



The Board of Directors  
Raleigh Historic Districts Commission, Inc  
Raleigh, North Carolina

Dear Members:

We have audited the financial statements of Raleigh Historic Districts Commission, Inc. (the Commission) for the year ended June 30, 2007, and have issued our report thereon dated November 21, 2007. As required by auditing standards generally accepted in the United States of America (GAAS), we are providing you with the information shown below relative to the conduct of our audit. This report is intended solely for the use of the Audit Committee of the Board of Directors, and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

#### **OUR RESPONSIBILITY UNDER GAAS**

Our responsibility under GAAS is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements of the Commission are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In addition, we considered the internal control structure the Commission to gain a basic understanding of the accounting system in order to design an effective and efficient audit approach, not for the purpose of providing assurance on the internal control structure.

#### **INDEPENDENCE**

We are familiar with Rule 101 of the AICPA's Code of Professional Conduct, and its interpretations and rulings. As far as the Commission is concerned, our firm has been, for the period covered by the financial statements under report and thereafter to date, in fact independent as contemplated by such Rule.

#### **SIGNIFICANT ACCOUNTING POLICIES**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. Note 2 to the financial statements of the Commission contains a summary of significant accounting policies. During the year ended June 30, 2007 no new significant accounting policies were adopted and the application of existing policies was not changed. We noted no transactions entered into by the Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or any significant transactions for which there is a lack of authoritative guidance or consensus.

## **MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. 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 markedly from management's current judgments.

Management's estimate of the depreciation is based on an analysis of historical estimated useful lives of property and equipment. We evaluated the key factors and assumptions used to develop the useful lives to determine that they seem reasonable in relation to the financial statements of the Commission for the year ended June 30, 2007, taken as a whole. While the procedures used by management and the amount of the depreciation seem reasonable at this time, there will usually be differences between the actual useful lives and the estimates used and these differences may be material.

## **SIGNIFICANT AUDIT ADJUSTMENTS**

No adjustments were proposed by us that could, in our judgment, either individually or in the aggregate, have a significant effect on the Commission's financial reporting process.

## **SUMMARY OF AUDIT DIFFERENCES**

There were no financial statement misstatements aggregated during our audit of the Commission's financial statements for the period ended June 30, 2007 that were not corrected by management.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

*Cherry, Bekaert & Holland, L.L.P.*

Raleigh, North Carolina  
November 21, 2007

**RALEIGH HISTORIC DISTRICTS COMMISSION, INC.**

Raleigh, North Carolina

**Financial Statements**

Years Ended June 30, 2007 and 2006

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Raleigh Historic Districts Commission, Inc.  
Raleigh, North Carolina

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of Raleigh Historic Districts Commission, Inc. (the Commission) as of June 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets - modified cash basis, and cash flows - modified cash basis for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these 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 audits 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 our audits provide a reasonable basis for our opinion.

As described in Note 2, the Commission's policy is to prepare its financial statements on the basis of modified cash receipts and disbursements, 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 Raleigh Historic Districts Commission, Inc. as of June 30, 2007 and 2006, and its revenue, expenses, and changes in net assets and cash flows for the years then ended, on the basis of accounting described in Note 2.

*Cherry Bekaert & Holland, L.L.P.*

Raleigh, North Carolina  
November 21, 2007

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.  
**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS**  
**MODIFIED CASH BASIS**  
June 30, 2007 and 2006

<b><u>ASSETS</u></b>		
	<u>2007</u>	<u>2006</u>
Petty cash	\$ 5	\$ 5
Cash - checking	101,101	95,448
Cash - savings	3,266	3,074
Cash - money market	43,268	42,702
Property and equipment (net of accumulated depreciation of \$19,168 and \$27,225)	6,686	2,232
Note receivable	<u>58,594</u>	<u>58,594</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 212,920</u></b>	<b><u>\$ 202,055</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Note payable - City of Raleigh (Note 6)	<u>58,594</u>	<u>58,594</u>
<b>Net assets</b>		
Unrestricted net assets		
Undesignated	40,574	39,755
Property and equipment	6,686	2,232
Total unrestricted net assets	<u>47,260</u>	<u>41,987</u>
Temporarily restricted	<u>107,066</u>	<u>101,474</u>
<b>Total net assets</b>	<b><u>154,326</u></b>	<b><u>143,461</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 212,920</u></b>	<b><u>\$ 202,055</u></b>

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

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**MODIFIED CASH BASIS**  
 Year Ended June 30, 2007

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>Support and revenue</b>			
Grant - City of Raleigh	\$ -	\$ 51,500	\$ 51,500
Sale of books	184	-	184
Interest income	635	-	635
Net assets released from restrictions	45,908	(45,908)	-
<b>Total support and revenue</b>	<u>46,727</u>	<u>5,592</u>	<u>52,319</u>
<b>Expenses</b>			
Accounting	6,140	-	6,140
Insurance	502	-	502
Library	144	-	144
Educational	3,422	-	3,422
Postage	149	-	149
Bank Charges	38	-	38
Magazines and memberships	870	-	870
Internet Service Provider	403	-	403
Miscellaneous	2,591	-	2,591
Conference registration	15,415	-	15,415
Neighborhood Pamphlet Reprint	4,672	-	4,672
Downtown Historic District	6,612	-	6,612
Depreciation	489	-	489
Refund of prior year grant	7	-	7
<b>Total expenses</b>	<u>41,454</u>	<u>-</u>	<u>41,454</u>
<b>INCREASE IN NET ASSETS</b>	<b>5,273</b>	<b>5,592</b>	<b>10,865</b>
Net assets - beginning of year	<u>41,987</u>	<u>101,474</u>	<u>143,461</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 47,260</u></u>	<u><u>\$ 107,066</u></u>	<u><u>\$ 154,326</u></u>

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

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**MODIFIED CASH BASIS**  
Year Ended June 30, 2006

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>Support and revenue</b>			
Grant - City of Raleigh	\$ -	\$ 51,500	\$ 51,500
Blount Street Historic Corridor	-	15,000	15,000
Sale of books	174	-	174
Interest income	357	-	357
Net assets released from restrictions	38,319	(38,319)	-
<b>Total support and revenue</b>	<u>38,850</u>	<u>28,181</u>	<u>67,031</u>
<b>Expenses</b>			
Accounting	6,105	-	6,105
Insurance	502	-	502
Office supplies and equipment	248	-	248
Postage	198	-	198
Magazines and memberships	1,669	-	1,669
Stationery	2,461	-	2,461
Miscellaneous	285	-	285
Conference registration	3,161	-	3,161
Architectural Survey	23,338	-	23,338
Depreciation	868	-	868
Refund of prior year grant	352	-	352
<b>Total expenses</b>	<u>39,187</u>	<u>-</u>	<u>39,187</u>
<b>INCREASE IN NET ASSETS</b>	(337)	28,181	27,844
Net assets - beginning of year	<u>115,265</u>	<u>352</u>	<u>115,617</u>
Reclassification	(72,941)	72,941	-
Beginning, restated	<u>42,324</u>	<u>73,293</u>	<u>115,617</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 41,987</u>	<u>\$ 101,474</u>	<u>\$ 143,461</u>

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



RALEIGH HISTORIC DISTRICTS COMMISSION, INC.  
**STATEMENTS OF CASH FLOWS (INDIRECT METHOD)**  
**MODIFIED CASH BASIS**  
 Years Ended June 30, 2007 and 2006

	2007	2006
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 10,865	\$ 27,844
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	489	869
<b>Net cash provided by operating activities</b>	<u>11,354</u>	<u>28,713</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(4,943)	-
<b>Net cash used in investing activities</b>	<u>(4,943)</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	6,411	28,713
Cash - beginning of year	<u>141,229</u>	<u>112,516</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 147,640</u></u>	<u><u>\$ 141,229</u></u>
<b>Reconciliation to statements of assets, liabilities and net assets - modified cash basis</b>		
Petty cash	\$ 5	\$ 5
Cash - checking	101,101	95,448
Cash - savings	3,266	3,074
Cash - money market	43,268	42,702
	<u><u>\$ 147,640</u></u>	<u><u>\$ 141,229</u></u>

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

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

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**Note 1 – Organization**

Raleigh Historic Districts Commission, Inc. (the Commission) is a not-for-profit corporation organized in North Carolina, on October 3, 1963 to serve as the Raleigh City Council's official historic preservation advisory body to identify, preserve, protect, and educate the public about Raleigh's historic resources. The Commission is dependent upon contributions and grants from local and state governments and private contributors.

**Note 2 – Summary of significant accounting policies**

**Method of accounting** – The Commission's policy is to prepare its financial statements on the modified cash basis of accounting that is an other comprehensive basis of accounting. Consequently, revenues are recognized when received rather than when earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. The Commission records depreciation expense on property and equipment costs, but the Commission does not record the value of the office space provided in-kind, or interest revenue and expense for the note receivable and payable in Note 6.

**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 Commission 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.

**Restricted and unrestricted revenues and support** – Donor contributions or grants properly classified as contributions received are recorded as unrestricted or temporarily restricted support absent any donor or grant restrictions.

All donor or grant restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of revenues, expenses and changes in net assets as net assets released from restrictions.

**Cash** – The Commission maintains several bank accounts and a money market account. Cash and cash equivalents are defined as all investment instruments with an original maturity of three months or less. The accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At times, cash balances may exceed FDIC insurance coverage. The cash balances are maintained at a financial institution with a high credit-quality rating. The Commission has not experienced any losses in such accounts and believes it is not exposed to any significant credit loss on cash.

**Income taxes** – The Commission is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable state tax statutes. Also, it has been determined the Commission is not a private foundation as described in Section 509(a) of the Internal Revenue Code.

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

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**Note 2 – Summary of significant accounting policies (continued)**

**Use of estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and equipment** – Property and equipment with an acquisition cost of \$100 or greater, are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which is three to ten years.

**Note 3 – Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30 are restricted as follows:

	<u>2007</u>	<u>2006</u>
Blount Street Historic Corridor (Sprint)	\$ 15,000	\$ 15,000
City of Raleigh Funds	<u>92,066</u>	<u>86,474</u>
	<u>\$ 107,066</u>	<u>\$ 101,474</u>

**Note 4 – Reclassification of Net Assets**

Management has determined, based on a new understanding, grant revenues from the City of Raleigh needed to be reclassified in the amount of \$72,941 from unrestricted net assets to temporarily restricted net assets in order to reflect the restrictions of the grantor.

**Note 5 – Office space - in kind**

Effective February 3, 1992, the Commission's office space is provided in kind by the City of Raleigh. This space is located at 219 Fayetteville Street, Suite 300, Raleigh, North Carolina 27601.

**Note 6 – Concentrations**

Financial instruments that potentially subject the Commission to concentrations of credit risk consist principally of the temporary cash investments and financing the rehabilitation of the Plummer T. Hall House. The Commission has concentrated its credit risk for cash by maintaining deposits in a bank in the same geographic area. During 2007 and 2006 the Commission received 98% and 77%, respectively, of total support and revenue from the City of Raleigh.

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

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**Note 7 – Property and equipment**

Property and equipment consisted of the following June 30:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 13,428	\$ 16,144
Furniture and fixtures	10,481	11,368
Software	1,945	1,945
Less accumulated depreciation	<u>(19,168)</u>	<u>(27,225)</u>
	<u>\$ 6,686</u>	<u>\$ 2,232</u>

**Note 8 – Note receivable and note payable**

A \$58,594 loan was obtained from the City of Raleigh's Capital Area Preservation Fund on October 25, 1995. The proceeds were used for an interest free homeowner's loan to assist in financing the rehabilitation of the Plummer T. Hall House. The loan is secured by a Note and a Deed of Trust payable to the Commission. Repayment of the principal is deferred until either the death of the borrower, change in the ownership of the secured property, or in the event the borrower no longer resides in the secured property.

When the homeowner's loan is repaid to the Commission, the Commission is to repay its loan from the City of Raleigh's Capital Area Preservation Fund.