

**NATIONAL HEALTH CARE FOR THE
HOMELESS COUNCIL**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2007

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Health Care for the Homeless Council
Nashville, Tennessee

We have audited the accompanying statement of financial position of National Health Care for the Homeless Council, as of June 30, 2007, and the related statement 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, as of June 30, 2007, 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 August 24, 2007 on our consideration of National Health Care for the Homeless 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of National Health Care for the Homeless Council taken as a whole. The accompanying schedule of expenditures of federal 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.

Bellenfant & Miles, P.C.

August 24, 2007

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 376,894
Accounts receivable	13,000
Grant receivable	92,601
Prepaid Expenses	<u>1,000</u>

Total Current Assets	<u>483,495</u>
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Furniture and Equipment:

Furniture and equipment	58,096
Less: accumulated depreciation	<u>(41,111)</u>

Net Furniture and Equipment	<u>16,985</u>
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TOTAL ASSETS	<u><u>\$ 500,480</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 116,758
Accrued benefits	14,079
Unearned revenue	<u>40,684</u>

Total Liabilities	171,521
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NET ASSETS:

Unrestricted	<u>328,959</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 500,480</u></u>
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The accompanying notes are an integral part of these financial statements.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Total</u>
SUPPORT AND REVENUE:	
Individual Contributions	\$ 30,488
Foundations/Corporate Contributions	1,293
Government grants	789,731
Program service fees	121,528
Dues	112,041
Interest income	<u>14,784</u>
 Total Revenues	 <u>1,069,865</u>
 EXPENSES:	
 Program Services	
Advocacy	90,147
General Support	30,694
Clinicians Network	31,398
Education and Training	704,429
Boston Scientific	30,778
Other Programs	<u>19,085</u>
 Total Program Services	 <u>906,531</u>
 Support Services:	
Management and general	118,922
Fund raising	<u>24,415</u>
 Total Support Services	 <u>143,337</u>
 TOTAL EXPENSES	 <u>1,049,868</u>
 CHANGE IN NET ASSETS	 19,997
 Net Assets, July 1, 2006	 <u>308,962</u>
 Net Assets, June 30, 2007	 <u><u>\$ 328,959</u></u>

The accompanying notes are an integral part of these financial statements.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	Program Services						Support Services				
	General		Clinicians	Education	Boston	Other	Total	Management	Fund-	Total	
	Advocacy	Support	Network	& Training	Scientific	Program	Program	& General	Raising	Support	
Staff	\$ 31,980	\$ 16,540	\$ 18,785	\$ 302,803	\$ 1,233	\$ 2,274	\$ 373,615	\$ 70,646	\$ 16,003	\$ 86,649	\$ 460,264
Payroll Taxes	2,523	1,299	1,480	23,886	100	180	29,468	5,458	1,265	6,723	36,191
Employee Benefits	4,136	2,167	2,149	35,476	172	263	44,363	7,646	1,723	9,369	53,732
Contractors	39,555	3,674	-	137,329	28,305	7,427	216,290	4,300	2,750	7,050	223,340
Consultants	2,274	500	630	66,799	-	460	70,663	821	-	821	71,484
Occupancy	-	-	-	9,593	-	-	9,593	5,571	-	5,571	15,164
Supplies	-	118	987	3,366	169	10	4,650	1,638	-	1,638	6,288
Subscriptions	-	-	-	117	-	-	117	-	-	-	117
Service Fees	13	-	-	532	-	-	545	4,225	300	4,525	5,070
Telecommunications	1,531	836	-	12,020	109	1,012	15,508	3,150	306	3,456	18,964
Printing	3,028	524	426	32,446	646	2,731	39,801	1,125	1,323	2,448	42,249
Postage	312	1,320	24	6,689	26	288	8,659	705	373	1,078	9,737
Dues & Registrations	1,270	-	100	3,651	-	325	5,346	45	-	45	5,391
Meeting	982	1,608	5,237	6,403	18	128	14,376	4,224	-	4,224	18,600
Recognitions	-	-	1,580	281	-	-	1,861	370	-	370	2,231
Member Travel	-	-	-	26,991	-	-	26,991	-	-	-	26,991
Staff Travel	2,543	2,108	-	36,047	-	3,987	44,685	469	372	841	45,526
Depreciation	-	-	-	-	-	-	-	8,529	-	8,529	8,529
Total expenses	\$ 90,147	\$ 30,694	\$ 31,398	\$ 704,429	\$ 30,778	\$ 19,085	\$ 906,531	\$ 118,922	\$ 24,415	\$ 143,337	\$ 1,049,868

The accompanying notes are an integral part of these financial statements.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 19,997
Adjustments to reconcile changes in net assets to net cash provided by operations	
Depreciation	8,529
(Increase) decrease in:	
Accounts receivable	(10,509)
Grant receivable	(40,159)
Prepaid expenses	(124)
Increase (decrease) in:	
Accounts payable	73,396
Accrued benefits	1,538
Unearned revenue	<u>40,684</u>
Net Cash Provided by Operating Activities	<u>93,352</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of equipment	<u>(4,513)</u>
Net Cash Used by Investing Activities	<u>(4,513)</u>
Net Increase in Cash	88,839
Cash and Cash Investments, July 1, 2006	<u>288,055</u>
Cash and Cash Investments, June 30, 2007	<u>\$ 376,894</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Activities:

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.

Basis of Presentation:

National Health Care for the Homeless Council prepares its financial statements and maintains its financial accounting records on the accrual basis of accounting.

Revenue Recognition:

Contributions and grants restricted by the donor, grantor, or other outside parties for particular operating purposes are deemed to be earned and reported as revenues when the Council has incurred expenditures in compliance with the specific restrictions.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Council considers checking and money market accounts with a maturity of three months or less to be cash equivalents.

Furniture and Equipment:

Disbursements for equipment are reflected in the balance sheet at cost. Expenditures for additions are capitalized while those for maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful life of each item and is reflected as an expense in the statement of activities. Donated items are recorded at estimated fair market value.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

2. FEDERAL INCOME TAX STATUS

The Council has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

3. GRANTS RECEIVABLE

Grants receivable consists of receivables from programs funded by the US Department of Health and Human Services, and Tennessee Department of Finance and Administration. Financial activities of those programs are summarized in the schedule of expenditures of federal and state awards.

4. OPERATING LEASE

The Council leases office space under operating leases. The lease is on a month-to-month schedule over the next year.

Office lease expense for the year ended June 30, 2007 was approximately \$12,000.

5. CONCENTRATION OF CREDIT RISK

The Council maintains a checking account and certificates of deposit at Smith Barney Citigroup. Cash balances in those accounts were \$376,894 as of June 30, 2007. The Federal Deposit Insurance Corporation (FDIC) secures these bank accounts up to \$100,000. Gulf Insurance Company, a subsidiary of Citigroup, Inc., provides additional cash protection of up to \$500,000. The cash was protected by the additional cash protection and the certificates of deposits were covered by the individual banks' FDIC insurance.

6. FUNDING

The Council received a substantial amount of support from the U.S. Department of Health and Human Services. A major reduction of funding by the grantor agency, should this occur, may have a significant effect on future operations.

NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

7. EMPLOYEE BENEFITS

The Council established a Simplified Employee Pension Individual Retirement Account (SEP IRA) program as a fringe benefit paid by the Council. Provisions of the SEP IRA benefit are dependent upon the availability of funds and the will of the Board. During the year ended June 30, 2007, the Council's contribution to the program was \$22,902.

The Council also established a Flexible Benefit Plan for the employees; and the employees are able to make 403(b) retirement contributions.

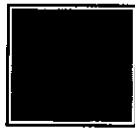
NATIONAL HEALTH CARE FOR THE HOMELESS COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/ Pass-Through Grantor Agency</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Grant Receivable June 30, 2006</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Grant Receivable June 30, 2007</u>
<u>Federal Awards</u>								
US Dept. of Health and Human Services Bureau of Primary Health Care	Technical Assistance to Homeless Grantees	93.224	6 U30CS00197-08-00	7/1/05-6/30/06	\$ 42,489	\$ 42,489	\$ -	\$ -
	Technical Assistance to Homeless Grantees	93.224	6 U30CS00197-09-03	7/1/06-6/30/07	\$ -	\$ 634,718	\$ 712,631	\$ 77,913
	TOTAL FEDERAL AWARDS				\$ 42,489	\$ 677,207	\$ 712,631	\$ 77,913
<u>State Financial Assistance</u>								
TN Dept. of Human Services	Emergency Shelter Grants Program (ESGP)	14.231	Z-06-026065	7/1/05-6/30/06	\$ 947	\$ 947	\$ -	\$ -
	TennCare Shelter Enrollment Project		GR-05-16146-00	7/1/05-6/30/06	\$ 9,006	\$ 9,006	\$ -	\$ -
TN Dept. of Finance and Administration	TennCare Shelter Enrollment Project		GR-05-16146-00	7/1/06-6/30/07	\$ -	\$ 62,412	\$ 77,100	\$ 14,688
	TOTAL STATE AWARDS				\$ 9,953	\$ 72,365	\$ 77,100	\$ 14,688
TOTAL FEDERAL & STATE AWARDS								
					\$ 52,442	\$ 749,572	\$ 789,731	\$ 92,601

This schedule includes the federal and state grant activity of National Health Care for the Homeless Council and is presented on the accrual basis of accounting



**AUDITORS' 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**

To the Board of Directors of
National Health Care for the Homeless Council
Nashville, Tennessee

We have audited the financial statements of National Health Care for the Homeless Council as of and for the year ended June 30, 2007, and have issued our report thereon dated August 24, 2007. 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 National Health Care for the Homeless 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 National Health Care for the Homeless Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of National Health Care for the Homeless 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 entity'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 entity's financial statements 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 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 entity's internal control.

Our consideration of internal control over financial reporting was for the limited purposes 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 National Health Care for the Homeless 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, others within the organization and federal awarding agencies and pass-through entities, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

August 24, 2007

Bellenfant & Miles, P.C.