

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

FINANCIAL STATEMENTS

December 31, 2011 and 2010

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

TABLE OF CONTENTS

	Page
Independent Auditor's Report	2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 18
Supplemental Schedule:	
Statements of Flood Relief Activities	19



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, 2011 and 2010, 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, 2011 and 2010, 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 as a whole. The supplemental schedule on page 19 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Frasier, Dean & Howard, PLLC
June 4, 2012

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 147,050	\$ 219,868
Cash restricted for flood relief	166,132	191,538
Accounts receivable	-	2,792
Contributions receivable	<u>170,871</u>	<u>411,894</u>
Total current assets	484,053	826,092
Land, buildings and equipment, net of accumulated depreciation of \$1,621,196 and \$1,455,227, respectively	3,675,889	3,640,005
Investments	<u>813,768</u>	<u>876,782</u>
Total assets	<u><u>\$ 4,973,710</u></u>	<u><u>\$ 5,342,879</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 53,180</u>	<u>\$ 46,486</u>
Total current liabilities	53,180	46,486
Note payable	<u>-</u>	<u>59,809</u>
Total liabilities	<u>53,180</u>	<u>106,295</u>
Net assets:		
Unrestricted:		
Undesignated	3,701,651	3,761,919
Designated	<u>240,544</u>	<u>249,853</u>
Total unrestricted	3,942,195	4,011,772
Temporarily restricted	340,003	622,632
Permanently restricted	<u>638,332</u>	<u>602,180</u>
Total net assets	<u>4,920,530</u>	<u>5,236,584</u>
Total liabilities and net assets	<u><u>\$ 4,973,710</u></u>	<u><u>\$ 5,342,879</u></u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 425,610	\$ 72,566	\$ 50,000	\$ 548,176
Contributions, flood relief	-	13,460	-	13,460
United Way	22,463	225,685	-	248,148
United Way, flood relief	-	78,023	-	78,023
Associated organizations	176,516	-	-	176,516
Associated organizations, flood relief	-	250,750	-	250,750
Contributions - Thrift Shop	132,125	-	-	132,125
Special events	59,596	-	-	59,596
Net assets released from restrictions	945,804	(923,113)	(22,691)	-
Total public support	1,762,114	(282,629)	27,309	1,506,794
Revenue:				
Program services	243,424	-	-	243,424
Investment loss, net	(39,681)	-	8,843	(30,838)
Grants	65,532	-	-	65,532
Interest income	-	-	-	-
Miscellaneous	7,761	-	-	7,761
Total revenue	277,036	-	8,843	285,879
Total public support and revenue	2,039,150	(282,629)	36,152	1,792,673
Expenses:				
Program services:				
Preschool childcare	932,877	-	-	932,877
Senior services	109,768	-	-	109,768
Community	212,649	-	-	212,649
Volunteers	36,816	-	-	36,816
Family Resource Center	175,495	-	-	175,495
Flood relief	371,806	-	-	371,806
Total program services	1,839,411	-	-	1,839,411
Supporting services:				
Management and general	250,915	-	-	250,915
Fundraising	18,401	-	-	18,401
Total supporting services	269,316	-	-	269,316
Total expenses	2,108,727	-	-	2,108,727
Change in net assets	(69,577)	(282,629)	36,152	(316,054)
Net assets, beginning of year	4,011,772	622,632	602,180	5,236,584
Net assets, end of year	\$ 3,942,195	\$ 340,003	\$ 638,332	\$ 4,920,530

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	1,531,843	448,843	(23,164)	1,957,522
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	440,711	-	8,532	449,243
Total public support and revenue	1,972,554	448,843	(14,632)	2,406,765
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	1,605,997	-	-	1,605,997
Supporting services:				
Management and general	254,971	-	-	254,971
Fundraising	14,389	-	-	14,389
Total supporting services	269,360	-	-	269,360
Total expenses	1,875,357	-	-	1,875,357
Change in net assets	97,197	448,843	(14,632)	531,408
Net assets, beginning of year	3,914,575	173,789	616,812	4,705,176
Net assets, end of year	\$ 4,011,772	\$ 622,632	\$ 602,180	\$ 5,236,584

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011

	Program Services						Supporting Services			
	Preschool Childcare	Senior Services	Family Resource Center			Flood Relief	Total Program Services	Management and General		
			Community	Volunteers	Center			Fund- raising	Supporting Services	Total Expenses
Salaries and wages	\$ 517,334	\$ 59,985	\$ 85,770	\$ 21,656	\$ 46,082	\$ 140,648	\$ 871,475	\$ -	\$ 133,723	\$ 1,005,198
Benefits	134,606	14,797	20,749	5,329	11,070	30,354	216,905	-	32,011	248,916
Program supplies	16,346	48	21,224	50	65	177,614	215,347	7,926	8,478	223,825
Equipment and maintenance	44,323	5,301	31,252	2,086	27,304	5,316	115,582	-	8,268	123,850
Food	68,500	6,593	1,429	-	62	-	76,584	8,266	8,521	85,105
Utilities	31,969	3,996	11,989	1,598	20,780	3,197	73,529	-	6,395	79,924
Insurance	27,457	3,496	7,455	1,196	10,241	4,416	54,261	-	5,767	60,028
Office supplies	12,195	3,455	2,636	603	5,356	-	24,245	-	2,414	26,659
Professional	1,665	229	294	65	163	392	2,808	-	19,184	21,992
Bad debt expense	-	-	-	-	-	-	-	-	13,250	13,250
Telephone	4,126	516	1,547	206	2,697	1,419	10,511	-	821	11,332
Conference and meetings	7,444	-	10	260	-	-	7,714	-	1,003	8,717
Mercy House	-	-	-	-	-	7,197	7,197	-	-	7,197
Printing	-	-	-	-	1,629	-	1,629	1,575	5,349	6,978
Gifts in kind	-	-	-	-	-	-	-	-	6,714	6,714
Transportation	30	2,918	-	40	-	1,194	4,182	-	12	4,194
Miscellaneous	140	-	2,815	-	180	-	3,135	192	836	3,971
Postage and shipping	3	-	399	371	-	24	797	442	1,663	2,460
Interest charges	-	-	-	-	-	-	-	-	1,060	1,060
Contract labor	296	111	185	37	76	35	740	-	-	740
Licenses, fees, permits	56	24	-	-	-	-	80	-	570	650
	866,490	101,469	187,754	33,497	125,705	371,806	1,686,721	18,401	256,039	1,942,760
Depreciation	66,387	8,299	24,895	3,319	49,790	-	152,690	-	13,277	165,967
	\$ 932,877	\$ 109,768	\$ 212,649	\$ 36,816	\$ 175,495	\$ 371,806	\$ 1,839,411	\$ 18,401	\$ 269,316	\$ 2,108,727

See accompanying notes.

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

	Program Services						Support Services					
	Preschool		Senior		Family		Total		Management		Total	
	Childcare	Services	Services	Community	Volunteers	Resource Center	Flood Relief	Program Services	General	Fund-raising	Supporting Services	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.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (316,054)	\$ 531,408
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donation of stock	(20,724)	(41,734)
Contribution for endowment	(50,000)	-
Depreciation	165,967	169,748
Realized/unrealized loss (gain) on investments	43,501	(76,197)
Changes in operating assets and liabilities:		
Contributions receivable	58,023	(291,517)
Accounts receivable	2,792	(2,792)
Accounts payable and accrued expenses	6,694	4,102
Net cash (used in) provided by operating activities	<u>(109,801)</u>	<u>293,018</u>
Cash flows from investing activities:		
Land, buildings and equipment purchases	(18,851)	(42,983)
Purchases of investments	(15,697)	(16,562)
Proceeds from sales of investments	55,934	77,977
Increase (decrease) in cash restricted for flood relief	<u>25,406</u>	<u>(191,538)</u>
Net cash provided by (used in) investing activities	<u>46,792</u>	<u>(173,106)</u>
Cash flows from financing activities:		
Payments on note payable	(59,809)	(200,000)
Contribution for endowment	<u>50,000</u>	<u>-</u>
Net cash used in financing activities	<u>(9,809)</u>	<u>(200,000)</u>
Net decrease in cash and cash equivalents	(72,818)	(80,088)
Cash and cash equivalents at beginning of year	<u>219,868</u>	<u>299,956</u>
Cash and cash equivalents at end of year	<u>\$ 147,050</u>	<u>\$ 219,868</u>
Supplemental information:		
Donation of stock	<u>\$ 20,724</u>	<u>\$ 41,734</u>
Interest paid	<u>\$ 1,060</u>	<u>\$ 8,993</u>
Pledge of property donation received	<u>\$ 183,000</u>	<u>\$ -</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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, 2011 and 2010

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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, 2011 and 2010

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, 2011 and 2010

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 12,100 volunteer hours to the Organization's programs during the year ended December 31, 2011. 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 follows 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. 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, 2008 through December 31, 2011. The Organization had no uncertain tax positions at December 31, 2011 and 2010.

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, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization evaluated subsequent events through June 4, 2012, when these financial statements were available to be issued. 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.

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>2011</u>	<u>2010</u>
Board Designated Fund (includes some permanently restricted net assets in addition to board designations)	\$ 244,853	\$ 263,670
In Perpetuity Fund	<u>568,915</u>	<u>613,112</u>
	<u>\$ 813,768</u>	<u>\$ 876,782</u>

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

	<u>2011</u>	<u>2010</u>
Interest	\$ 12,663	\$ 12,188
Realized and unrealized (loss) gain	<u>(43,501)</u>	<u>76,197</u>
	<u>\$ (30,838)</u>	<u>\$ 88,385</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011 and 2010

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized below at December 31:

	<u>2011</u>	<u>2010</u>
Receipts expected within one year	\$ 173,871	\$ 414,894
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>-</u>
Net contributions receivable	<u>\$ 170,871</u>	<u>\$ 411,894</u>

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Land	\$ 245,746	\$ 213,746
Buildings and improvements	4,580,559	4,418,768
Equipment and furniture	<u>470,780</u>	<u>462,718</u>
	5,297,085	5,095,232
Accumulated depreciation	<u>(1,621,196)</u>	<u>(1,455,227)</u>
	<u>\$ 3,675,889</u>	<u>\$3,640,005</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 was due. During 2011, the Organization paid the remaining principal balance of the loan. Amounts outstanding under the note at December 31, 2011 and 2010 totaled \$0 and \$59,809, respectively.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011 and 2010

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Capital campaign	\$ -	\$ 47,200
Unconditional promises to give due in future periods	111,371	367,694
Program services	-	16,200
Flood relief	<u>228,632</u>	<u>191,538</u>
	<u>\$ 340,003</u>	<u>\$ 622,632</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, 2011:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted	\$ (58,410)	\$ -	\$ -	\$ -	\$ (58,410)
Board designated endowment funds	-	240,544	-	-	240,544
Donor restricted endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,332</u>	<u>638,332</u>
Total	<u>\$ (58,410)</u>	<u>\$ 240,544</u>	<u>\$ -</u>	<u>\$ 638,332</u>	<u>\$ 820,466</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011 and 2010

Changes in Endowment Net Assets for the year ended December 31, 2011:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (28,038)	\$ 249,853	\$ -	\$ 602,180	\$ 823,995
Contributions	-	-	-	50,000	50,000
Investment return (realized and unrealized)	(30,372)	(9,309)	-	8,843	(30,838)
Distributions, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,691)</u>	<u>(22,691)</u>
Endowment net assets, end of year	<u>\$ (58,410)</u>	<u>\$ 240,544</u>	<u>\$ -</u>	<u>\$ 638,332</u>	<u>\$ 820,466</u>

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	\$ (28,308)	\$ -	\$ -	\$ -	\$ (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	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, 2011 and 2010

NOTE 7 – ENDOWMENT (Continued)

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.

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 \$58,410 and \$28,038 as of December 31, 2011 and 2010, 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.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011 and 2010

NOTE 7 – ENDOWMENT (Continued)

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.

NOTE 8 – CONTRIBUTIONS – THRIFT SHOP AND ASSOCIATED ORGANIZATIONS

The Organization receives support from income generated by a local thrift shop. Such contributions totaled \$132,125 and \$126,075 for the years ended December 31, 2011 and 2010, 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 \$427,266 and \$206,235 for the years ended December 31, 2011 and 2010, 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 \$41,697 and \$40,765 for the years ended December 31, 2011 and 2010, respectively.

SUPPLEMENTAL SCHEDULE

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF FLOOD RELIEF ACTIVITIES
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Public support:		
Contributions	\$ 13,460	\$ 187,757
Associated organizations	250,750	-
United Way	78,023	157,334
Pledge payments received in 2011	66,667	-
Total public support	<u>408,900</u>	<u>345,091</u>
Expenses:		
Flood relief expenses	<u>371,806</u>	<u>153,553</u>
Total expenses	<u>371,806</u>	<u>153,553</u>
Net increase in flood relief activities	37,094	191,538
Restricted for flood relief activities, beginning of year	<u>191,538</u>	<u>-</u>
Restricted for flood relief activities, end of year	<u><u>\$ 228,632</u></u>	<u><u>\$ 191,538</u></u>