

**fahe**

*Annual Report*  
**2008**

# *A Letter From Our President...*

As you may recall, in 2004 I challenged FAHE, as an organization and a network, to take a hard look at the magnitude of the housing crisis facing our region. Our annual direct financing was growing by an average of \$350,000 each year. Yet, we estimated that more than 100,000 families live in substandard housing in Central Appalachia. In short, we had a big mission and small solutions.

The poverty that our region suffers is undeniable; but poverty isn't just about being poor. It is the absence of hope that shackles families to the kind of systemic and multigenerational poverty plaguing Central Appalachia.

And when we took a hard look at the size of our solutions, we realized that we were choosing to be limited by the circumstances around us. When we let what we don't have define us, we become impoverished. This left us feeling trapped by an unending struggle where we were always reacting to the decisions of others; "there aren't enough resources", "I'm just one person", "this is how it's always been".

*But when poverty says "I can't because...", hope says "I can, even if I have to change."*

Today, I am proud to say that FAHE is being proactive in meeting the region's challenges head on. In 2004, \$15 million in direct financing seemed impossible; this year FAHE provided \$37 million in direct financing. Our Membership responded to my challenge by creating the Berea Performance Compacts, which have inspired a synergy that goes beyond the sum of our parts. Together we make each other better and as a result our Members have gone from 2,000 to 3,800 affordable housing units produced annually, putting us halfway towards the 8,000 unit goal we set just four years ago.



Jim King, President and Chief Executive Officer of FAHE.

When a family lifts themselves out of poverty and into a stable, affordable housing solution, suddenly a new horizon of hope and opportunity emerges. In much the same way, we know we can do more now that we have come this far. We have moved from being relevant to the individual families we serve to being a catalyst for peer-driven progress in entire communities. The next step is becoming a vehicle for regional opportunity and systemic transformation.

We could not have made this journey alone, and we can't take the next steps alone either. Our Members, investors, donors, volunteers, staff and other partners have been vital to the extraordinary growth and success we have achieved over the last five years. In order to reach the next level we must sustain this critical mass and work together to anticipate the next wave of challenges our region will face. We thank you for your generous contributions and support that have brought us this far and hope you will join us in our commitment to fostering a wealth of spirit.

A handwritten signature of Jim King in dark ink.

Jim King  
President & CEO

## *Board of Directors*

### **Robert Adams**

Housing & Development Advisors  
Richmond, VA

### **Joseph Belden**

Housing Assistance Council  
Washington, DC

### **Alexis Butcher**

Mountain CAP of West Virginia  
Buckhannon, WV

### **Terry Cunningham**

Kingsport Housing & Redevelopment Authority  
Kingsport, TN

### **Stacey Epperson**

Frontier Housing  
Morehead, KY

### **H. David Hayes**

Hayes & Associates  
White Pine, TN

### **G. Andrew Kegley**

Helping Overcome Poverty's Existence  
Wytheville, VA

### **David Kreher**

People's Self-Help Housing  
Vanceburg, KY

### **John Martys**

Fairmont Housing Authority  
Fairmont, WV

### **Justin Maxson**

Mountain Association for Community  
Economic Development  
Berea, KY

### **Randall P. Miller**

Clear Mountain Bank  
Bruceton Mills, WV

### **Michael Rush**

People, Inc.  
Abingdon, VA

### **Oliver K. Spears III**

Foothills Community Development Corp.  
Maryville, TN

## *Our Staff*

### **Executive & Administrative Team:**

Angie Badgett - Loan Servicing Director  
Norma Bartruff - Office & Benefits Manager  
Tom Carew - Director of Membership  
Amy Davidson - Asset Manager  
Katy Donkin - Marketing Assistant  
Jerri Dyer - Asset Manager  
Jeneene Estridge - Research & Development Officer  
Brad Finn - Asset Manager  
Wayne Gregoire - WV Field Office Director  
Eric Haralson - Commercial Lending & TN Field Office Director  
Pam Johnson - Chief Operations Officer & Vice President  
Jim King - Chief Executive Officer & President  
Jo Powell - Receptionist  
Janet Stepp - Asset Manager  
Jenna Urusky - Director of Marketing

### **Finance Team:**

Tom Seel - Chief Financial Officer & Treasurer  
Sharon Cain - Controller  
Susan L. Smith Mullins - Senior Staff Accountant  
Marj Dasher - Finance Associate & IT/Database Admin.

### **JustChoice Lending**

Jon Rogers - Director of Homeownership  
Tina Hydrick - Mortgage Loan Manager  
David Brock - Mortgage Loan Originator  
Laura Meadows - Mortgage Loan Processor



Sara Morgan - Director & FAHE Corporate Secretary  
Tina Cain - Development Analyst



Vonda Poynter - Director  
Suzie Martin - Program Coordinator

# JustChoice Lending



FY2008 was a breakout year for JustChoice Lending. Mortgage lending topped \$11 million, more than the previous four years combined. As a result, the number of families we were able to help into homeownership nearly tripled. Two-thirds of these families were low-income, earning less than 80% of the local area median income. The rest of the families have moderate incomes, meaning they do not qualify for most housing assistance programs. Even though these families were facing credit issues, predatory lending and foreclosure threats, prior to the creation of JustChoice Lending FAHE had no mortgage solution to help them become and stay successful as homeowners.

JustChoice Lending's success proves that low- and moderate-income families can indeed become homeowners without the asset-based lending, non-amortizing products, loan flipping and excessive interest rates used by predatory lenders. Because FAHE's focus isn't on profit, JustChoice Lending offers low closing costs, modest origination fees and competitive interest rates for all of its products. The idea is to make it easier for families to do something good for themselves and, in the long run, their communities.

*Our focus isn't on profit...*

*We want to help you and your community prosper.  
So we reinvest earnings into affordable housing  
programs throughout the Appalachian region.*

By launching JustChoice Lending, FAHE is one of the first regional nonprofit lenders in the country to step up to the plate in today's home lending crisis. So far, Central Appalachia has weathered America's foreclosure crisis with minimal damage, although analysts expect the worst wave to hit our region in late 2008 and early 2009. Widespread foreclosure threatens to undermine the progress our communities have made over the past few decades. The long-term stability for families and communities of all financial means will hinge on having a trustworthy, straightforward alternative like JustChoice Lending to turn to before it's too late.





# *JustChoice Lending... Just in Time...*



## *In the spring of 2008, FAHE's foreclosure prevention counselor received a call...*

...through NeighborWorks America's HOPE Hotline from a single mother from Kentucky struggling to make her mortgage payment. Originally, she had purchased her home with a fixed rate mortgage, but was convinced by a predatory mortgage company to refinance with an adjustable rate mortgage (ARM), with promises that she could switch back over to a very low fixed interest rate in 12 months.

When the 12 months came up, not only was the new interest rate not "very low" as promised, but she also discovered there was a prepayment penalty that would add nearly \$8,000 to her loan balance, forcing her to keep the ARM. Like many residents of rural Appalachian communities, her job was over an hour away from her home, so the surges in gas prices burdened her family's budget to the point of breaking. Eventually the ARM's interest rate hit 16%, which increased her monthly payment from \$425 to \$900 a month.

She found out about FAHE and its JustChoice Lending division just in time. She was already three payments behind and soon her payment would increase to over \$1,200 per month. Within three months of placing her first call, JustChoice Lending was able to refinance her home as well as consolidate some other debts into one loan with a fixed interest rate and a payment she can afford for the long haul.

*...the ARM's interest rate hit 16%, which increased her monthly payment from \$425 to \$900 a month....*



During FY2008, FAHE Consulting collaborated on several projects in Appalachian Kentucky, providing services like environmental review, technical assistance, rental housing funding applications, a water treatment facility and a senior housing development. Notably, FAHE Consulting helped secure \$980,000 in annual tax credit allocations which will raise \$7 million in equity for two rental projects. These credits are part of a special set-aside of tax credits from Kentucky Housing Corporation, designed to promote development of affordable rental housing in distressed Appalachian counties. In all, these services yielded over \$12 million in awarded grants and equity, a 25% increase from FY2007.

In addition, FAHE Consulting administered state and federal funding awards for multiple community projects, among these, Liberty Place Recovery Center for

Women, a \$4.8 million facility for women recovering from drug and alcohol addictions, which is the only resource of its kind in the Richmond, Kentucky area. According to Vicki Jozefowicz, the developing agency's director, "without the assistance and ongoing support of FAHE, FAHE Consulting and the Housing Equity Fund of Kentucky, Liberty Place would most certainly not be in existence today."

To date most of FAHE Consulting's work focused on communities in Appalachian Kentucky. During FY2008, FAHE Consulting's team invested significant time and resources into building a pipeline of viable projects in anticipation of expanding its targeted service area. Next year, FAHE Consulting will be reaching out to communities in Tennessee to help more Appalachian neighbors achieve their community-based goals.





# Liberty Place

## The Liberty Place Recovery Center for Women Opens its Doors

Kentucky River Foothills Development Council (Foothills) is the largest human service provider in Madison County Kentucky. Their primary purpose is to develop resources so that all community members can have lives that are responsible, productive and fulfilling. After conducting their annual community needs assessment they noticed that, year after year, Foothill's communities were seeking solutions to the problems commonly associated with addiction: homelessness, unproductivity, broken homes and sometimes criminal behaviors. In response, Foothills decided to develop a facility that combined transitional housing with a long-term, supportive recovery program for women battling drug and alcohol addictions.

In spring 2008, the Liberty Place Recovery Center for Women was placed into service by Foothills with the help of FAHE Consulting and FAHE Capital. The center is equipped to house 100 residents in its "Clean Off the Streets" detoxification center and 38 double-occupancy apartments, and also features a commercial grade kitchen, meeting rooms and office space for the center's staff. Most importantly, Liberty Place's program is a beacon of support and hope for women committed to

overcoming their addictions—the program prepares them for sober, stable and productive living. The recovery program is built on peer support and personal accountability and includes daily living skills training, job responsibilities and counseling that prepares them to face the challenges of sober living.

Because eligible residents are homeless, or at risk of becoming homeless, services are provided to enrolled women free of charge. Therefore, it was critical that the project was completed on time and on budget. Foothills turned to FAHE Consulting for grant writing, technical assistance and project administration.



Liberty Place's Will Linder Memorial Garden, built by volunteers from FAHE's staff.

Specialized "one-time" development services are rarely the expertise of community-based program agencies like Foothills—to develop that construction knowledge and experience takes years and

rarely do agencies like Foothills have the luxury of learning such practices on their own dimes and schedules. FAHE Consulting and FAHE Capital carry the specialized pieces of development with confidence, freeing these agencies to do what they do best—tend to the women who so dearly need the services they offer.

*"Our agency knew there was no partner that could parallel FAHE when it came to knowledge, resources and a desire to make life better for the individuals served by the projects."*

-Vicki Jozefowicz, Executive Director  
Kentucky River Foothills Development Council, Richmond, Kentucky



## FAHE Capital Utilizes an Underused Resource In the Central Appalachian Region

Typically, Low Income Housing Tax Credit (LIHTC) Programs are used in metropolitan communities-where affordable rental developments have a large number of units. These programs are seldom used in small, rural communities where projects have less than 40 units. Most communities within Central Appalachia are rural, and have an enormous need for affordable rental homes. FAHE recognized the LIHTC Programs as an underutilized resource within the region. FAHE turned this funding shortfall into an opportunity by launching FAHE Capital to create equity funds that target Central Appalachia's underdeveloped markets, and earn a marketable rate of return for investors.

The first equity fund, Housing Equity Fund of Kentucky I (HEFK I), was established in partnership with Virginia Community Development Corporation (VCDC), a leader in affordable housing development and community revitalization in Virginia. During FY 2008, construction was completed on all three of the projects

funded by HEFK I. Each of these projects is performing, and each was completed on time and on budget, providing investors with a return that exceeds this fund's targeted return.

Additional investors increased the size of FAHE Capital's first fund to \$17 million, creating the potential for a fourth project to be funded by HEFK I. Even though investors to FAHE Capital's first equity fund grew to four times our original goal of \$4 million, demand for equity through FAHE Capital exceeds \$80 million. To accommodate this robust pipeline, FAHE Capital and VCDC initiated the creation of Housing Equity Fund of Kentucky II and Housing Equity Fund of Tennessee I, which will target projects that have already been awarded credits. FAHE Capital's ability to quickly identify viable projects for these funds means subscribers can expect rewarding returns when they invest with purpose and partner with success.

*Red Bud* - Beattyville, Kentucky



*Boodry Place* - Morehead, Kentucky



These projects from FAHE Capital's first equity fund exceeded target returns.



# Enabling Members to Do More...



*"This product has enabled Eastern Eight to finally rise above the day-to-day financial cash flow struggles to focus our skills and resources on creating solutions for housing needs."*

-Retha Patton, Executive Director  
Eastern Eight Community Development Corp.,  
Johnson City, Tennessee

## As Eastern Eight Community Development Corporation's 10 year anniversary approaches...

...they have a lot to be proud of; they offer a wide variety of housing services to hundreds of families across a diverse, eight county area in northeastern Tennessee. In 2008, they decided to ramp up their annual construction from 20 to 40 homes.

As their production increased, so did the time they spent on individual loan closings, bookkeeping expenses and total closing costs. To reach their goals for the year Eastern Eight would spend nearly \$75,000 in closing costs plus staff time to keep financing their construction projects individually. Setting up a \$1 million revolving line of credit would create an annual closing cost savings of \$60,000, or \$1,500 per home, in addition to simplifying bookkeeping and freeing up staff time.

Eastern Eight approached three local banks and two large regional banks; everyone seemed interested, but no one followed through. When they reached out to FAHE, a proposal was pulled together within a week and the line of credit was issued in less than three weeks.

"This product has enabled Eastern Eight to finally rise above the day-to-day financial cash flow struggles to focus our skills and resources on creating solutions for housing needs" says Retha Patton, Eastern Eight's Executive Director. "The stabilization of cash flow has produced more confident subcontractors and supplier relationships, and created the ability to react more quickly to opportunities."

Since receiving the line of credit in March, Eastern Eight has completed four single-family homes, four rental projects, and started the development of a new, 14-home subdivision.

# Commercial Lending

FAHE's first pooled loan fund was started in 1982 to revolve construction loans at affordable interest rates. Today more than ever, amid soaring construction costs and high inflation, FAHE's commercial loan products are critical sources of alternative financing for Members committed to creating better housing opportunities. Most of our commercial lending financed the construction of homes for sale through our Members' homeownership programs; in all, 40% of the \$6.3 million FAHE loaned to nonprofits was for the construction of homeownership units in FY2008. For Members like Eastern Eight Community Development Corp., construction lines of credit from FAHE are the catalyst for dynamic production growth.

The intricacies of complex government programs can make projects appear risky to traditional lenders. Our years of nonprofit experience help us finance viable businesses and projects with flexible underwriting at competitive rates. Our reputation for finding creative ways to finance successful projects, like Randolph County Housing Authority's Highland Meadows community, has made FAHE a preferred partner in strengthening our region's communities.



## *Catalytic Financing for Revolutionary Ideas*

In May 2005 FAHE launched "Achieving Your Mission", a mini-seminar designed to help Members move from mission-driven ambition to goal-driven strategies that lead to effective outcomes. "Achieving Your Mission" is founded on the leadership teachings of Douglas K. Smith, author of [Making Success Measurable](#) and co-author of [The Wisdom of Teams](#). What sets "Achieving Your Mission" apart from other management development programs is the performance challenge each participant sets for their organization as a vehicle for learning.



# Highland Meadows

## Mission-Driven Ambition to Goal-Driven Strategies



Breaking ground at Highland Meadows, in more ways than one. The Highland Meadows subdivision is located in Elkins, West Virginia.

When Karen Jacobson set the performance challenge for Randolph County Housing Authority (RCHA), she wanted to have a greater impact on affordable housing. So she set a goal to expand production and improve efficiency in order to have a greater impact and move toward 50% of total revenue from non-federal sources. In pursuing this goal, RCHA launched a new development called Highland Meadows. Situated in historic Elkins, West Virginia, Highland Meadows is a planned community designed to bring quality, convenience and

natural outdoor appeal together in one affordable locale. The idea is revolutionary for a small housing authority, typically dedicated to affordable rental housing and administering Section 8 vouchers.

In order to leverage the financing necessary to move forward with Highland Meadows, the project needed contingency funds. However with the national housing crisis blossoming, that was easier said than done. Jacobson presented the dilemma to FAHE's Commercial Lending staff, who

proposed a solution: FAHE would underwrite RCHA, instead of the project, to offer a better interest rate than the bank could offer. RCHA could then loan the money to the project. "It was so easy," said Jacobson. "They proposed the solution and it went just as they outlined. That was the real linchpin that made all the rest of the money flow."



# Membership

Members are the backbone of FAHE's strategy, working directly with families in need across the region. They operate a range of housing-oriented business lines, including the development, management and financing of affordable homes in Central Appalachia. Many of them offer other services targeted to their community's needs, making each Member unique. The diversity of our network gives each Member access to a broad base of knowledge and experience.

During FY2008, FAHE continued to invest in the leadership and capacity of its Members through professional training, pass-thru grants and programmatic set asides. Last year FAHE provided 30 slots for Members to attend the NeighborWorks® Training Institute. Each slot covers the cost of attendance and lodging, a total benefit valued at \$75,000. At the NeighborWorks® Training Institute, Members choose from a comprehensive range of courses to get the education, industry certifications and models for success they need to stay in the forefront of the community development field. In addition, FAHE funneled over one million dollars in pass-thru grants and \$3.1 million in programmatic set asides to Members to grow their capacity and serve more families in need.



Above: The newest member of FAHE's Board of Directors, Justin Maxson of MACED, at the 2008 Rural Summit, co-hosted by FAHE and NeighborWorks America.



Right: TAP into hope! Total Action Against Poverty joining FAHE in FY2009. Pictured left to right: Jim King (FAHE), and Earl Reynolds, Ted Edlich, and Angela Penn (TAP).

# Berea Performance Compacts

FAHE's Berea Performance Compacts are still going strong!  
In Fiscal Year 2009, FAHE will be looking for new initiatives to add to these success stories:

## Multi-family Development

During FY2008, Boodry Place joined Red Bud Housing as successful projects developed through the Berea Performance Compacts. Red Bud Housing, a scattered-site rental housing project for special needs clients, was completed in FY2007, with all 32 units leased the day they were offered, thanks to property management expertise of Community Housing, Inc. Boodry Place, a 32-unit facility in Morehead, Kentucky, was co-developed by Frontier Housing and Community Housing Partners, with Community Housing, Inc. stepping in again with its property management expertise. This multi-generational community targets senior citizens and persons with physical disabilities including children. The property features green design elements, a specialty of Community Housing Partners, as well as supportive services and a small playground for children of all abilities. Construction of Boodry Place was completed during FY2008. Looking forward, we are helping plan new projects to be developed as part of this initiative.



Frontier Housing Sales Office in Morehead, Kentucky. Frontier Housing is the leader of the Manufactured Housing Compact, providing services to other Members as a dealer of quality manufactured homes.

## Manufactured Housing

During FY2008, Members participating in this Performance Compact finalized the design and delivery system to provide manufactured homes across the region through a central dealer. **Frontier Housing** will leverage its existing investment to make these homes available in the local communities of four FAHE Members:

### Eastern Eight Community Development Corp.

Johnson City, TN

### Helping Overcome Poverty's Existence

Wytheville, VA

### Aid to Distressed Families of Appalachian Counties

Oak Ridge, TN

### Community Housing, Inc.

Winchester, KY

During Fiscal Year 2009, these participants will set five of these homes in their local communities, guaranteeing the fairness and quality of the unit, the set and the financing.

## Loan Servicing

FAHE's Loan Servicing portfolio continued to grow during FY2008. We are now managing \$16 million for six organizations in addition to FAHE's mortgage and commercial portfolios. Thanks to our compassionate and professional servicing approach **our 30-day delinquency ended the year at 1.68%**, shattering last year's record low delinquency rate of 2.41%. We accomplished this feat while keeping our foreclosure rate low, just 0.69% at fiscal year end.



# Our Members

*Aid to Distressed Families of Appalachian Counties* - Oak Ridge, TN  
*Appalachia Service Project* - Johnson City, TN  
*Appalachian Habitat for Humanity* - Robbins, TN  
*Beattyville Housing and Development* - Beattyville, KY  
*Blount County Habitat for Humanity* - Maryville, TN  
*Christian Appalachian Project* - Mount Vernon, KY  
*Clinch Valley Community Action* - North Tazewell, VA  
*COAP* - Harlan, KY  
*Community Action of Southeastern WV* - Bluefield, WV  
*Community Housing* - Winchester, KY  
*Community Housing Partners* - Christiansburg, VA  
*Creative Compassion* - Crossville, TN  
*Crossville Housing Authority* - Crossville, TN  
*Eastern Eight Community Development Corp.* - Johnson City, TN  
*Eastern West Virginia Community Action Agency* - Moorefield, WV  
*ElderSpirit Development Corporation* - Abingdon, VA  
*Fairmont Housing Authority* - Fairmont, WV  
*Foothills Community Development Corp.* - Maryville, TN  
*Frontier Housing* - Morehead, KY  
*Giles County Housing Development* - Pearisburg, VA  
*HomeOwnership Center* - Elkins, WV  
*HOMES* - Whitesburg, KY  
*Helping Overcome Poverty's Existence (HOPE)* - Wytheville, VA  
*Housing Authority of Mingo County* - Delbarton, WV  
*Housing Connections* - Wheeling, WV  
*Housing Development Alliance* - Hazard, KY  
*Kentucky Mountain Housing Development* - Manchester, KY  
*Kingsport Housing & Redevelopment Authority* - Kingsport, TN  
*Knox Housing Partnership* - Knoxville, TN  
*LINKS* - Prestonburg, KY  
*Mountian CAP of West Virginia* - Buckhannon, WV  
*Mountaineer Development Corp.* - Delbarton, WV  
*People, Inc. of Virginia* - Abingdon, VA  
*People's Self-Help Housing* - Vanceburg, KY  
*Project Crossroads* - Marion, VA  
*Randolph County Housing Authority* - Elkins, WV  
*Religious Coalition for Community Renewal* - Charleston, WV  
*Rural Areas Development Association* - Gate City, VA  
*SAFE Housing and Economic Development* - Kimball, WV  
*Scott Morgan Community Development Corp.* - Robbins, TN  
*Southeastern Appalachian Rural Alliance* - Lewisburg, WV  
*Woodland Community Development Corp.* - Clairfield, TN  
*Woodland Development Group* - Elkins, WV



# Central



# *We Envision Appalachia...*

*as a place proud of sustaining its culture and environment, where growth, opportunity, and hope are balanced so that all people fulfill their potential with regard to housing, employment, educational opportunity and quality of life.*



# *Appalachian Region*

# Our Mission...

*FAHE leads a network of Appalachian organizations to sustainable growth and measureable impact through collective voice and provides access to capital that creates housing and promotes community development.*

FAHE was started in 1980 by socially conscious entrepreneurs, initiating its first loan fund in 1982, in response to skyrocketing interest rates, to make loans to nonprofit housing developers. A few years later we began making mortgages to low-income families, closing nearly \$500,000 of direct investments in 1985. Based on our historic performance, our lending capacity grew \$350,000 each year. At that rate, FAHE was expected to reach \$10 million in annual direct financing by 2008. With 800,000 families in the region living in substandard housing or overburdened by the cost of their housing, this incremental growth had little hope of initiating the kind of systemic change we know this region needs.

In 2004, when FAHE set its performance challenge, our total direct investment since inception more than 20 years ago was \$67 million; *in the past two years alone we have matched that investment.* We have accomplished this feat without substantially changing the size of our staff, balance sheet or charitable fundraising. What has changed is the dedication of the partners who support the tireless pursuit of our mission.

Direct investments of \$67 million in 20 years was remarkable; \$67 million in *two* years is extraordinary. What comes next needs to be significant enough to move an entire region, but unless people's basic needs are met, we cannot expect this region to move forward.

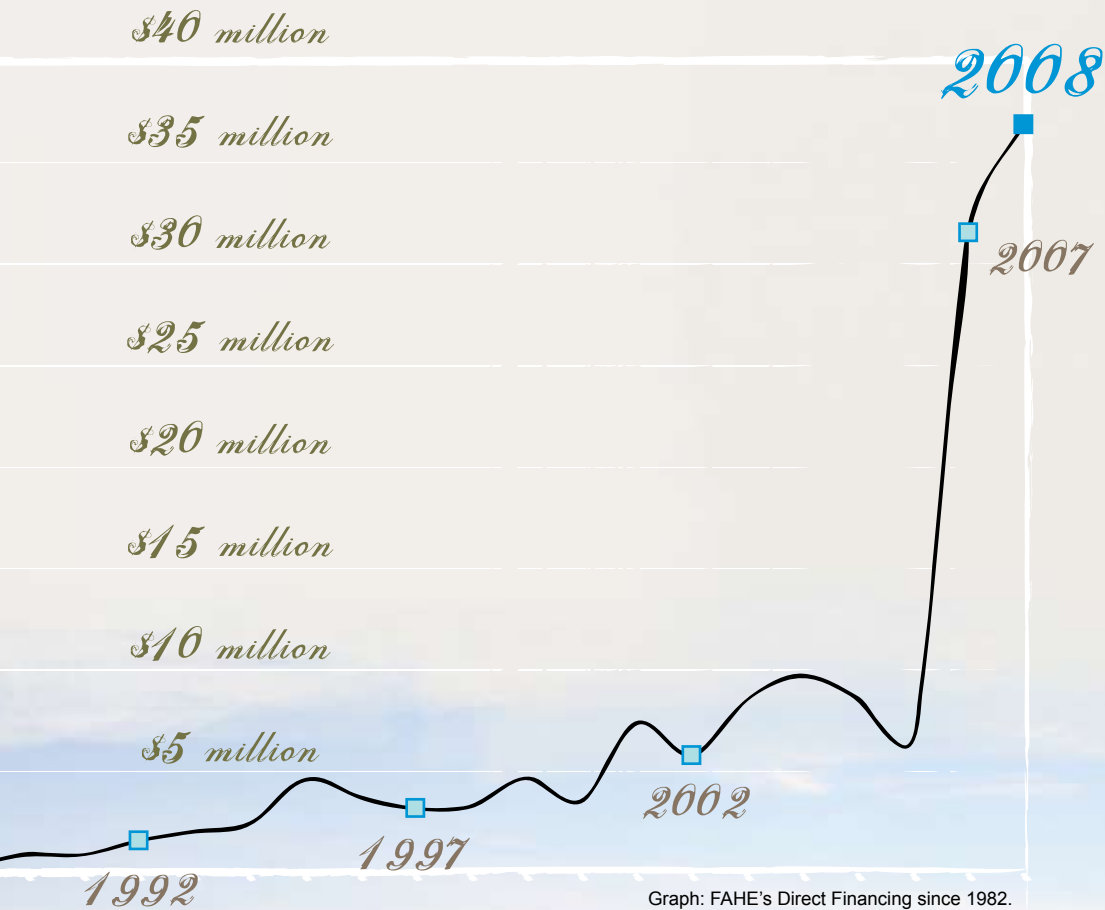
1982

1987



# *We Believe...*

...that adequate housing is a basic need that must be met for every man, woman and child in this region. That's why we won't be satisfied until our ability to bring capital to the region takes a few more leaps forward.





# Financials

## A Financial Position Characterized by Stability

In 2004, FAHE embarked on growing the breadth and efficacy of its business lines, while successfully maintaining a strong, sustainable organization distinguished by fiscal responsibility and social impact. Five years after embracing this strategy, FAHE's financial position is characterized by stability and a demonstrated commitment to efficient mission delivery.

## Statement of Activities

June 30, 2008 and 2007

Revenue	2008	2007
Grants & Donations	\$2,078,863	\$3,236,979
Interest & Investment Income	\$1,094,481	\$1,292,066
Income from Operations	\$1,119,770	\$202,477
<b>Total Revenue</b>	<b>\$4,293,114</b>	<b>\$4,731,522</b>
<b>Expenses</b>		
Program Services	\$2,189,705	\$1,924,521
General & Administrative	\$1,237,660	\$1,144,938
Membership	\$245,945	\$161,778
Fundraising	\$134,873	\$58,330
<b>Total Expenses</b>	<b>\$3,808,183</b>	<b>\$3,289,567</b>
<b>Increase in Net Assets</b>	<b>\$484,931</b>	<b>\$1,441,955</b>

*A complete copy of our  
audited financial statements  
are available upon request.*

# Statements of Financial Position

## June 30, 2008 and 2007

Assets	2008	2007
Cash & Cash Equivalents	\$2,478,886	\$5,006,801
Receivables	\$1,265,031	\$202,448
Mortgage Recievable - Net	\$22,833,480	\$18,267,042
Notes Receivable - Net	\$10,791,510	\$11,369,196
Fixed Assets - Net	\$320,139	\$307,179
Other Assets	\$899,341	\$893,903
<b>Total Assets</b>	<b>\$38,588,387</b>	<b>\$36,046,569</b>
<b>Liabilities</b>		
Accounts Payable	\$616,876	\$700,797
Notes Payable	\$21,461,332	\$19,320,524
<b>Total Liabilities</b>	<b>\$22,078,208</b>	<b>\$20,021,321</b>
<b>Net Assets</b>		
Unrestricted	\$5,744,691	\$5,497,714
Temporarily Restricted	\$10,519,168	\$10,527,534
Permanently Restricted	\$246,320	--
<b>Total Net Assets</b>	<b>\$16,510,179</b>	<b>\$16,025,248</b>
<b>Total Liabilities &amp; Net Assets</b>		
	<b>\$38,588,387</b>	<b>\$36,046,569</b>

Our modest asset growth during the year can be attributed to superior cash management and a significant increase in mortgage lending. In order to accommodate JustChoice Lending's remarkable growth, FAHE expanded its capacity using off-balance sheet resources. With regards to social benefaction, 87% of FAHE's \$38.6 million in assets is deployed in the form of loans to families, nonprofit organizations and affordable housing projects in Central Appalachia, which can be tied back directly to program activities.

FAHE reveres the commitment of resources entrusted to us and, as an organization, we employ sound budgetary procedures and controls to assure responsible stewardship of these funds. We continually pursue opportunities to balance enhanced efficiency and mission delivery through cost analyses and process improvements. Toward these ends, FAHE achieved 73% self-sufficiency during FY2008, thanks in large part to the outstanding financial performance of FAHE Capital and FAHE Consulting business centers.

# fahe

**NeighborWorks®**  
CHARTERED MEMBER

A member of the  
**OPPORTUNITYFINANCE**  
NETWORK



# fahe

*We gratefully acknowledge the generous support of these organizations and individuals, who, through grants, loans, donations, volunteer work, and the sharing of expertise, contributed to our success.*

Ethel Ackley  
Adrian Dominican Sisters  
Appalachian Federal Credit Union  
Appalachian Regional Commission  
Appalbanc  
Applegate & Thorne-Thomsen  
BB&T  
Berea College  
Calvert Social Investment Foundation  
Community & Economic Development Associates  
Corporation for Enterprise Development (CFED)  
Claude Worthington Benedum Foundation  
Citi Mortgage  
Community Trust Bank  
Community Development Financial  
Institutions Fund  
Allison Conant  
Dominican Sisters of Hope  
Dominican Sisters of Springfield  
Law Offices of Cecil F. Dunn  
Episcopal Church Domestic &  
Foreign Missionary Society  
Evangelical Lutheran Church in America  
Fannie Mae  
Federal Home Loan Bank of Cincinnati  
Federal Home Loan Bank of Pittsburgh  
Fifth Third Community  
Development Corporation Florida  
Community Loan Fund  
Flying High Design  
Ford Foundation  
Franciscan Sisters of Mary  
Funding Exchange Endowment  
Carter Garber & Martha Collier  
Genworth Financial  
F.B. Heron Foundation  
Richard Hettrick  
Glenmary Home Missioners  
Homeless and Housing Coalition of Kentucky  
Housing Assistance Council  
HEAD Corporation  
J.P. Morgan Chase  
Kentucky Affordable Housing Trust Fund  
Kentucky Dept. for Local Government  
Kentucky Highlands Investment Corporation  
Kentucky Housing Corporation  
Literary Society of St. Catharine

Arthur & Susan Lloyd  
Loring, Wolcott, & Coolridge  
M & I Trust  
Helen Manning  
Mary Reynolds Babcock Foundation  
Walter W. May  
Mountain Association for Community  
Economic Development  
National City Bank  
National Coalition for the Homeless  
National Low-Income Housing Coalition  
National Rural Housing Coalition  
NeighborWorks® America  
Nickelodeon  
Opportunity Finance Network  
Suzanne Polen Trust  
Andrew Schenker  
Seton Enablement Fund  
Jane Shapiro  
Ed & Dorothy Singer  
Congregation of the Sisters of Charity  
of The Incarnate Word  
Sisters of Loretto  
Sisters of Mercy of the Americas  
Barbara Smith  
Doug Smith  
Kenneth Smith  
St. Paul's Church of Buffalo  
E & H Stowell  
Stookey Trust  
Tennessee Housing Development Agency  
Tides Foundation  
US Dept. of Housing & Urban Development  
US Dept. of Agriculture  
US Treasury Department of the Treasury  
Virginia Community Development Corp.  
Virginia Housing Development Authority  
Virginia Department of Housing  
& Community Development  
Wachovia  
Joshua Wallman  
Tanis Walters  
West Virginia Housing Development Fund  
Douglas Weinstock  
Whitaker Bank Corporation of Kentucky  
Woodlands Investment Management