

THE COALITION FOR THE HOMELESS, INC.

FINANCIAL REPORT

JUNE 30, 2011

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Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Coalition for the Homeless, Inc.
Louisville, Kentucky

We have audited the accompanying statement of financial position of The Coalition for the Homeless, Inc., (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Coalition's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Coalition for the Homeless, Inc. as of June 30, 2010 were audited by other auditors whose report dated December 21, 2010, on those statements was qualified because of a limitation in the verification of charitable gaming receipts.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Coalition for the Homeless, Inc. as of June 30, 2011, and the changes in its net assets, its functional expenses and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Jones, Nale & Mattingly P.C.

Louisville, Kentucky
January 11, 2012

THE COALITION FOR THE HOMELESS, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 147,105 | \$ 102,728 |
| Grants receivable | 18,003 | 41,346 |
| Inventory | 22,202 | 21,095 |
| Prepaid expenses | 5,130 | 4,839 |
| Investments (Note 2 and 3) | 121,119 | 82,056 |
| Furniture and equipment, net (Note 4) | 382 | 3,688 |
| | <u>313,941</u> | <u>255,752</u> |
| Total assets | <u>\$ 313,941</u> | <u>\$ 255,752</u> |
| | | |
| LIABILITIES | | |
| Accounts payable | \$ 48,594 | \$ 37,888 |
| Accrued expenses and withholdings | 21,626 | 54,184 |
| | <u>70,220</u> | <u>92,072</u> |
| Total liabilities | <u>\$ 70,220</u> | <u>\$ 92,072</u> |
| | | |
| NET ASSETS | | |
| Unrestricted | \$ 206,941 | \$ 141,732 |
| Temporarily restricted (Note 6) | 36,780 | 21,948 |
| | <u>243,721</u> | <u>163,680</u> |
| Total net assets | <u>\$ 243,721</u> | <u>\$ 163,680</u> |
| | | |
| Total liabilities and net assets | <u>\$ 313,941</u> | <u>\$ 255,752</u> |

The Notes to Financial Statements are an integral part of these statements.

THE COALITION FOR THE HOMELESS, INC.

STATEMENTS OF ACTIVITIES
Years ended June 30, 2011 and 2010

| UNRESTRICTED NET ASSETS | 2011 | 2010 |
|---|-------------------|--------------------|
| Revenues and support: | | |
| Grants and contributions | \$ 479,870 | \$ 455,701 |
| Charitable gaming revenue | \$ 1,969,462 | \$ 1,776,650 |
| Direct payouts | (1,665,411) | (1,525,949) |
| Other direct expenses | <u>(185,167)</u> | <u>(182,426)</u> |
| Membership dues | 34,860 | 23,588 |
| Benefit walk | 26,216 | 19,733 |
| Investment income | 14,998 | 7,554 |
| Net realized and unrealized gain on investments | 2,751 | 6,328 |
| Other income | 3,190 | 1,524 |
| Total support and revenue | <u>\$ 680,769</u> | <u>\$ 582,703</u> |
| Released from restrictions | <u>\$ 21,948</u> | <u>\$ 19,000</u> |
| Expenses: | | |
| Direct program services | \$ 513,847 | \$ 491,529 |
| General and administrative | 88,638 | 81,570 |
| Fundraising | 35,023 | 76,209 |
| | <u>\$ 637,508</u> | <u>\$ 649,308</u> |
| Increase (decrease) in unrestricted net assets | <u>\$ 65,209</u> | <u>\$ (47,605)</u> |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Grants | \$ 36,780 | \$ 21,948 |
| Released from restrictions | <u>(21,948)</u> | <u>(19,000)</u> |
| Increase in temporarily restricted net assets | <u>\$ 14,832</u> | <u>\$ 2,948</u> |
| Increase (decrease) in net assets | \$ 80,041 | \$ (44,657) |
| NET ASSETS AT BEGINNING OF YEAR | <u>163,680</u> | <u>208,337</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 243,721</u> | <u>\$ 163,680</u> |

The Notes to Financial Statements are an integral part of these statements.

THE COALITION FOR THE HOMELESS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2011 and 2010

| | 2011 | | | |
|------------------------------|---------------------|-------------------------------|------------------|-------------------|
| | Program Services | General and Administrative | Fund- raising | Total |
| Salaries | \$ 201,360 | \$ 39,757 | \$ 13,333 | \$ 254,450 |
| Payroll taxes | 52,400 | 10,377 | 3,488 | 66,265 |
| Employee benefits | 69,235 | 13,452 | 4,522 | 87,209 |
| Advertising | -- | -- | -- | -- |
| Shelter assistance | 76,083 | -- | -- | 76,083 |
| Supplies | 2,678 | 1,290 | 430 | 4,398 |
| Printing | 6,631 | 466 | 155 | 7,252 |
| Postage | 1,691 | 845 | 282 | 2,818 |
| Stand down program expense | 9,692 | -- | -- | 9,692 |
| Rent | 13,500 | 6,750 | 2,250 | 22,500 |
| Repairs and maintenance | 332 | 221 | -- | 553 |
| Insurance | 2,947 | 1,965 | -- | 4,912 |
| Telephone | 1,782 | 891 | 297 | 2,970 |
| Auto, travel and conferences | 11,725 | -- | -- | 11,725 |
| Dues and subscriptions | -- | 2,197 | -- | 2,197 |
| Depreciation | 1,795 | 898 | 299 | 2,992 |
| Professional fees | 59,090 | 5,260 | 1,754 | 66,104 |
| Miscellaneous | 2,226 | 2,971 | 7,819 | 13,016 |
| Interest expense | -- | -- | -- | -- |
| Board and committees | 163 | 989 | -- | 1,152 |
| Licenses | -- | 50 | -- | 50 |
| Security | 517 | 259 | 394 | 1,170 |
| | <u>\$ 513,847</u> | <u>\$ 88,638</u> | <u>\$ 35,023</u> | <u>\$ 637,508</u> |

The Notes to Financial Statements are an integral part of this statement.

2010

| Program Services | General and Administrative | Fund-raising | Total |
|-------------------|----------------------------|------------------|-------------------|
| \$ 222,772 | \$ 37,121 | \$ 53,324 | \$ 313,217 |
| 19,212 | 3,201 | 4,599 | 27,012 |
| 42,280 | 7,045 | 10,121 | 59,446 |
| -- | 419 | -- | 419 |
| 59,208 | -- | -- | 59,208 |
| 1,945 | 3,852 | 724 | 6,521 |
| 8,399 | 1,006 | -- | 9,405 |
| 755 | 1,512 | 186 | 2,453 |
| 20,014 | -- | -- | 20,014 |
| 8,194 | 11,379 | 1,375 | 20,948 |
| 2,299 | 1,194 | -- | 3,493 |
| 742 | 484 | 185 | 1,411 |
| 864 | 1,901 | 204 | 2,969 |
| 5,082 | 1,472 | -- | 6,554 |
| 140 | 1,341 | -- | 1,481 |
| 2,913 | 485 | 697 | 4,095 |
| 96,662 | 6,208 | 4,794 | 107,664 |
| 3 | 41 | -- | 44 |
| -- | 692 | -- | 692 |
| 45 | 2,217 | -- | 2,262 |
| -- | -- | -- | -- |
| -- | -- | -- | -- |
| <u>\$ 491,529</u> | <u>\$ 81,570</u> | <u>\$ 76,209</u> | <u>\$ 649,308</u> |

THE COALITION FOR THE HOMELESS, INC.

STATEMENTS OF CASH FLOWS
Years ended June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|--------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 80,041 | \$ (44,657) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 2,992 | 4,095 |
| Net realized and unrealized (gain) on investments | (2,751) | (6,328) |
| Loss on disposal of furniture and equipment | 314 | -- |
| Change in assets and liabilities net of the effects of investing activities: | | |
| Decrease in grants receivable | 23,343 | 64,844 |
| (Increase) in inventory | (1,107) | (8,594) |
| (Increase) in prepaid expenses | (291) | (658) |
| Increase (decrease) in accounts payable | 10,706 | (21,859) |
| Increase (decrease) in accrued expenses | (32,558) | 36,291 |
| Net cash provided by operating activities | <u>\$ 80,689</u> | <u>\$ 23,134</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (150,828) | (25,608) |
| Proceeds from sale of investments | 114,516 | 56,539 |
| Net cash provided by (used in) investing activities | <u>\$ (36,312)</u> | <u>\$ 30,931</u> |
| Net increase in cash | \$ 44,377 | \$ 54,065 |
| Cash: | | |
| Beginning of year | <u>102,728</u> | <u>48,663</u> |
| End of year | <u>\$ 147,105</u> | <u>\$ 102,728</u> |

The Notes to Financial Statements are an integral part of these statements.

THE COALITION FOR THE HOMELESS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Nature of operations

The Coalition for the Homeless, Inc. ("the Coalition") is a not-for-profit corporation in Louisville, Kentucky, formed to advocate for the homeless and for the prevention and elimination of homelessness.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

Grants Receivable

Grants receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Investments

Investments consist of cash, money market accounts, mutual funds and certificates of deposit and are stated at fair value as determined by quoted market prices. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. The Coalition classifies all cash and money market accounts held in managed accounts as investments.

Inventory

Inventory is valued at the lower of cost or market, cost being determined by the first-in, first-out (FIFO) method.

Property, equipment and depreciation

Property and equipment are stated at cost or appraised value at the date of gift for donated assets. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Contributions and grants

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Contributions and grants (Continued)

All 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 net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated goods and services

The value of donated goods is recorded as support and expenses in the statement of activities. A large number of volunteers have given significant amounts of their time to the Coalition's operating activities. No amounts have been reflected in these statements for such services, since no objective basis is available to measure the value of such services.

Income taxes

The Coalition for the Homeless, Inc., qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal and state income taxes has been made in these statements.

The Coalition's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits. Management believes the Coalition has no uncertain tax positions resulting in an accrual of tax expense or benefit.

The Coalition's federal Return of Organization Exempt from Income Tax, Form 990, is subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on the return, which is generally three years.

Reclassifications

Certain amounts presented in the prior year have been restated to conform to the current year presentation.

Subsequent events

Management has evaluated subsequent events through January 11, 2012, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments

Approximate fair value of investments compared to cost is as follows:

| | June 30, 2011 | | June 30, 2010 | |
|---------------------------|---------------|------------|---------------|-----------|
| | Fair Value | Cost | Fair Value | Cost |
| Cash and cash equivalents | \$ 20,132 | \$ 20,132 | \$ 13,083 | \$ 13,083 |
| Certificates of deposit | 25,405 | 25,405 | 25,099 | 25,099 |
| Mututal fund | 75,582 | 74,565 | 43,874 | 46,889 |
| | \$ 121,119 | \$ 120,102 | \$ 82,056 | \$ 85,071 |

Note 3. Fair Values of Financial Instruments

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Fair Value Measurements Topic establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale of an asset. The Fair Value Measurements Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Fair Value Measurements Topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices of similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Values of Financial Instruments (Continued)

Level 3: Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair values of assets measured on a recurring basis at June 30, 2011 and 2010 are as follows:

| | Balance at June 30, 2011 | Fair Value Measurements Using: | | |
|-------------------------|-----------------------------|--------------------------------|------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets: | | | | |
| Money market accounts | \$ 20,132 | \$ 20,132 | \$ -- | \$ -- |
| Certificates of deposit | 25,405 | -- | 25,405 | -- |
| Mutual funds | | | | |
| Growth | 31,291 | 31,291 | -- | -- |
| Growth and income | 19,869 | 19,869 | -- | -- |
| Income | 24,422 | 24,422 | -- | -- |
| | <u>\$ 121,119</u> | <u>\$ 95,714</u> | <u>\$ 25,405</u> | <u>\$ -</u> |

| | Balance at June 30, 2010 | Fair Value Measurements Using: | | |
|-------------------------|-----------------------------|--------------------------------|------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets: | | | | |
| Money market accounts | \$ 13,083 | \$ 13,083 | \$ -- | \$ -- |
| Certificates of deposit | 25,099 | -- | 25,099 | -- |
| Mutual funds | | | | |
| | 43,874 | 43,874 | -- | -- |
| | <u>\$ 82,056</u> | <u>\$ 56,957</u> | <u>\$ 25,099</u> | <u>\$ -</u> |

The valuation methodologies used for assets and liabilities measured at fair value are:

The carrying amounts of money market accounts and certificates of deposit approximate fair value due to the short-term nature of these instruments.

Mutual funds are valued at fair value based on quoted market prices for identical securities in active markets that the Coalition has the ability to access at the measurement date.

NOTES TO FINANCIAL STATEMENTS

Note 4. Property and Equipment

Major classes of property and equipment and total accumulated depreciation are as follows:

| | June 30, 2011 | June 30, 2010 |
|--------------------------|---------------|---------------|
| Assets | | |
| Furniture and equipment | \$ 1,527 | \$ 64,077 |
| Leasehold improvements | -- | 4,294 |
| | \$ 1,527 | \$ 68,371 |
| Accumulated depreciation | (1,145) | (64,683) |
| | \$ 382 | \$ 3,688 |

Note 5. Pension Plan

The Coalition maintains a simplified employee pension plan covering all employees who have attained 21 years of age and earn in excess of \$500. The Coalition contributes 7% of each eligible employee's salary. Employer contributions for the years ended June 30, 2011 and 2010 were \$19,264 and \$11,566, respectively.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

| | June 30, 2011 | June 30, 2010 |
|--------------------------------------|---------------|---------------|
| Continuum of Care Program: | | |
| Metro United Way | \$ 10,802 | \$ 11,339 |
| Quality Assurance Standards Program: | | |
| Metro United Way | 7,201 | 7,559 |
| Fundraiser | 7,277 | 3,050 |
| Rx:Housing Grant | 1,500 | -- |
| Research Project Grant | 10,000 | -- |
| | \$ 36,780 | \$ 21,948 |

NOTES TO FINANCIAL STATEMENTS

Note 7. Operating Leases

The Coalition entered into a renewable one year lease with E&M Distributing, Inc., effective February 2, 2006, to lease a charity bingo hall to operate twice weekly bingo games. For the years ended June 30, 2011 and 2010, lease payments for the bingo hall totaled \$78,000 and \$76,930, respectively.

The Coalition entered into a five year lease with Ollie Green Commercial Properties effective November 1, 2010, to lease commercial office space. The monthly payment is \$1,838 per month. Lease payments for the office space totaled \$14,700 for the year ended June 30, 2011.

The Coalition terminated its commercial office space lease with Clark Enterprises effective November 1, 2010. Lease payments totaled \$4,125 and \$20,948 for the years ended, June 30, 2011 and 2010, respectively.

The future minimum lease payments required under these lease agreements for each of the succeeding years are as follows:

| Due Fiscal Year Ending June 30, | |
|---------------------------------------|------------------|
| 2012 | \$ 22,050 |
| 2013 | 22,050 |
| 2014 | 22,050 |
| 2015 | 22,050 |
| 2016 | 7,350 |
| | <u>\$ 95,550</u> |

Note 8. Fiscal agent

The Coalition and the Transit Authority of River City ("TARC") have entered into an agreement allowing the Coalition to act as TARC's fiscal agent and sell discounted TARC tickets to homeless shelters for their clients' use. The Coalition receives a small transaction fee for this service recorded as other income in the Statement of Activities.

| | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
|----------------------|----------------------|----------------------|
| Ticket revenue | \$ 273,408 | \$ 311,987 |
| Ticket expense | <u>(281,257)</u> | <u>(310,463)</u> |
| Ticket income/(loss) | <u>\$ (7,849)</u> | <u>\$ 1,524</u> |

NOTES TO FINANCIAL STATEMENTS

Note 9. Risks and Uncertainties

The Coalition received approximately 17% and 12%, respectively, of its June 30, 2011 and 2010 total support and revenue from charitable gaming.

The Institution invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of the investment securities will occur in the near term and that such changes could materially affect market values and the amounts reported in the financial statements.