

**NATIONAL HEALTH CARE FOR
THE HOMELESS COUNCIL, INC.**

FINANCIAL STATEMENTS

June 30, 2010

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
National Health Care for the Homeless Council, Inc.
Nashville, Tennessee

We have audited the accompanying statement of financial position of National Health Care for the Homeless Council, Inc. ("the Council") (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 National Health Care for the Homeless Council, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2010 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of National Health Care for the Homeless Council, Inc. taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frazier, Dean & Howard, PLLC

September 9, 2010

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010

Assets

Current assets:

Cash and cash equivalents	\$ 351,138
Investments	100,000
Grants receivable	40,073
Other receivables	377
Prepaid expenses	<u>11,386</u>

Total current assets	<u>502,974</u>
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Furniture and equipment	68,318
Less: accumulated depreciation	<u>(52,936)</u>

Net furniture and equipment	<u>15,382</u>
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Total assets	<u><u>\$ 518,356</u></u>
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 39,304
Accrued expenses	<u>14,505</u>

Total liabilities	<u>53,809</u>
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Net assets:

Unrestricted	<u>464,547</u>
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Total net assets	<u>464,547</u>
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Total liabilities and net assets	<u><u>\$ 518,356</u></u>
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See accompanying notes.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

Revenue and other support:	
Government grants	\$ 1,323,785
Program service fees	258,290
Membership dues	147,735
Contributions	81,739
Interest income	4,115
	<u>1,815,664</u>
Total revenue and other support	
	<u>1,815,664</u>
Expenses:	
Program services:	
Advocacy	93,589
General support	38,090
Education and training	1,399,269
	<u>1,530,948</u>
Total program services	
	<u>1,530,948</u>
Support services:	
Management and general	212,231
Fundraising	50,572
	<u>262,803</u>
Total support services	
	<u>262,803</u>
Total expenses	
	<u>1,793,751</u>
Change in net assets	21,913
Net assets, beginning of year	442,634
Net assets, end of year	<u>\$ 464,547</u>

See accompanying notes.

For the year ended June 30, 2010

See accompanying notes.

NATIONAL HEALTHCARE FOR THE HOMELESS COUNCIL
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010

Cash flows from operating activities:	
Change in net assets	\$ 21,913
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	6,227
Changes in current assets and liabilities:	
Grants receivable	133,992
Other receivables	12,098
Prepaid expenses	(5,273)
Accounts payable	(318,217)
Accrued expenses	<u>(3,548)</u>
Net cash used in operating activities	<u>(152,808)</u>
Cash flows from investing activities:	
Purchase of fixed assets	(4,488)
Sale of investments	196,000
Purchase of investments	<u>(100,000)</u>
Net cash provided by investing activities	<u>91,512</u>
Change in cash and cash equivalents	(61,296)
Cash and cash equivalents, beginning of year	<u>412,434</u>
Cash and cash equivalents, end of year	<u><u>\$ 351,138</u></u>

See accompanying notes.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

National Health Care for the Homeless Council, Inc. (the "Council") is an agency that coordinates the efforts of providers of healthcare to homeless people in the areas of fundraising, organizational development, and public education. The Council is committed to accessible, quality health services for homeless people, and to the elimination of homelessness in the United States.

Accounting Standards Codification

The Financial Accounting Standards Board ("FASB ASC") became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Council's financial position, results from activities, net assets, or cash flows.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of FASB ASC Topic 958-205, Not-for-Profit Entities – Presentation of Financial Statements. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Council 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. The Council did not have any temporarily restricted net assets at June 30, 2010.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. The Council has no permanently restricted net assets at June 30, 2010.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

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

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimate.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include short term investments in money market funds of \$293,798 at June 30, 2010.

Grants Receivable

Grants receivable consists of receivable from programs funded by the US Department of Health and Human Services and the Tennessee Department of Finance and Administration. Management believes that amounts receivable from grantor agencies are fully collectible for the year ended June 30, 2010. As a result, no allowance for uncollectible amounts has been provided.

Membership Dues

The Council recognizes membership dues as received based on the Council's policy of realizing such dues as member support of the organization, with no inherent obligation of further services to be provided by the Council.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Council has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Furniture and Equipment

Furniture and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Income Taxes

The Council is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Accordingly, no provision for income tax has been made.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

On January 1, 2009 the Council adopted FASB ASC 740-10-25 paragraphs 5 through 17, "Income Taxes" ("FASB ASC 740") (FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes"). The guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. FASB ASC 740 must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on the Council's financial position or activities. Tax years that remain open for examination include years ended June 30, 2008 through June 30, 2010. There are no tax penalties or interest reported in the accompanying financial statements.

NOTE 2 – INVESTMENTS

Investments consist of the following at June 30, 2010:

Certificate of deposit (interest at 2.00%,
matures September 2010)

\$ 100,000

As described in Note 1, the investments are deemed to be Level 1.

NOTE 3 – EMPLOYEE BENEFIT PLAN

The Council has a tax deferred annuity plan covering employees who have completed six consecutive months of employment. Employees are fully vested upon initial enrollment. Employees may defer a portion of their salary to the extent permitted by law. The Council will make a Safe Harbor nonelective contribution to the individual account of each eligible employee equal to 3% of the employee's annual compensation. Also, the Council will contribute 2% of the employee's compensation to the Plan. Total contributions made to the plan were \$33,340 for the year ended June 30, 2010.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE 4 – CONCENTRATIONS

The Council received approximately 74% of its support from government grants and contracts. A significant reduction in the level of this support, if this were to occur, could have a negative effect on the Council's programs and activities.

The Council, at times, maintains cash and cash equivalents in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). In management's opinion, risk related to each deposit is minimal.

NOTE 5 – RELATED PARTY

During fiscal year 2010, the Council obtained advocacy services from Health Care for the Homeless-Baltimore, which is a member organization of the Council. Total amounts paid to Health Care for the Homeless Council - Baltimore amounted to \$127,237 for the year ended June 30, 2010.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Council is leasing its office space under an operating lease agreement. The Council entered into a ten year lease agreement, beginning September 2009. The agreement requires monthly lease payments of \$2,500, increasing 3% annually. Rent expense amounted to \$48,955 for the year end June 30, 2010.

Future minimum lease payments required under the non-cancelable lease term in excess of one-year are as follows:

Year ending	
<u>June 30,</u>	
2011	\$ 30,750
2012	31,673
2013	32,623
2014	33,601
2015	34,609
Thereafter	<u>155,660</u>
	<u>\$ 318,916</u>

The Council entered into an agreement dated May 2009 for a hotel commitment for the annual conference to be held June 2011 in Washington, D.C. In the event of cancellation, the Council shall pay up to \$324,240 in cancellation fees.

The Council has contacted their grantor agency to request approval for certain fiscal year 2010 unspent funds in the amount of \$131,515 to be carried forward to fiscal year 2011. To date, the Council has not received notification regarding approval of such request.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE 7 – SUBSEQUENT EVENTS

The Council evaluated subsequent events through September 9, 2010, when these financial statements were available to be issued. The Council is are not aware of any significant events that occurred subsequent to the financial position date but prior to the filing of this report that would have an material impact on the financial statements.

SUPPLEMENTAL INFORMATION

**NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the year ended June 30, 2010

		Pass through	Balance	Cash	Balance
		Grantor's	Receivable	Receipts	Receivable
CFDA No.	Number		June 30, 2009		June 30, 2010
Federal Awards:					
U.S. Dept. of Health & Human Services					
Health Resources and Services Administration					
Technical Assistance to					
Homeless Grantees+					
93.129	6 U30CS00197-10-3		\$ 166,061	\$ 171,330	\$ -
Technical Assistance to					
Homeless Grantees+					
93.129	6 U30CS09746-02-02		-	1,211,434	29,050
Total Federal Awards			166,061	1,382,764	29,050

State Awards:

TN Dept. of Finance and Administration					
Bureau of TennCare					
Pass-through from					
TennCare Administration					
	N/A	GR-08-20884-01	8,004	8,004	-
Pass-through from					
TennCare Administration					
	N/A	GR-10-278685-11	-	67,009	11,023
Total State Awards			8,004	75,013	11,023
Total Federal and State Awards			\$ 174,065	\$ 1,457,777	\$ 40,073

NOTES TO THE SCHEDULE OF FEDERAL AND STATE AWARDS

Note 1 - Basis of Accounting - The Supplementary Schedule of Expenditures of Federal and State Awards is prepared on the accrual basis of accounting.

+ represents major program



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors of
National Health Care for the Homeless Council, Inc.
Nashville, Tennessee

We have audited the financial statements of National Health Care for the Homeless Council, Inc. (the "Council") (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasier, Dean & Howard, PLLC

FRASIER, DEAN & HOWARD, PLLC
Nashville, Tennessee

September 9, 2010



FRASIER, DEAN & HOWARD, PLLC

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Board of Directors of
National Health Care for the Homeless Council, Inc.
Nashville, Tennessee

Compliance

We have audited the compliance of National Health Care for the Homeless Council, Inc. (the "Council") (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasier, Dean & Howard, PLLC

FRASIER, DEAN & HOWARD, PLLC
Nashville, Tennessee

September 9, 2010

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of National Health Care for the Homeless Council, Inc.
2. No instances of noncompliance material to the financial statements of National Health Care for the Homeless Council, Inc. were disclosed during the audit.
3. The auditor's report on compliance for the major federal award programs for National Health Care for the Homeless Council, Inc. expresses an unqualified opinion on all major federal programs.
4. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
5. The programs tested as major programs include:

CFDA Number
93.129

Name of Federal Program or Cluster
U.S. Dept. of Health & Human Services -
Health Resources and Services Administration

The threshold for distinguishing Types A and B programs was \$300,000.

6. National Health Care for the Homeless Council, Inc. qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

NONE

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the year ended June 30, 2010

NONE