



September 11, 2008

To the Board of Directors
Raleigh Historic Districts Commission, Inc.

We have audited the financial statements of Raleigh Historic Districts Commission, Inc. for the year ended June 30, 2008, and have issued our report thereon dated September 11, 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 June 19, 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.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

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. The significant accounting policies used by Raleigh Historic Districts Commission, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 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 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. The most sensitive estimate affecting the financial statements was:

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, 2008, 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.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or 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 Representations

We have requested certain representations from management that are included in the management representation letter dated September 11, 2008.

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 an 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.

To the Board of Directors
Raleigh Historic Districts Commission, Inc.
Page 3

This information is intended solely for the use of the board of directors and management of Raleigh Historic Districts, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

CHERRY, BEKAERT AND HOLLAND

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

Raleigh, North Carolina
September 11, 2008

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.
Raleigh, North Carolina

Financial Statements

Years Ended June 30, 2008 and 2007

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.

TABLE OF CONTENTS

Years Ended June 30, 2008 and 2007

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis	2
Statements of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	3 - 4
Statements of Cash Flows (Indirect Method) - Modified Cash Basis	5
Notes to Financial Statements	6 - 8



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, 2008 and 2007, 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, 2008 and 2007, 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.

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

Raleigh, North Carolina
September 11, 2008

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
 June 30, 2008 and 2007

<u>ASSETS</u>		
	<u>2008</u>	<u>2007</u>
Petty cash	\$ 55	\$ 5
Cash - checking	45,200	101,101
Cash - savings	4,057	3,266
Cash - money market	31,111	43,268
Property and equipment (net of accumulated depreciation of \$20,617 and \$19,168)	5,237	6,686
Note receivable	<u>58,594</u>	<u>58,594</u>
TOTAL ASSETS	<u>\$ 144,254</u>	<u>\$ 212,920</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Pledges payable	\$ 6,667	\$ -
Note payable - City of Raleigh (Note 6)	<u>58,594</u>	<u>58,594</u>
Total Liabilities	<u>65,261</u>	<u>58,594</u>
Net assets		
Unrestricted net assets		
Undesignated	14,847	40,574
Property and equipment	<u>5,237</u>	<u>6,686</u>
Total unrestricted net assets	<u>20,084</u>	<u>47,260</u>
Temporarily restricted	<u>58,909</u>	<u>107,066</u>
Total Net Assets	<u>78,993</u>	<u>154,326</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 144,254</u>	<u>\$ 212,920</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, 2008

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Support and revenue			
Grant - City of Raleigh	\$ -	\$ 51,500	\$ 51,500
Sale of books	782	-	782
Interest income	432	-	432
Net assets released from restrictions	99,657	(99,657)	-
Total support and revenue	100,871	(48,157)	52,714
Expenses			
Accounting	7,620	-	7,620
Insurance	501	-	501
Library	38	-	38
Miscellaneous	1,217	-	1,217
Educational	12,459	-	12,459
Office Supplies & Equipment	156	-	156
Postage	174	-	174
Bank Charges	65	-	65
Dues and Subscriptions	1,210	-	1,210
Printing	859	-	859
Training & Seminars	10,846	-	10,846
Professional Services	81,453	-	81,453
Depreciation	1,449	-	1,449
Donations	10,000	-	10,000
Total expenses	128,047	-	128,047
INCREASE IN NET ASSETS	(27,176)	(48,157)	(75,333)
Net assets - beginning of year	47,260	107,066	154,326
NET ASSETS - END OF YEAR	\$ 20,084	\$ 58,909	\$ 78,993

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
Support and revenue			
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)	-
Total support and revenue	<u>46,727</u>	<u>5,592</u>	<u>52,319</u>
Expenses			
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
Total expenses	<u>41,454</u>	<u>-</u>	<u>41,454</u>
INCREASE IN NET ASSETS	5,273	5,592	10,865
Net assets - beginning of year	<u>41,987</u>	<u>101,474</u>	<u>143,461</u>
NET ASSETS - END OF YEAR	<u>\$ 47,260</u>	<u>\$ 107,066</u>	<u>\$ 154,326</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, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Change in net assets	\$ (75,333)	\$ 10,865
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,449	489
Increase/(decrease) in cash due to change in:		
Pledges payable	6,667	-
Net cash provided (used) by operating activities	<u>(67,217)</u>	<u>11,354</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(4,943)
Net cash used in investing activities	<u>-</u>	<u>(4,943)</u>
NET INCREASE/(DECREASE) IN CASH	(67,217)	6,411
Cash - beginning of year	<u>147,640</u>	<u>141,229</u>
CASH - END OF YEAR	<u><u>\$ 80,423</u></u>	<u><u>\$ 147,640</u></u>
Reconciliation to statements of assets, liabilities and net assets - modified cash basis		
Petty cash	\$ 55	\$ 5
Cash - checking	45,200	101,101
Cash - savings	4,057	3,266
Cash - money market	31,111	43,268
	<u><u>\$ 80,423</u></u>	<u><u>\$ 147,640</u></u>

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

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

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, 2008 and 2007

Note 2 – Summary of significant accounting policies (continued)

Accounting for Uncertainty in Income Taxes - The Commission's policy is to record a liability for any tax position taken that is beneficial to the Commission including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2008 and, accordingly, no liability has been accrued.

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>2008</u>	<u>2007</u>
Blount Street Historic Corridor (Sprint)	\$ 15,000	\$ 15,000
City of Raleigh Funds	37,893	87,050
South Person & South Blount Streets		
Historic Districts Overlay Study	1,750	1,750
W.H. Dietrick Fund	<u>4,266</u>	<u>3,266</u>
	<u>\$ 58,909</u>	<u>\$ 107,066</u>

Note 4 – 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 5 – 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 2008 and 2007 the Commission received 100% respectively, of total support and revenue from the City of Raleigh.

RALEIGH HISTORIC DISTRICTS COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

Note 6 – Property and equipment

Property and equipment consisted of the following June 30:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 13,429	\$ 13,428
Furniture and fixtures	10,480	10,481
Software	1,945	1,945
Less accumulated depreciation	<u>(20,617)</u>	<u>(19,168)</u>
	<u>\$ 5,237</u>	<u>\$ 6,686</u>

Note 7 – 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.