenses when paid with the following modifications: (1) receivables for grants and refundable sales tax are recorded as an account receivable, and (2) employee withholdings are recorded as payables.

D. 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, CRA-NC 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.

COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

Note 1. Summary of Significant Accounting Policies (continued)

E. Estimates

The presentation 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reported period. Actual results could differ from those estimates.

F. Income Taxes

CRA-NC is a tax-exempt association under Internal Revenue Code Section 501(c)(3). Consequently, no provision for income taxes has been made in the accompanying financial statements.

G. Cash and Cash Equivalents

CRA-NC considers all highly liquid investments when purchased with maturity of three months or less to be cash equivalents.

H. Investments

Investments are shares of equity securities stated at market value.

I. Donated Services and Materials

A number of volunteers have donated substantial amounts of time toward program operations and other activities of CRA-NC. No amounts have been reflected in the statements for those services since they do not meet the criteria for revenue as contributions in the accompanying statements at their estimated value on the date of receipt.

J. Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at fair market value at the time of donation. All property and equipment are depreciated over their estimated useful lives using the straight-line method. CRA-NC's assets have useful lives ranging from three to five years. Costs for maintenance and repairs are expensed, and betterments and major replacements greater than \$500 are capitalized and depreciated over their estimated useful life.

COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

Note 1. Summary of Significant Accounting Policies (continued)

K. Unrestricted Assets

The Association's unrestricted assets consist of total assets less a portion of those assets to cover its liabilities. No portion of the Association's assets is restricted in any manner.

L. Program Support and Revenues

Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and /or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted nets assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

M. Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Association maintains its deposit accounts with a local financial institution. The Federal Deposit Insurance Corporation insures deposits up to \$100,000. The Association's deposits exceeded this limit throughout the fiscal year ended December 31, 2007.

Note 2. Investments

Investments as of December 31, 2007 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Investments	\$ 136,690	\$ 186,400
	<u>\$ 136,690</u>	<u>\$ 186,400</u>

COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

Note 3. Fixed Assets

At December 31, 2007 fixed assets consists of the following:

Land	\$ 30,000
Buildings	312,859
Furniture and equipment	25,726
Less: accumulated depreciation	<u>(37,236)</u>
	<u>\$ 331,349</u>

Depreciation expense for the year was \$12,330.

Note 4. Mortgage Payable

At December 31, 2007 CRA-NC had a mortgage payable in the amount of \$293,469. The mortgage payable is due on May 10, 2021. The monthly payment on the mortgage payable is \$2,275. Annual debt service requirements to maturity for mortgage payable indebtedness are as follows:

Year Ending December 31,	Principal	Interest
2008	17,618	9,562
2009	18,218	8,963
2010	18,838	8,343
2011	19,479	7,702
2012-2021	<u>219,316</u>	<u>36,594</u>
	<u>\$ 293,469</u>	<u>\$ 71,164</u>

Note 5. Pension Plan

CRA-NC maintains a simplified employee pension plan whereby it makes contributions to individual retirement accounts for its entire permanent, full time staff. The contribution rate is 6% of annual salary. Contributions for the year ended December 31, 2007 were \$16,393.

Note 6. Related Party Transactions

Grants were received from organizations that maintain representatives on CRA-NC's Board.

Note 7. Net Assets Released From Restrictions

Net assets were released from contractual restrictions by incurring expenses that satisfied the restricted purposes of the grant award or by occurrence of other events specified by donors during the year ended December 31, 2007.

COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

Note 8. Contingencies

CRA-NC has the usual obligations of a contractor for performance in connection with contracts for work performed and to be performed. Management does not anticipate any significant losses in connection with these obligations.