

**ST. LUKE'S COMMUNITY HOUSE
(EPISCOPAL), INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2005 and 2004

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F R A S I E R , D E A N & H O W A R D , P L L C

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Luke's Community House (Episcopal), Inc.

We have audited the accompanying statements of financial position of St. Luke's Community House (Episcopal), Inc. (a nonprofit organization) as of December 31, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 audits provide 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 St. Luke's Community House (Episcopal), Inc. as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

March 24, 2006

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 654,353	\$ 732,130
Contributions receivable, current portion	399,433	806,127
Total current assets	<u>1,053,786</u>	<u>1,538,257</u>
Cash surrender value of life insurance	-	77,790
Contributions receivable, less current portion	75,546	387,321
Land, buildings and equipment, net of accumulated depreciation of \$571,550 and \$402,869, respectively	4,291,610	4,421,262
Investments	<u>856,274</u>	<u>737,851</u>
Total assets	<u><u>\$ 6,277,216</u></u>	<u><u>\$ 7,162,481</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 106,719	\$ 120,553
Note payable, current portion	<u>123,508</u>	<u>123,508</u>
Total current liabilities	<u>230,227</u>	<u>244,061</u>
Note payable, net of current portion	<u>1,069,608</u>	<u>1,729,116</u>
Total liabilities	<u>1,299,835</u>	<u>1,973,177</u>
Net assets:		
Unrestricted		
Undesignated	3,622,661	3,201,202
Designated	242,002	235,435
Temporarily restricted	567,199	1,193,782
Permanently restricted	<u>545,519</u>	<u>558,885</u>
Total net assets	<u>4,977,381</u>	<u>5,189,304</u>
Total liabilities and net assets	<u><u>\$ 6,277,216</u></u>	<u><u>\$ 7,162,481</u></u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Contributions	\$ 444,195	\$ 217,989	\$ 6,740	\$ 668,924
United Way	107,173	193,987	-	301,160
Associated organizations	123,238	-	-	123,238
Contributions - thrift shop	115,050	-	-	115,050
Special events	104,684	-	-	104,684
Net assets released from restrictions	1,090,392	(1,038,559)	(51,833)	-
Total public support	1,984,732	(626,583)	(45,093)	1,313,056
Revenue:				
Program services	249,603	-	-	249,603
Investment income, net	18,158	-	31,727	49,885
Grants	59,061	-	-	59,061
Interest income	5,777	-	-	5,777
Miscellaneous	3,242	-	-	3,242
Loss on disposal of fixed assets	(91)	-	-	(91)
Total revenue	335,750	-	31,727	367,477
Total public support and revenue	2,320,482	(626,583)	(13,366)	1,680,533
Expenses:				
Program services:				
Preschool	721,188	-	-	721,188
School age	282,820	-	-	282,820
Senior services	184,181	-	-	184,181
Community	150,253	-	-	150,253
Volunteers	36,298	-	-	36,298
Family Resource Center	25,310	-	-	25,310
Total program services	1,400,050	-	-	1,400,050
Supporting services:				
Management and general	467,681	-	-	467,681
Fundraising	24,725	-	-	24,725
Total supporting services	492,406	-	-	492,406
Total expenses	1,892,456	-	-	1,892,456
Change in net assets	428,026	(626,583)	(13,366)	(211,923)
Net assets, beginning of year	3,436,637	1,193,782	558,885	5,189,304
Net assets, end of year	\$ 3,864,663	\$ 567,199	\$ 545,519	\$ 4,977,381

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Contributions	\$ 220,587	\$ 837,531	\$ 860	\$ 1,058,978
United Way	41,230	226,043	-	267,273
Associated organizations	122,348	-	-	122,348
Contributions - thrift shop	110,080	-	-	110,080
Special events	70,050	-	-	70,050
Net assets released from restrictions	1,840,385	(1,840,385)	-	-
Total public support	2,404,680	(776,811)	860	1,628,729
Revenue:				
Program services	223,270	-	-	223,270
Investment income, net	39,711	-	18,602	58,313
Grants	37,980	-	-	37,980
Interest income	2,387	-	-	2,387
Miscellaneous	9,103	-	-	9,103
Loss on disposal of fixed assets	(1,376)	-	-	(1,376)
Total revenue	311,075	-	18,602	329,677
Total public support and revenue	2,715,755	(776,811)	19,462	1,958,406
Expenses:				
Program services:				
Preschool	573,486	-	-	573,486
School age	234,596	-	-	234,596
Senior services	159,672	-	-	159,672
Community	83,483	-	-	83,483
Volunteers	34,390	-	-	34,390
Family Resource Center	22,351	-	-	22,351
Total program services	1,107,978	-	-	1,107,978
Supporting services:				
Management and general	283,825	-	-	283,825
Capital Campaign	143,023	-	-	143,023
Fundraising	14,925	-	-	14,925
Total supporting services	441,773	-	-	441,773
Total expenses	1,549,751	-	-	1,549,751
Change in net assets	1,166,004	(776,811)	19,462	408,655
Net assets, beginning of year	2,270,633	1,970,593	539,423	4,780,649
Net assets, end of year	\$ 3,436,637	\$ 1,193,782	\$ 558,885	\$ 5,189,304

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2005

	Program Expenses						Support Expenses				
	Preschool Childcare	School Age Childcare	Senior Services	Community	Volunteers	Family Resource Center	Total Program Services	Management and General	Fund- raising	Total Support Expenses	Total Expenses
Salaries and wages	\$ 399,633	\$ 121,350	\$ 107,136	\$ 56,768	\$ 26,149	\$ 8,123	\$ 719,159	\$ 114,416	\$ -	\$ 114,416	\$ 833,575
Benefits	95,516	23,129	17,058	11,916	3,819	9,521	160,959	60,754	-	60,754	221,713
Food	32,080	15,573	31,792	14,634	86	491	94,656	2,031	23,384	25,415	120,071
Interest charges	-	-	-	-	-	-	-	94,660	-	94,660	94,660
Equipment and maintenance	38,924	25,415	4,715	9,581	924	1,088	80,647	7,015	-	7,015	87,662
Professional	1,808	615	362	253	108	36	3,182	68,547	-	68,547	71,729
Utilities	30,970	20,646	3,441	6,882	688	688	63,315	5,507	-	5,507	68,822
Bad debts expense	-	-	-	-	-	-	-	65,022	-	65,022	65,022
Program supplies	12,037	2,132	4,095	24,550	468	108	43,390	1,197	313	1,510	44,900
Insurance	16,595	11,064	2,000	3,688	369	369	34,085	2,950	-	2,950	37,035
Printing	99	-	-	154	161	2,217	2,631	13,321	705	14,026	16,657
Office supplies	4,952	3,183	1,598	1,251	539	539	12,062	2,458	-	2,458	14,520
Telephone	5,160	3,440	573	1,146	114	114	10,547	918	-	918	11,465
Transportation	1,051	3,520	1,102	1,847	-	-	7,520	1,363	-	1,363	8,883
Contract labor	4,123	1,201	1,666	219	496	122	7,827	855	-	855	8,682
Postage and shipping	18	-	-	187	555	69	829	5,326	323	5,649	6,478
Gifts in kind	-	-	-	-	-	-	-	4,607	-	4,607	4,607
Conference and meetings	1,079	124	35	67	95	55	1,455	2,460	-	2,460	3,915
Licenses, fees, permits	148	98	53	-	16	59	374	500	-	500	874
Miscellaneous	-	-	-	-	-	-	-	85	-	85	85
	644,193	231,490	175,626	133,143	34,587	23,599	1,242,638	453,992	24,725	478,717	1,721,355
Depreciation	76,995	51,330	8,555	17,110	1,711	1,711	157,412	13,689	-	13,689	171,101
	\$ 721,188	\$ 282,820	\$ 184,181	\$ 150,253	\$ 36,298	\$ 25,310	\$ 1,400,050	\$ 467,681	\$ 24,725	\$ 492,406	\$ 1,892,456

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2004

	Program Expenses						Support Expenses					Total Expenses
	Preschool Childcare	School Age Childcare	Senior Services	Community	Volunteers	Family Resource Center	Total Program Services	Management and General	Capital Campaign	Fund- raising	Total Support Expenses	
Salaries and wages	\$ 316,657	\$ 110,551	\$ 96,176	\$ 42,993	\$ 25,200	\$ 8,108	\$ 599,685	\$ 121,572	\$ -	\$ -	\$ 121,572	\$ 721,257
Benefits	78,613	22,281	9,654	10,453	4,489	10,691	136,181	28,802	-	-	28,802	164,983
Food	38,533	17,931	39,050	3,991	703	157	100,365	856	576	13,283	14,715	115,080
Professional	2,780	835	556	500	167	56	4,894	11,128	98,113	-	109,241	114,135
Occupancy	-	-	-	-	-	-	-	-	21,242	-	21,242	21,242
Equipment and maintenance	31,046	20,573	3,758	7,773	740	682	64,572	5,718	-	-	5,718	70,290
Program supplies	5,871	2,233	3,156	6,332	1,512	226	19,330	1,072	-	314	1,386	20,716
Contract labor	3,847	298	199	153	-	-	4,497	-	-	-	-	4,497
Utilities	17,946	11,964	1,994	3,988	399	399	36,690	3,192	-	-	3,192	39,882
Gifts in kind	-	-	-	-	-	-	-	2,476	938	-	3,414	3,414
Insurance	15,225	9,930	1,618	3,236	324	323	30,656	-	-	-	-	30,656
Telephone	6,736	4,287	704	1,531	156	158	13,572	1,003	-	-	1,003	14,575
Printing	-	-	-	-	-	960	960	8,889	2,025	969	11,883	12,843
Office supplies	4,387	2,543	2,018	1,357	324	280	10,909	2,334	-	38	2,372	13,281
Conference and meetings	1,124	499	147	-	80	228	2,078	4,938	3,765	-	8,703	10,781
Transportation	424	2,182	636	1,071	-	-	4,313	3,120	-	-	3,120	7,433
Postage and shipping	-	-	-	105	296	58	459	6,337	2,213	255	8,805	9,264
Marketing	-	-	-	-	-	-	-	-	13,353	66	13,419	13,419
Licenses, fees, permits	351	394	6	-	-	25	776	2,932	782	-	3,714	4,490
Miscellaneous	-	-	-	-	-	-	-	127	16	-	143	143
Bad debt expense	-	-	-	-	-	-	-	56,193	-	-	56,193	56,193
Interest charges	-	-	-	-	-	-	-	23,136	-	-	23,136	23,136
	<u>523,540</u>	<u>206,501</u>	<u>159,672</u>	<u>83,483</u>	<u>34,390</u>	<u>22,351</u>	<u>1,029,937</u>	<u>283,825</u>	<u>143,023</u>	<u>14,925</u>	<u>441,773</u>	<u>1,471,710</u>
Depreciation	<u>49,946</u>	<u>28,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,041</u>
	<u>\$ 573,486</u>	<u>\$ 234,596</u>	<u>\$ 159,672</u>	<u>\$ 83,483</u>	<u>\$ 34,390</u>	<u>\$ 22,351</u>	<u>\$ 1,107,978</u>	<u>\$ 283,825</u>	<u>\$ 143,023</u>	<u>\$ 14,925</u>	<u>\$ 441,773</u>	<u>\$ 1,549,751</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ (211,923)	\$ 408,655
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	171,101	78,041
Provision for doubtful and discounted pledges	(10,094)	32,912
Unrealized gain on investments	(18,673)	(29,730)
Loss on disposal of fixed assets	91	1,396
In-kind donation of construction in progress	-	(183,165)
Collection of in-kind contributions receivable	-	(279,555)
Changes in operating assets and liabilities:		
Contributions receivable	728,563	651,611
Program service receivable	-	9,312
Cash surrender value of life insurance	77,790	(17,894)
Accounts payable and accrued expenses	(13,834)	(359,461)
Net cash provided by operating activities	<u>723,021</u>	<u>312,122</u>
Cash flows from investing activities:		
Land, building and equipment purchases	(41,539)	(2,355,527)
Purchases of investments	(131,603)	(135,503)
Proceeds from sales of investments	<u>31,852</u>	<u>28,583</u>
Net cash used in investing activities	<u>(141,290)</u>	<u>(2,462,447)</u>
Cash flows from financing activities:		
Borrowings under note payable	-	1,802,624
Payments on note payable	<u>(659,508)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(659,508)</u>	<u>1,802,624</u>
Net decrease in cash and cash equivalents	(77,777)	(347,701)
Cash and cash equivalents at beginning of year	<u>732,130</u>	<u>1,079,831</u>
Cash and cash equivalents at end of year	<u>\$ 654,353</u>	<u>\$ 732,130</u>
Supplemental information:		
In-kind donations of construction in progress	\$ -	\$ 183,165
Collection of in-kind contributions receivable	\$ -	\$ 279,555
Interest paid	<u>\$ 94,960</u>	<u>\$ 23,136</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Luke's Community House (Episcopal), Inc. (the "Organization"), was founded in 1913 by the Daughters of the King, an order of the Episcopal Church. The Organization offers a diversity of services to the community, enabling people to maintain their lives in a more healthy and stable environment. The Organization concerns itself with the welfare and dignity of individuals and seeks to strengthen and support the family unit. The Organization is supported primarily through donor contributions and the United Way.

The following is a summary of the Organization's significant accounting policies:

Basis of Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows. Net assets of the Organization are presented as follows:

Unrestricted net assets

Undesignated - net assets not subject to donor-imposed stipulations or designated by the Organization's Board.

Designated - net assets designated by the Organization's Board for particular purposes, presently designated by the Board for endowment.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that require that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

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 financial statements and disclosures. Accordingly, actual results could differ from those estimates.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization accounts for contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, time or purpose restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Allowances for uncollectable promises to give are based on management's estimates based on prior collection history.

Investments

The Organization accounts for investments in accordance with SFAS No. 124 "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the Statement of Activities.

Land, Building and Equipment

Land, building and equipment are stated in the accompanying statement of financial position at cost, or if contributed, at fair market value at date of gift. Depreciation is calculated using the straight-line basis with estimated useful lives ranging as follows:

Buildings and improvements	5 – 39 years
Equipment and furniture	5 – 10 years

Donated Services

Donated services are recognized if such services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by persons possessing those skills and would be purchased if not donated.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services (Continued)

Amounts have not been reported in the financial statements for certain donated services because they do not meet the criteria for recognition. However, a substantial number of volunteers have donated approximately 11,000 volunteer hours to the Organization's programs. Donated construction activities, equipment, supplies, and other items are included in the accompanying financial statements at their estimated value.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. Accordingly, no provision for income taxes has been made in the financial statements.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of promises to give to the Organization's capital campaign, which was begun in late 2001, as well as other promises to give.

Contributions receivable are summarized below at December 31:

	<u>2005</u>	<u>2004</u>
Receipts expected within one year	\$ 399,433	\$ 809,127
Receipts expected in one to five years	<u>89,018</u>	<u>407,887</u>
	488,451	1,217,014
Less allowance for estimated uncollectible amounts	(3,000)	(3,000)
Less discounts to present value (for amounts extending beyond one year)	<u>(10,472)</u>	<u>(20,566)</u>
Net contributions receivable	474,979	1,193,448
Less current portion	<u>(399,433)</u>	<u>(806,127)</u>
Total long-term portion	<u>\$ 75,546</u>	<u>\$ 387,321</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 3 – INVESTMENTS

Investments consisting substantially of mutual funds maintained as part of the Episcopal Endowment Corporation Common Trust Fund are stated at fair value and consist of the following:

	<u>2005</u>	<u>2004</u>
Board Designated Fund	\$ 271,992	\$ 265,426
In Perpetuity Fund	<u>584,282</u>	<u>472,425</u>
	<u>\$ 856,274</u>	<u>\$ 737,851</u>

The Organization may utilize distributions from the funds based on 5% of a 3-year rolling average of the Fund.

Investment income, net is comprised of the following:

	<u>2005</u>	<u>2004</u>
Interest	\$ 31,212	\$ 28,583
Unrealized gain	<u>18,673</u>	<u>29,730</u>
	<u>\$ 49,885</u>	<u>\$ 58,313</u>

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2005</u>	<u>2004</u>
Land	\$ 127,370	\$ 127,370
Buildings and improvements	4,404,779	4,382,746
Equipment and furniture	<u>331,011</u>	<u>314,015</u>
	4,863,160	4,824,131
Accumulated depreciation	<u>(571,550)</u>	<u>(402,869)</u>
	<u>\$ 4,291,610</u>	<u>\$ 4,421,262</u>

NOTE 5 – NOTE PAYABLE

During 2003, the Organization secured financing for a new building and renovation of existing buildings on the Organization's current campus. The related construction note allowed for maximum borrowings of \$3,500,000 and required monthly interest payments on outstanding balances. Effective December 2004, the note converted to a term loan with quarterly principal payments of \$30,877 plus interest based on a twenty-year amortization period with a final principal payment due June 1, 2012. The note bears interest at a fixed rate of 5.27%. Amounts outstanding under the note at December 31, 2005 and 2004 totaled \$1,193,116 and \$1,852,624, respectively. The note is secured by capital campaign contributions and receivables.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 5 – NOTE PAYABLE (Continued)

The note also requires the maintenance of certain financial covenants including a debt service coverage ratio not less than 1.0. The Organization was in compliance with this covenant at December 31, 2005.

Scheduled maturities of the note payable are as follows:

2006	\$ 123,508
2007	123,508
2008	123,508
2009	123,508
2010	123,508
Thereafter	<u>575,576</u>
	<u>\$ 1,193,116</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2005</u>	<u>2004</u>
Capital campaign	\$ 355,966	\$ 1,038,763
Unconditional promises to give due in future periods	121,233	155,019
Program services	<u>90,000</u>	<u>-</u>
	<u>\$ 567,199</u>	<u>\$ 1,193,782</u>

NOTE 7 – CONTRIBUTIONS – THRIFT SHOP AND ASSOCIATED ORGANIZATIONS

The Organization receives support from income generated by a local thrift shop. Such contributions totaled \$115,050 and \$110,080 for the years ended December 31, 2005 and 2004, respectively. In addition, the Organization receives contributions from churches and other organizations associated with the Episcopal Church. Contributions from these Organizations totaled \$123,238 and \$122,348 for the years ended December 31, 2005 and 2004, respectively.

NOTE 8 – IN – KIND CONTRIBUTIONS

The Organization received contributed goods and services during 2005 and 2004 meeting the requirements for recognition and consisting of the following:

	<u>2005</u>	<u>2004</u>
Construction materials and services	<u>\$ -</u>	<u>\$ 183,165</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 9 – PENSION PLAN

During fiscal 2000, the Board of Directors approved an amendment to its defined benefit pension plan which resulted in the freezing of all future benefits under the plan as of August 31, 2000. The Plan was terminated during fiscal 2001.

The following sets forth the Plan's funded status and amounts recognized in the statement of financial position in accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" and Statement of Financial Accounting Standards 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits".

	<u>2005</u>	<u>2004</u>
Accumulated benefit obligation	<u>\$ 563,207</u>	<u>\$ 548,133</u>
Fair value of plan assets	\$ 470,109	\$ 450,874
Projected benefit obligation	<u>563,207</u>	<u>548,133</u>
Plan assets in excess (deficient) of projected benefit obligation	(93,098)	(97,259)
Unrecognized actuarial loss	205,466	223,876
Unrecognized transition asset	-	-
Unrecognized prior service cost	-	-
Additional minimum liability	<u>(205,466)</u>	<u>(223,876)</u>
Accrued pension liability	<u>\$ (93,098)</u>	<u>\$ (97,259)</u>

Net pension cost includes the following components:

Service cost	\$ -	\$ -
Interest cost	31,855	31,218
Return on assets	(26,129)	(25,720)
Net amortization	<u>15,823</u>	<u>15,453</u>
Net periodic pension cost	<u>\$ 21,549</u>	<u>\$ 20,951</u>

Other information includes the following:

Benefit cost	<u>\$ 112,368</u>	<u>\$ 126,617</u>
Employer contributions	<u>\$ 7,300</u>	<u>\$ 25,000</u>
Participant contributions	<u>\$ -</u>	<u>\$ -</u>
Benefit payments	<u>\$ 34,423</u>	<u>\$ 34,423</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 9 – PENSION PLAN (Continued)

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 6% in 2005 and 2004. The expected long-term return on assets was projected at 6% in 2005 and 2004.

NOTE 10 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. Cash at December 31, 2005 and 2004 includes demand deposits at high credit quality financial institutions. The deposits possess credit risk to the extent they exceed federally insured limits. The exposure to concentrations of credit risk relative to securities is limited due to the Organization's investment objectives and policies of maintaining a variety of quality investments.

NOTE 11 – BENEFIT PLAN

Effective February 2001, the Organization established a 401(k) Retirement Savings Plan (the "Plan"). Under the Plan, the Organization will contribute 3% of eligible employees' compensation as defined. In addition, the Organization will match up to 3% of employees' contributions to the Plan. Retirement plan contributions totaled \$30,687 and \$40,360 for the years ended December 31, 2005 and 2004, respectively.