

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

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

**December 31, 2004 and 2003**

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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, 2004 and 2003, 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, 2004 and 2003, 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*

April 8, 2005

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 732,130	\$ 1,079,831
Contributions receivable, current portion	806,127	999,188
Program service receivables	<u>-</u>	<u>9,312</u>
Total current assets	<u>1,538,257</u>	<u>2,088,331</u>
Cash surrender value of life insurance	77,790	59,896
Contributions receivable, less current portion	387,321	878,783
Land, buildings and equipment, net of accumulated depreciation of \$402,869 and \$333,603, respectively	4,421,262	1,682,453
Investments	<u>737,851</u>	<u>601,200</u>
Total assets	<u><u>\$ 7,162,481</u></u>	<u><u>\$ 5,310,663</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 120,553	\$ 480,014
Note payable, current portion	<u>123,508</u>	<u>-</u>
Total current liabilities	<u>244,061</u>	<u>480,014</u>
Note payable, net of current portion	<u>1,729,116</u>	<u>50,000</u>
Total liabilities	<u>1,973,177</u>	<u>530,014</u>
Net assets:		
Unrestricted		
Undesignated	3,201,202	2,170,633
Designated	235,435	100,000
Temporarily restricted	1,193,782	1,970,593
Permanently restricted	<u>558,885</u>	<u>539,423</u>
Total net assets	<u>5,189,304</u>	<u>4,780,649</u>
Total liabilities and net assets	<u><u>\$ 7,162,481</u></u>	<u><u>\$ 5,310,663</u></u>

See accompanying notes.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>2,404,680</u>	<u>(776,811)</u>	<u>860</u>	<u>1,628,729</u>
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	<u>311,075</u>	<u>-</u>	<u>18,602</u>	<u>329,677</u>
Total public support and revenue	<u>2,715,755</u>	<u>(776,811)</u>	<u>19,462</u>	<u>1,958,406</u>
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	<u>1,107,978</u>	<u>-</u>	<u>-</u>	<u>1,107,978</u>
Supporting services:				
Management and general	283,825	-	-	283,825
Capital Campaign	143,023	-	-	143,023
Fundraising	14,925	-	-	14,925
Total supporting services	<u>441,773</u>	<u>-</u>	<u>-</u>	<u>441,773</u>
Total expenses	<u>1,549,751</u>	<u>-</u>	<u>-</u>	<u>1,549,751</u>
Change in net assets	1,166,004	(776,811)	19,462	408,655
Net assets, beginning of year	<u>2,270,633</u>	<u>1,970,593</u>	<u>539,423</u>	<u>4,780,649</u>
Net assets, end of year	<u>\$ 3,436,637</u>	<u>\$ 1,193,782</u>	<u>\$ 558,885</u>	<u>\$ 5,189,304</u>

See accompanying notes.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2003**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 488,585	\$ 1,167,908	\$ 151,921	\$ 1,808,414
United Way	74,294	70,825	-	145,119
Associated organizations	133,529	-	-	133,529
Contributions - thrift shop	110,075	-	-	110,075
Special events	86,327	-	-	86,327
Net assets released from restrictions	<u>1,195,021</u>	<u>(1,195,021)</u>	<u>-</u>	<u>-</u>
Total public support	<u>2,087,831</u>	<u>43,712</u>	<u>151,921</u>	<u>2,283,464</u>
Revenue:				
Program services	268,280	-	-	268,280
Investment income, net	72,116	-	35,156	107,272
Grants	49,613	-	-	49,613
Interest income	5,554	-	-	5,554
Miscellaneous	4,215	-	-	4,215
Loss on disposal of fixed assets	<u>(72,056)</u>	<u>-</u>	<u>-</u>	<u>(72,056)</u>
Total revenue	<u>327,722</u>	<u>-</u>	<u>35,156</u>	<u>362,878</u>
Total public support and revenue	<u>2,415,553</u>	<u>43,712</u>	<u>187,077</u>	<u>2,646,342</u>
Expenses:				
Program services:				
Preschool	560,544	-	-	560,544
School age	202,719	-	-	202,719
Senior services	149,037	-	-	149,037
Community	97,568	-	-	97,568
Volunteers	33,068	-	-	33,068
Family Resource Center	<u>9,513</u>	<u>-</u>	<u>-</u>	<u>9,513</u>
Total program services	<u>1,052,449</u>	<u>-</u>	<u>-</u>	<u>1,052,449</u>
Supporting services:				
Management and general	216,650	-	-	216,650
Capital Campaign	172,887	-	-	172,887
Fundraising	<u>57,517</u>	<u>-</u>	<u>-</u>	<u>57,517</u>
Total supporting services	<u>447,054</u>	<u>-</u>	<u>-</u>	<u>447,054</u>
Total expenses	<u>1,499,503</u>	<u>-</u>	<u>-</u>	<u>1,499,503</u>
Change in net assets	916,050	43,712	187,077	1,146,839
Net assets, beginning of year	<u>1,354,583</u>	<u>1,926,881</u>	<u>352,346</u>	<u>3,633,810</u>
Net assets, end of year	<u>\$ 2,270,633</u>	<u>\$ 1,970,593</u>	<u>\$ 539,423</u>	<u>\$ 4,780,649</u>

See accompanying notes.

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

	Program Expenses						Support Expenses					
	Preschool	School Age	Senior	Community	Volunteers	Family	Total	Management and General	Capital Campaign	Fund- raising	Total	Total
	Childcare	Childcare	Services			Resource Center	Program Services				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
	523,540	206,501	159,672	83,483	34,390	22,351	1,029,937	283,825	143,023	14,925	441,773	1,471,710
Depreciation	49,946	28,095	-	-	-	-	78,041	-	-	-	-	78,041
	\$ 573,486	\$ 234,596	\$ 159,672	\$ 83,483	\$ 34,390	\$ 22,351	\$ 1,107,978	\$ 283,825	\$ 143,023	\$ 14,925	\$ 441,773	\$ 1,549,751

See accompanying notes.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2003**

	Program Expenses							Support 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	Total Expenses
Salaries and wages	\$ 314,414	\$ 112,641	\$ 90,249	\$ 49,419	\$ 24,815	\$ -	\$ 591,538	\$ 102,690	\$ -	\$ 19,171	\$ 121,861	\$ 713,399
Benefits	82,555	19,662	7,495	10,476	3,778	6,902	130,868	22,071	-	3,347	25,418	156,286
Food	40,903	8,374	34,390	3,120	548	476	87,811	857	8,630	14,677	24,164	111,975
Professional	-	-	-	-	-	-	-	9,011	88,648	-	97,659	97,659
Equipment and maintenance	35,449	15,194	2,329	5,902	1,075	61	60,010	8,490	10,194	-	18,684	78,694
Occupancy	4,680	3,120	520	1,040	104	104	9,568	832	42,364	-	43,196	52,764
Program supplies	6,293	2,849	3,692	11,066	721	661	25,282	3,692	6,071	14,691	24,454	49,736
Utilities	15,381	9,291	1,130	1,627	591	398	28,418	2,693	-	-	2,693	31,111
Insurance	13,057	5,430	1,083	1,087	648	432	21,737	5,038	-	522	5,560	27,297
Gifts in kind	-	-	-	-	-	-	-	25,189	-	-	25,189	25,189
Printing	83	-	-	1,006	19	43	1,151	9,499	2,298	3,494	15,291	16,442
Telephone	7,377	3,534	720	1,151	504	192	13,478	2,453	-	-	2,453	15,931
Contract labor	1,730	2,385	1,191	225	-	-	5,531	9,473	-	724	10,197	15,728
Office supplies	6,953	1,471	5,204	25	19	2	13,674	41	-	-	41	13,715
Marketing	-	-	-	-	-	-	-	-	11,447	40	11,487	11,487
Specific assistance	-	-	-	10,000	-	-	10,000	-	-	-	-	10,000
Postage and shipping	-	-	-	244	134	-	378	7,222	1,631	743	9,596	9,974
Transportation	1,029	2,875	890	145	2	-	4,941	3,686	-	-	3,686	8,627
Conference and meetings	1,675	312	112	1,035	110	201	3,445	3,085	112	60	3,257	6,702
Licenses, fees, permits	492	249	32	-	-	41	814	325	1,363	-	1,688	2,502
Miscellaneous	-	-	-	-	-	-	-	303	129	48	480	480
	532,071	187,387	149,037	97,568	33,068	9,513	1,008,644	216,650	172,887	57,517	447,054	1,455,698
Depreciation	28,473	15,332	-	-	-	-	43,805	-	-	-	-	43,805
	<u>\$ 560,544</u>	<u>\$ 202,719</u>	<u>\$ 149,037</u>	<u>\$ 97,568</u>	<u>\$ 33,068</u>	<u>\$ 9,513</u>	<u>\$ 1,052,449</u>	<u>\$ 216,650</u>	<u>\$ 172,887</u>	<u>\$ 57,517</u>	<u>\$ 447,054</u>	<u>\$ 1,499,503</u>

See accompanying notes.



**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$ 408,655	\$ 1,146,839
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	78,041	43,805
Provision for doubtful and discounted pledges	32,912	11,102
Unrealized gain on investments	(29,730)	(81,057)
Loss on disposal of fixed assets	1,396	72,056
In-kind donation of construction in progress	(183,165)	(505,763)
Collection of in-kind contributions receivable	(279,555)	-
Changes in operating assets and liabilities:		
Contributions receivable	651,611	100,337
Program service receivable	9,312	325
Cash surrender value of life insurance	(17,894)	(24,854)
Accounts payable and accrued expenses	(359,461)	307,158
Net cash provided by operating activities	<u>312,122</u>	<u>1,069,948</u>
Cash flows from investing activities:		
Land, building and equipment purchases	(2,355,527)	(624,539)
Purchases of investments	(135,503)	(118,362)
Proceeds from sales of investments	<u>28,583</u>	<u>-</u>
Net cash used in investing activities	<u>(2,462,447)</u>	<u>(742,901)</u>
Cash flows from financing activities:		
Borrowings under note payable	<u>1,802,624</u>	<u>50,000</u>
Net cash provided by financing activities	<u>1,802,624</u>	<u>50,000</u>
Net (decrease) increase in cash and cash equivalents	(347,701)	377,047
Cash and cash equivalents at beginning of year	<u>1,079,831</u>	<u>702,784</u>
Cash and cash equivalents at end of year	<u>\$ 732,130</u>	<u>\$ 1,079,831</u>
Supplemental information:		
In-kind donations of construction in progress	<u>\$ 183,165</u>	<u>\$ 505,763</u>
Collection of in-kind contributions receivable	<u>\$ 279,555</u>	<u>\$ -</u>
Interest paid	<u>\$ 23,136</u>	<u>\$ -</u>

See accompanying notes.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004 and 2003**

**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, 2004 and 2003**

**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, 2004 and 2003**

**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.

**Reclassifications**

Certain reclassifications have been made to 2003 balances to conform with the 2004 presentation.

**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>2004</u>	<u>2003</u>
Receipts expected within one year	\$ 809,127	\$ 1,002,188
Receipts expected in one to five years	<u>407,887</u>	<u>922,630</u>
	1,217,014	1,924,818
Less allowance for estimated uncollectible amounts	(3,000)	(3,000)
Less discounts to present value (for amounts extending beyond one year)	<u>(20,566)</u>	<u>(43,847)</u>
Net contributions receivable	1,193,448	1,877,971
Less current portion	<u>(806,127)</u>	<u>(999,188)</u>
Total long-term portion	<u><u>\$ 387,321</u></u>	<u><u>\$ 878,783</u></u>

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**NOTE 2 – CONTRIBUTIONS RECEIVABLE (Continued)**

Contributions receivable at December 31, 2003 include non-cash promises to give relating to the Organization's construction project in the amount of \$335,748.

**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>2004</u>	<u>2003</u>
Board Designated Fund	\$ 265,426	\$ -
In Perpetuity Fund	472,425	-
Langford Endowment	-	213,325
Endowment	-	181,557
Rachel Farris Memorial Fund	-	116,532
Anne Steven's Memorial Fund	-	60,510
Magruder Family Memorial Fund	-	29,276
	<u>\$ 737,851</u>	<u>\$ 601,200</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>2004</u>	<u>2003</u>
Interest	\$ 28,583	\$ 26,215
Unrealized gain	29,730	81,057
	<u>\$ 58,313</u>	<u>\$ 107,272</u>

**NOTE 4 – LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consist of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 127,370	\$ 127,370
Buildings and improvements	4,382,746	933,697
Equipment and furniture	314,015	32,068
Construction-in-process	-	922,921
	4,824,131	2,016,056
Accumulated depreciation	(402,869)	(333,603)
	<u>\$ 4,421,262</u>	<u>\$ 1,682,453</u>

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**NOTE 4 – LAND, BUILDINGS AND EQUIPMENT (Continued)**

Construction-in-process at December 31, 2003 consists of costs related to the Organization's building expansion and renovation. Such expansion was completed effective September 1, 2004.

**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, 2004 and 2003 totaled \$1,852,624 and \$50,000, respectively. The note is secured by capital campaign contributions and receivables.

Scheduled maturities of the note payable are as follows:

2005	\$ 123,508
2006	123,508
2007	123,508
2008	123,508
2009	123,508
Thereafter	<u>1,235,084</u>
	<u>\$ 1,852,624</u>

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

	<u>2004</u>	<u>2003</u>
Capital campaign	\$ 1,038,763	\$ 1,790,495
Unconditional promises to give due in future periods	155,019	119,588
Program services	<u>-</u>	<u>60,510</u>
	<u>\$ 1,193,782</u>	<u>\$ 1,970,593</u>

**NOTE 7 – CONTRIBUTIONS – THRIFT SHOP AND ASSOCIATED ORGANIZATIONS**

The Organization receives support from income generated by a local thrift shop. Such contributions totaled \$110,080 and \$110,075 for the years ended December 31, 2004 and 2003, respectively. In addition, the Organization receives contributions from churches and other organizations associated with the Episcopal Church. Contributions from these Organizations totaled \$122,348 and \$133,529 for the years ended December 31, 2004 and 2003, respectively.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**NOTE 8 – IN – KIND CONTRIBUTIONS**

The Organization received contributed goods and services during 2004 and 2003 meeting the requirements for recognition and consisting of the following:

	<u>2004</u>	<u>2003</u>
Construction materials and services	\$ 183,165	\$ 505,763
Program contributions	<u>-</u>	<u>25,189</u>
	<u>\$ 183,165</u>	<u>\$ 530,952</u>

**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>2004</u>	<u>2003</u>
Accumulated benefit obligation	<u>\$ 548,133</u>	<u>\$ 537,507</u>
Fair value of plan assets	\$ 450,874	\$ 420,883
Projected benefit obligation	<u>548,133</u>	<u>537,507</u>
Plan assets in excess (deficient) of projected benefit obligation	(97,259)	(116,624)
Unrecognized actuarial loss	223,876	239,192
Unrecognized transition asset	-	-
Unrecognized prior service cost	-	-
Additional minimum liability	<u>(223,876)</u>	<u>(239,192)</u>
Accrued pension liability	<u>\$ (97,259)</u>	<u>\$ (116,624)</u>

Net pension cost includes the following components:

	<u>2004</u>	<u>2003</u>
Service cost	\$ -	\$ -
Interest cost	31,218	30,885
Return on assets	(25,720)	(17,572)
Net amortization	<u>15,453</u>	<u>4,990</u>
Net periodic pension cost	<u>\$ 20,951</u>	<u>\$ 18,303</u>

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**NOTE 9 – PENSION PLAN (Continued)**

Other information includes the following:

	<u>2004</u>	<u>2003</u>
Employer contributions	\$ 25,000	\$ 21,190
Participant contributions	\$ -	\$ -
Benefit payments	<u>\$ 34,423</u>	<u>\$ 52,991</u>

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 2004 and 2003. The expected long-term return on assets was projected at 6% in 2004 and 2003.

**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, 2004 and 2003 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 \$40,360 and \$36,997 for the years ended December 31, 2004 and 2003, respectively.