

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

FINANCIAL STATEMENTS

December 31, 2010 and 2009

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of St. Luke's Community House (Episcopal), Inc. (a nonprofit organization) as of December 31, 2010 and 2009, 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, 2010 and 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule on page 19 is presented for the purpose of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

May 31, 2011

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 219,868	\$ 299,956
Cash restricted for flood relief	191,538	-
Accounts receivable	2,792	-
Contributions receivable	<u>411,894</u>	<u>120,377</u>
Total current assets	826,092	420,333
Land, buildings and equipment, net of accumulated depreciation of \$1,455,227 and \$1,285,479, respectively	3,640,005	3,766,770
Investments	<u>876,782</u>	<u>820,266</u>
Total assets	<u><u>\$ 5,342,879</u></u>	<u><u>\$ 5,007,369</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 46,486</u>	<u>\$ 42,384</u>
Total current liabilities	46,486	42,384
Note payable	<u>59,809</u>	<u>259,809</u>
Total liabilities	<u>106,295</u>	<u>302,193</u>
Net assets:		
Unrestricted:		
Undesignated	3,761,919	3,691,243
Designated	<u>249,853</u>	<u>223,332</u>
Total unrestricted	4,011,772	3,914,575
Temporarily restricted	622,632	173,789
Permanently restricted	<u>602,180</u>	<u>616,812</u>
Total net assets	<u>5,236,584</u>	<u>4,705,176</u>
Total liabilities and net assets	<u><u>\$ 5,342,879</u></u>	<u><u>\$ 5,007,369</u></u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 433,657	\$ 496,886	\$ -	\$ 930,543
Contributions, flood relief	-	187,757	-	187,757
United Way	25,852	292,677	-	318,529
United Way, flood relief	-	157,334	-	157,334
Associated organizations	185,842	20,393	-	206,235
Contributions - Thrift Shop	126,075	-	-	126,075
Special events	31,049	-	-	31,049
Net assets released from restrictions	729,368	(706,204)	(23,164)	-
Total public support	<u>1,531,843</u>	<u>448,843</u>	<u>(23,164)</u>	<u>1,957,522</u>
Revenue:				
Program services	273,905	-	-	273,905
Investment income, net	79,853	-	8,532	88,385
Grants	79,385	-	-	79,385
Interest income	80	-	-	80
Miscellaneous	7,488	-	-	7,488
Total revenue	<u>440,711</u>	<u>-</u>	<u>8,532</u>	<u>449,243</u>
Total public support and revenue	<u>1,972,554</u>	<u>448,843</u>	<u>(14,632)</u>	<u>2,406,765</u>
Expenses:				
Program services:				
Preschool childcare	906,846	-	-	906,846
Senior services	112,195	-	-	112,195
Community	214,106	-	-	214,106
Volunteers	38,296	-	-	38,296
Family Resource Center	181,001	-	-	181,001
Flood relief	153,553	-	-	153,553
Total program services	<u>1,605,997</u>	<u>-</u>	<u>-</u>	<u>1,605,997</u>
Supporting services:				
Management and general	254,971	-	-	254,971
Fundraising	14,389	-	-	14,389
Total supporting services	<u>269,360</u>	<u>-</u>	<u>-</u>	<u>269,360</u>
Total expenses	<u>1,875,357</u>	<u>-</u>	<u>-</u>	<u>1,875,357</u>
Change in net assets	97,197	448,843	(14,632)	531,408
Net assets, beginning of year	<u>3,914,575</u>	<u>173,789</u>	<u>616,812</u>	<u>4,705,176</u>
Net assets, end of year	<u>\$ 4,011,772</u>	<u>\$ 622,632</u>	<u>\$ 602,180</u>	<u>\$ 5,236,584</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 435,514	\$ 99,914	\$ -	\$ 535,428
United Way	31,892	231,770	-	263,662
Associated organizations	175,615	4,656	-	180,271
Contributions - Thrift Shop	140,465	-	-	140,465
Special events	25,064	-	-	25,064
Net assets released from restrictions	355,268	(329,202)	(26,066)	-
Total public support	<u>1,163,818</u>	<u>7,138</u>	<u>(26,066)</u>	<u>1,144,890</u>
Revenue:				
Program services	254,738	-	-	254,738
Investment income, net	119,400	-	10,166	129,566
Grants	88,809	-	-	88,809
Interest income	90	-	-	90
Miscellaneous	258	-	-	258
Total revenue	<u>463,295</u>	<u>-</u>	<u>10,166</u>	<u>473,461</u>
Total public support and revenue	<u>1,627,113</u>	<u>7,138</u>	<u>(15,900)</u>	<u>1,618,351</u>
Expenses:				
Program services:				
Preschool childcare	884,419	-	-	884,419
Senior services	111,415	-	-	111,415
Community	235,269	-	-	235,269
Volunteers	37,746	-	-	37,746
Family Resource Center	188,822	-	-	188,822
Total program services	<u>1,457,671</u>	<u>-</u>	<u>-</u>	<u>1,457,671</u>
Supporting services:				
Management and general	288,155	-	-	288,155
Fundraising	17,040	-	-	17,040
Total supporting services	<u>305,195</u>	<u>-</u>	<u>-</u>	<u>305,195</u>
Total expenses	<u>1,762,866</u>	<u>-</u>	<u>-</u>	<u>1,762,866</u>
Change in net assets	(135,753)	7,138	(15,900)	(144,515)
Net assets, beginning of year	<u>4,050,328</u>	<u>166,651</u>	<u>632,712</u>	<u>4,849,691</u>
Net assets, end of year	<u>\$ 3,914,575</u>	<u>\$ 173,789</u>	<u>\$ 616,812</u>	<u>\$ 4,705,176</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2010

	Program Services						Supporting Services				
	Family			Total			Management		Total		
	Preschool Childcare	Senior Services	Community	Volunteers	Resource Center	Flood Relief	Program Services	General	Fund- raising	Supporting Services	Total Expenses
Salaries and wages	\$ 498,169	\$ 64,726	\$ 89,910	\$ 23,107	\$ 49,706	\$ 86,516	\$ 812,134	\$ 125,556	\$ -	\$ 125,556	\$ 937,690
Benefits	138,367	17,109	22,245	6,165	13,788	11,558	209,232	33,630	-	33,630	242,862
Program supplies	18,616	-	26,364	76	476	46,981	92,513	158	11,011	11,169	103,682
Equipment and maintenance	37,854	4,729	13,830	1,859	25,762	2,806	86,840	9,119	-	9,119	95,959
Food	70,965	5,290	13,448	-	212	-	89,915	250	1,765	2,015	91,930
Utilities	30,281	3,786	11,355	1,514	22,711	1,006	70,653	6,056	-	6,056	76,709
Insurance	18,726	2,429	5,377	826	7,897	1,350	36,605	4,686	-	4,686	41,291
Office supplies	9,711	2,781	2,127	526	3,966	-	19,111	2,357	-	2,357	21,468
Professional	1,485	193	358	55	165	-	2,256	16,451	-	16,451	18,707
Gifts in kind	-	-	-	-	-	-	-	17,396	-	17,396	17,396
Miscellaneous	5,052	-	1,699	-	449	2,004	9,204	7,084	38	7,122	16,326
Telephone	4,153	519	1,558	208	3,085	555	10,078	834	-	834	10,912
Interest charges	-	-	-	-	-	-	-	8,993	-	8,993	8,993
Printing	-	-	-	-	1,777	-	1,777	4,910	1,070	5,980	7,757
Conference and meetings	5,271	-	-	57	-	-	5,328	808	-	808	6,136
Postage and shipping	-	-	210	225	29	9	473	2,377	505	2,882	3,355
Transportation	-	2,065	-	7	-	768	2,840	22	-	22	2,862
Licenses, fees, permits	80	-	-	250	-	-	330	615	-	615	945
Contract labor	216	81	162	27	54	-	540	-	-	-	540
Bad debt expense	-	-	-	-	-	-	-	89	-	89	89
	838,946	103,708	188,643	34,902	130,077	153,553	1,449,829	241,391	14,389	255,780	1,705,609
Depreciation	67,900	8,487	25,463	3,394	50,924	-	156,168	13,580	-	13,580	169,748
	\$ 906,846	\$ 112,195	\$ 214,106	\$ 38,296	\$ 181,001	\$ 153,553	\$ 1,605,997	\$ 254,971	\$ 14,389	\$ 269,360	\$ 1,875,357

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	Program Services				Support Services			
	Preschool Childcare	Senior Services	Community	Volunteers	Family Resource Center	Total Program Services	Management and General	Total Supporting Services
	\$ 506,250	\$ 61,912	\$ 105,014	\$ 23,541	\$ 59,387	\$ 756,104	\$ 161,801	\$ 161,801
Salaries and wages	124,665	15,248	25,266	5,243	14,385	184,807	37,173	37,173
Benefits	67,367	10,810	12,492	-	115	90,784	66	9,474
Food								
Equipment and maintenance	35,487	4,456	12,971	1,732	25,319	79,965	7,415	7,415
Utilities	27,369	3,421	10,263	1,369	17,225	59,647	5,473	5,473
Program supplies	15,850	64	30,955	289	250	47,408	323	6,505
Insurance	14,839	1,879	4,871	675	7,828	30,092	3,580	3,580
Office supplies	6,043	1,776	2,292	518	4,127	14,756	2,479	2,479
Professional	1,620	210	390	60	180	2,460	14,739	14,739
Interest charges	-	-	-	-	-	-	13,882	13,882
Gifts in kind	-	-	-	-	-	-	13,320	13,320
Telephone	4,216	527	1,581	211	3,162	9,697	842	842
Printing	-	-	143	-	2,259	2,402	6,801	8,084
Conference and meetings	4,057	45	-	250	-	4,352	539	539
Contract labor	3,631	88	151	25	38	3,933	-	-
Postage and shipping	-	-	213	200	45	458	2,699	2,866
Miscellaneous	-	-	1,416	-	-	1,416	1,610	1,610
Transportation	-	1,871	-	-	-	1,871	34	34
Licenses, fees, permits	356	24	-	-	-	380	571	571
	811,750	102,331	208,018	34,113	134,320	1,290,532	273,347	290,387
Depreciation	72,669	9,084	27,251	3,633	54,502	167,139	14,808	14,808
	\$ 884,419	\$ 111,415	\$ 235,269	\$ 37,746	\$ 188,822	\$ 1,457,671	\$ 288,155	\$ 305,195
								\$ 1,762,866

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 531,408	\$ (144,515)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donation of stock	(41,734)	-
Depreciation	169,748	181,947
Realized/unrealized gain on investments	(76,197)	(115,041)
Changes in operating assets and liabilities:		
Contributions receivable	(291,517)	42,505
Accounts receivable	(2,792)	-
Accounts payable and accrued expenses	<u>4,102</u>	<u>21,350</u>
Net cash provided by (used in) operating activities	<u>293,018</u>	<u>(13,754)</u>
Cash flows from investing activities:		
Land, buildings and equipment purchases	(42,983)	(1,651)
Purchases of investments	(16,562)	(22,717)
Proceeds from sales of investments	77,977	41,334
Increase in cash restricted for flood relief	<u>(191,538)</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(173,106)</u>	<u>16,966</u>
Cash flows from financing activities:		
Payments on note payable	<u>(200,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(200,000)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(80,088)	3,212
Cash and cash equivalents at beginning of year	<u>299,956</u>	<u>296,744</u>
Cash and cash equivalents at end of year	<u><u>\$ 219,868</u></u>	<u><u>\$ 299,956</u></u>
Supplemental information:		
Donation of stock	<u>\$ 41,734</u>	<u>\$ -</u>
Interest paid	<u><u>\$ 8,993</u></u>	<u><u>\$ 13,882</u></u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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 program services are offered by the Organization:

Preschool Childcare – St. Luke's offers a licensed preschool program with focus on kindergarten readiness, for children from 6 weeks of age through 5 years (pre-kindergarten).

Senior Services – The Organization provides free lunches Monday through Friday to low-income seniors, as well as sponsors social and recreational activities for West Nashville seniors.

Community – The Organization provides various services to the community, including food boxes, counseling services, tax return preparation and emergency financial assistance.

Volunteers – The Organization provides organization and coordination of the significant number of volunteers serving the various programs and services provided by the Organization.

Family Resource Center – Various other programs and services are provided to the community through the Family Resource Center based on various needs.

Flood Relief – The Organization provides assistance to flood victims in Middle Tennessee as a result of the May 2010 flood.

Basis of Presentation

The Organization presents its financial statements in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, 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.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Unrestricted net assets (Continued):

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 statements 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.

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 and cash equivalents. The Organization does not consider cash restricted for flood relief as cash and cash equivalents.

Contributions

The Organization accounts for contributions in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. In accordance with these standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under these standards, 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.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 uncollectible promises to give are based on management's estimates based on prior collection history.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Unrealized gains and losses, as well as appreciation or depreciation in market value, are reflected in the accompanying financial statements. See Note 2 for additional information on fair value measurements.

Restricted Endowment Funds

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

Land, Buildings and Equipment

Land, buildings and equipment are stated in the accompanying statements of financial position at cost, or if contributed, at estimated fair market value at date of gift. Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. 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

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 12,600 volunteer hours to the Organization's programs during the year ended December 31, 2010. Donated 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.

The Organization has adopted guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance 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. This guidance must be applied to all existing tax positions upon initial adoption. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2007 through December 31, 2010. Adoption of this pronouncement had no impact on the Organization's accompanying financial statements. The Organization had no uncertain tax positions at December 31, 2010 or 2009.

Functional Allocation of Expenses

The costs of providing the various programs and other 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 on estimates made by management.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization follows the Fair Value Measurement and Disclosures Topic of the FASB ASC. This guidance establishes a framework for measuring fair value.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Investments consisting substantially of mutual funds maintained as part of the Episcopal Endowment Corporation Common Trust Fund are stated at fair value, based on quoted prices for identical assets in active markets.

Investments (Level 1) consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Board Designated Fund (includes some permanently restricted net assets in addition to board designations)	\$ 263,670	\$ 246,248
In Perpetuity Fund	<u>613,112</u>	<u>574,018</u>
	<u>\$ 876,782</u>	<u>\$ 820,266</u>

Investment income is comprised of the following for the year ended December 31:

	<u>2010</u>	<u>2009</u>
Interest	\$ 12,188	\$ 14,525
Realized and unrealized gain	<u>76,197</u>	<u>115,041</u>
	<u>\$ 88,385</u>	<u>\$ 129,566</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized below at December 31:

	<u>2010</u>	<u>2009</u>
Receipts expected within one year	\$ 414,894	\$ 124,146
Less allowance for estimated uncollectible amounts	(3,000)	(3,000)
Less discounts to present value (for amounts extending beyond one year, based on the risk-free rate in effect at the time the pledge is made)	<u>-</u>	<u>(769)</u>
Net contributions receivable	<u>\$ 411,894</u>	<u>\$ 120,377</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 213,746	\$ 213,746
Buildings and improvements	4,418,768	4,418,768
Equipment and furniture	<u>462,718</u>	<u>419,735</u>
	5,095,232	5,052,249
Accumulated depreciation	<u>(1,455,227)</u>	<u>(1,285,479)</u>
	<u>\$ 3,640,005</u>	<u>\$3,766,770</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%. During 2009, the Organization amended the term loan. Under this agreement, the Organization terminated the related line of credit and obtained certain modifications under the term loan agreement allowing interest only payments each quarter through maturity on June 1, 2012, at which time remaining principal will be due. Amounts outstanding under the note at December 31, 2010 and 2009 totaled \$59,809 and \$259,809, respectively.

The note is secured by capital campaign contributions and receivables. The note also requires the maintenance of certain financial covenants including a debt service coverage ratio of not less than 1.0. The Organization was in compliance with this covenant at December 31, 2010.

Anticipated maturities of the note payable are as follows:

Years Ended <u>December 31,</u>	
2011	\$ -
2012	59,809
2013	-
2014	-
2015	<u>-</u>
	<u>\$ 59,809</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Capital campaign	\$ 47,200	\$ 9,700
Unconditional promises to give due in future periods	367,694	114,446
Program services	16,200	49,643
Flood relief	<u>191,538</u>	<u>-</u>
	<u>\$ 622,632</u>	<u>\$ 173,789</u>

NOTE 7 – ENDOWMENT

The Organization's endowment consists of donor restricted gifts as well as assets designated by the Board which are held in investment accounts. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted	\$ (28,038)	\$ -	\$ -	\$ -	\$ (28,038)
Board designated endowment funds	-	249,853	-	-	249,853
Donor restricted endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,180</u>	<u>602,180</u>
Total	<u>\$ (28,038)</u>	<u>\$ 249,853</u>	<u>\$ -</u>	<u>\$ 602,180</u>	<u>\$ 823,995</u>

Changes in Endowment Net Assets for the year ended December 31, 2010:

Endowment net assets, beginning of year	\$ (81,762)	\$ 223,332	\$ -	\$ 616,812	\$ 758,382
Investment return (realized and unrealized)	53,724	26,521	-	8,532	88,777
Distributions, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,164)</u>	<u>(23,164)</u>
Endowment net assets, end of year	<u>\$ (28,038)</u>	<u>\$ 249,853</u>	<u>\$ -</u>	<u>\$ 602,180</u>	<u>\$ 823,995</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 7 – ENDOWMENT (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted	\$ (81,762)	\$ -	\$ -	\$ -	\$ (81,762)
Board designated endowment funds	-	223,332	-	-	223,332
Donor restricted endowment funds	-	-	-	616,812	616,812
Total	<u>\$ (81,762)</u>	<u>\$ 223,332</u>	<u>\$ -</u>	<u>\$ 616,812</u>	<u>\$ 758,382</u>

Changes in Endowment Net Assets for the year ended December 31, 2009:

Endowment net assets, beginning of year	\$ (164,845)	\$ 187,015	\$ -	\$ 632,712	\$ 654,882
Investment return	83,083	36,317	-	10,166	129,566
Distributions, net	-	-	-	(26,066)	(26,066)
Endowment net assets, end of year	<u>\$ (81,762)</u>	<u>\$ 223,332</u>	<u>\$ -</u>	<u>\$ 616,812</u>	<u>\$ 758,382</u>

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 7 – ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. To the extent unrealized losses exceed original permanently restricted net assets plus gains earned in prior periods and earnings for which donor restrictions have not been met, such losses are recognized as losses in the unrestricted net asset class. Future increases in earnings of permanently restricted net assets will be first used to offset losses previously recognized in the unrestricted net asset class, and then increase permanently restricted net assets.

In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$28,038 and \$81,762 as of December 31, 2010 and 2009, respectively.

Endowment Investment Policy and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets to support the Organization and to enable it to more completely fulfill its mission by providing funds for (a) capital needs, (b) operating expenses, (c) programs and special projects and (d) such other purposes as specifically designated by donors. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as amounts designated by the board of directors to be held in perpetuity. Under this policy, as approved by the board of directors, the primary objective is to achieve a reasonable return on the assets, while limiting the risk exposure to ensure the preservation of capital. Investment funds are to be maintained as cash or as publicly traded securities.

Strategies Employed for Achieving Investment Objectives

To satisfy its long term objectives, the Organization relies on a strategy meant to preserve the corpus while providing a reasonable return on assets. The Organization has established a long-term investment goal of earning a minimum real rate of return equal to 5% per annum in excess of the rate of inflation, as measured by the greater of the Consumer Price Index or the GNP Deflator. This goal is measured over 5-10 year time periods.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization determines expendable funds on the basis of a total return principle. The funds available for distribution during any one year shall be determined at the beginning of such year and are limited to 5% of the average value of the corpus. The average value is determined by computing a three-year rolling average of the twelve end-of-quarter market values. Any expended funds from those available for distribution for a given year are accrued and continue to be considered available for distribution in subsequent years, unless otherwise designated by the action of the board of directors.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 8 – CONTRIBUTIONS – THRIFT SHOP AND ASSOCIATED ORGANIZATIONS

The Organization receives support from income generated by a local thrift shop. Such contributions totaled \$126,075 and \$140,465 for the years ended December 31, 2010 and 2009, respectively. The Organization's executive director serves as a board member of the thrift shop.

In addition, the Organization receives contributions from churches and other organizations associated with the Episcopal Church. Contributions from these organizations totaled \$206,235 and \$180,271 for the years ended December 31, 2010 and 2009, respectively.

NOTE 9 – PENSION PLAN

During 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. During 2006, the plan was terminated. The Organization is in the process of resolving final administration requirements relating to the plan including determination as to whether the plan qualifies as a church plan which limits certain of these administrative requirements.

NOTE 10 – BENEFIT PLAN

Effective February 2001, the Organization established a 401(k) Retirement Savings 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 \$40,765 and \$41,124 for the years ended December 31, 2010 and 2009, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to December 31, 2010, the Organization received a donation of property, consisting of land and a fully furnished house, which was valued at \$183,000. Based on documentation related to the donation of property, such amounts have been recorded as a contribution receivable and temporarily restricted contribution at December 31, 2010.

Additionally, subsequent to December 31, 2010, the Organization was awarded a grant totaling \$250,750 for case management, pastoral care, and building materials in connection with flood relief efforts.

The Organization evaluated subsequent events through May 31, 2011, when these financial statements were available to be issued. Other than as disclosed above, the Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

SUPPLEMENTAL SCHEDULE

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FLOOD RELIEF ACTIVITIES
Year Ended December 31, 2010

Public support:	
Contributions	\$ 187,757
United Way	<u>157,334</u>
Total public support	<u>345,091</u>
Expenses:	
Flood relief expenses	<u>153,553</u>
Total expenses	<u>153,553</u>
Net flood relief activities (as reflected in restricted cash at December 31, 2010)	<u><u>\$ 191,538</u></u>