

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

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

December 31, 2008 and 2007

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
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, 2008 and 2007, 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

May 22, 2009

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	Assets	2008	2007
Current assets:			
Cash and cash equivalents		\$ 296,744	\$ 615,268
Contributions receivable, current portion		<u>151,651</u>	<u>184,858</u>
Total current assets		448,395	800,126
Contributions receivable, less current portion and allowance for doubtful accounts		11,231	16,231
Land, buildings and equipment, net of accumulated depreciation of \$1,103,532 and \$914,388, respectively		3,947,067	4,136,211
Investments		<u>723,841</u>	<u>943,717</u>
Total assets		<u><u>\$ 5,130,534</u></u>	<u><u>\$ 5,896,285</u></u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses		\$ 21,034	\$ 48,041
Note payable, current portion		<u>-</u>	<u>123,508</u>
Total current liabilities		21,034	171,549
Note payable, net of current portion		<u>259,809</u>	<u>355,178</u>
Total liabilities		<u>280,843</u>	<u>526,727</u>
Net assets:			
Unrestricted:			
Undesignated		3,863,313	4,110,172
Designated		187,015	268,934
Temporarily restricted		166,651	334,629
Permanently restricted		<u>632,712</u>	<u>655,823</u>
Total net assets		<u>4,849,691</u>	<u>5,369,558</u>
Total liabilities and net assets		<u><u>\$ 5,130,534</u></u>	<u><u>\$ 5,896,285</u></u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 400,629	\$ 204,682	\$ -	\$ 605,311
United Way	31,469	244,825	-	276,294
Associated organizations	163,827	-	-	163,827
Contributions - thrift shop	130,100	-	-	130,100
Special events	70,010	-	-	70,010
Net assets released from restrictions	646,866	(617,485)	(29,381)	-
Total public support	1,442,901	(167,978)	(29,381)	1,245,542
Revenue:				
Program services	202,037	-	-	202,037
Investment loss, net	(221,115)	-	6,270	(214,845)
Grants	124,923	-	-	124,923
Interest income	4,035	-	-	4,035
Miscellaneous	467	-	-	467
Total revenue	110,347	-	6,270	116,617
Total public support and revenue	1,553,248	(167,978)	(23,111)	1,362,159
Expenses:				
Program services:				
Preschool childcare	916,964	-	-	916,964
School age childcare	150,958	-	-	150,958
Senior services	131,117	-	-	131,117
Community	257,769	-	-	257,769
Volunteers	35,915	-	-	35,915
Family Resource Center	78,180	-	-	78,180
Total program services	1,570,903	-	-	1,570,903
Supporting services:				
Management and general	294,579	-	-	294,579
Fundraising	16,544	-	-	16,544
Total supporting services	311,123	-	-	311,123
Total expenses	1,882,026	-	-	1,882,026
Change in net assets	(328,778)	(167,978)	(23,111)	(519,867)
Net assets, beginning of year	4,379,106	334,629	655,823	5,369,558
Net assets, end of year	\$ 4,050,328	\$ 166,651	\$ 632,712	\$ 4,849,691

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 531,066	\$ 196,906	\$ 50,002	\$ 777,974
United Way	38,654	265,388	-	304,042
Associated organizations	137,563	-	-	137,563
Contributions - thrift shop	125,125	-	-	125,125
Special events	57,702	-	-	57,702
Net assets released from restrictions	793,302	(767,267)	(26,035)	-
Total public support	1,683,412	(304,973)	23,967	1,402,406
Revenue:				
Program services	197,787	-	-	197,787
Investment income, net	14,031	-	50,307	64,338
Grants	101,131	-	-	101,131
Interest income	16,227	-	-	16,227
Miscellaneous	92	-	-	92
Total revenue	329,268	-	50,307	379,575
Total public support and revenue	2,012,680	(304,973)	74,274	1,781,981
Expenses:				
Program services:				
Preschool childcare	848,233	-	-	848,233
School age childcare	150,785	-	-	150,785
Senior services	117,597	-	-	117,597
Community	283,170	-	-	283,170
Volunteers	32,035	-	-	32,035
Family Resource Center	49,943	-	-	49,943
Total program services	1,481,763	-	-	1,481,763
Supporting services:				
Management and general	289,670	-	-	289,670
Fundraising	14,345	-	-	14,345
Total supporting services	304,015	-	-	304,015
Total expenses	1,785,778	-	-	1,785,778
Change in net assets	226,902	(304,973)	74,274	(3,797)
Net assets, beginning of year	4,152,204	639,602	581,549	5,373,355
Net assets, end of year	<u>\$ 4,379,106</u>	<u>\$ 334,629</u>	<u>\$ 655,823</u>	<u>\$ 5,369,558</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	Program Expenses						Support Expenses				
	Preschool Childcare	School Age Childcare	Senior Services	Community	Volunteers	Family Resource Center	Total Program Services	Management and General		Total	
								Fund- raising	Support Expenses	Total Expenses	
Salaries and wages	\$ 511,497	\$ 14,739	\$ 67,824	\$ 140,162	\$ 23,396	\$ 59,262	\$ 816,880	\$ 158,564	\$ -	\$ 158,564	\$ 975,444
Benefits	132,628	4,160	14,576	36,092	6,089	10,070	203,615	38,765	-	38,765	242,380
Food	44,161	6,558	23,000	17,753	561	278	92,311	380	9,708	10,088	102,399
Equipment and maintenance	44,691	28,132	5,061	10,218	1,185	1,765	91,052	10,098	-	10,098	101,150
Utilities	33,207	22,139	3,690	7,379	738	738	67,891	5,916	-	5,916	73,807
Program supplies	19,909	-	88	17,473	205	87	37,762	405	4,884	5,289	43,051
Insurance	16,494	7,942	1,751	4,052	442	808	31,489	3,535	-	3,535	35,024
Office supplies	7,076	3,863	1,440	1,715	513	686	15,293	2,929	-	2,929	18,222
Interest charges	-	-	-	-	-	-	-	17,516	-	17,516	17,516
Professional	1,510	468	293	225	88	43	2,627	14,588	-	14,588	17,215
Telephone	5,540	3,684	616	1,233	123	133	11,329	989	-	989	12,318
Printing	-	-	-	110	117	1,862	2,089	8,215	1,886	10,101	12,190
Contract labor	9,669	65	819	170	1	41	10,765	-	-	-	10,765
Miscellaneous	1,828	2,465	-	1,420	-	-	5,713	3,415	-	3,415	9,128
Gifts in kind	-	-	-	-	-	-	-	6,389	-	6,389	6,389
Conference and meetings	3,334	-	156	326	290	357	4,463	1,267	-	1,267	5,730
Postage and shipping	17	-	-	526	276	159	978	2,971	66	3,037	4,015
Transportation	8	-	2,305	-	-	-	2,313	333	-	333	2,646
Bad debts expense	-	-	-	-	-	-	-	2,577	-	2,577	2,577
Licenses, fees, permits	280	-	41	-	-	-	321	595	-	595	916
	831,849	94,215	121,660	238,854	34,024	76,289	1,396,891	279,447	16,544	295,991	1,692,882
Depreciation	85,115	56,743	9,457	18,915	1,891	1,891	174,012	15,132	-	15,132	189,144
	\$ 916,964	\$ 150,958	\$ 131,117	\$ 257,769	\$ 35,915	\$ 78,180	\$ 1,570,903	\$ 294,579	\$ 16,544	\$ 311,123	\$ 1,882,026

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2007

	Program Expenses						Support Expenses				
	Preschool Childcare	School Age Childcare	Senior Services	Family Resource Center		Total Program Services	Management and General	Fund- raising	Total Support Expenses		
				Community	Volunteers						
Salaries and wages	\$ 469,711	\$ 20,271	\$ 59,286	\$ 151,668	\$ 21,396	\$ 34,545	\$ 756,877	\$ 145,775	\$ -	\$ 145,775	\$ 902,652
Benefits	107,468	4,640	10,604	34,511	4,488	7,177	168,888	34,133	-	34,133	203,021
Equipment and maintenance	42,964	27,799	5,093	10,939	1,300	1,610	89,705	8,204	-	8,204	97,909
Food	42,396	6,972	21,989	13,850	538	254	85,999	254	8,818	9,072	95,071
Utilities	30,619	20,412	3,402	6,803	681	681	62,598	5,444	-	5,444	68,042
Program supplies	14,680	-	544	37,107	29	144	52,504	612	3,645	4,257	56,761
Insurance	17,526	7,890	2,059	4,229	479	590	32,773	3,941	-	3,941	36,714
Interest charges	-	-	-	-	-	-	-	31,603	-	31,603	31,603
Contract labor	22,304	199	503	177	-	56	23,239	-	-	-	23,239
Office supplies	7,683	4,022	1,805	1,893	624	574	16,601	3,565	-	3,565	20,166
Professional	2,555	473	419	537	123	97	4,204	15,711	-	15,711	19,915
Printing	-	-	-	80	-	2,000	2,080	9,897	1,715	11,612	13,692
Telephone	5,751	3,834	639	1,278	128	128	11,758	1,023	-	1,023	12,781
Miscellaneous	884	201	228	1,350	37	37	2,737	5,952	23	5,975	8,712
Conference and meetings	2,526	-	184	385	196	144	3,435	1,959	-	1,959	5,394
Postage and shipping	19	-	8	344	212	102	685	2,963	144	3,107	3,792
Gifts in kind	-	-	-	-	-	-	-	2,589	-	2,589	2,589
Transportation	-	-	1,799	-	-	-	1,799	152	-	152	1,951
Bad debts expense	-	-	-	-	-	-	-	1,030	-	1,030	1,030
Licenses, fees, permits	48	8	24	-	-	-	80	445	-	445	525
	767,134	96,721	108,586	265,151	30,231	48,139	1,315,962	275,252	14,345	289,597	1,605,559
Depreciation	81,099	54,064	9,011	18,019	1,804	1,804	165,801	14,418	-	14,418	180,219
	\$ 848,233	\$ 150,785	\$ 117,597	\$ 283,170	\$ 32,035	\$ 49,943	\$ 1,481,763	\$ 289,670	\$ 14,345	\$ 304,015	\$ 1,785,778

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (519,867)	\$ (3,797)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
In-kind donation of fixed assets	-	(28,600)
Donation of stock	(27,428)	(72,723)
Depreciation	189,144	180,219
Provision for doubtful and discounted pledges	-	(3,113)
Realized/unrealized loss (gain) on investments	250,353	(35,104)
Loss on disposal of land, buildings and equipment	-	167
Changes in operating assets and liabilities:		
Contributions receivable	38,207	285,775
Accounts receivable	-	44,083
Accounts payable and accrued expenses	(27,007)	34,839
Net cash (used in) provided by operating activities	<u>(96,598)</u>	<u>401,746</u>
Cash flows from investing activities:		
Land, buildings and equipment purchases	-	(167,335)
Purchases of investments	(76,717)	(42,669)
Proceeds from sales of investments	<u>73,668</u>	<u>114,742</u>
Net cash used in investing activities	<u>(3,049)</u>	<u>(95,262)</u>
Cash flows from financing activities:		
Payments on note payable	<u>(218,877)</u>	<u>(296,508)</u>
Net cash used in financing activities	<u>(218,877)</u>	<u>(296,508)</u>
Net (decrease) increase in cash and cash equivalents	(318,524)	9,976
Cash and cash equivalents at beginning of year	<u>615,268</u>	<u>605,292</u>
Cash and cash equivalents at end of year	<u><u>\$ 296,744</u></u>	<u><u>\$ 615,268</u></u>
Supplemental information:		
In-kind donation of fixed assets	\$ -	\$ 28,600
Donation of stock	<u>\$ 27,428</u>	<u>\$ 72,723</u>
Interest paid	<u>\$ 17,516</u>	<u>\$ 31,603</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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).

School Age Childcare – In partnership with Youth Encouragement Services ("YES"), the Organization provides after school activities for ages 6 to 18, including tutoring services, sports leagues, job skills training, and recreational and cultural activities. The Organization also provides a weekday program during the summer for ages 6 to 18.

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, among others.

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.

Basis of Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. Net assets of the Organization are presented as follows:

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted net assets:

Undesignated - net assets not subject to donor-imposed stipulations or designated by the Organization's Board.

Designated - net assets designated by the Organization's Board for particular purposes, presently designated by the Board for endowment.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that require that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Use of Estimates

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

Contributions

The Organization accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, time or purpose restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give (Continued)

restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Allowances for uncollectable promises to give are based on management's estimates based on prior collection history.

Investments

The Organization accounts for investments in accordance with SFAS No. 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the Statement of Activities.

Land, Buildings and Equipment

Land, buildings and equipment are stated in the accompanying statement of financial position at cost, or if contributed, at 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

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 9,200 volunteer hours to the Organization's programs during the year ended December 31, 2008. Donated construction activities, equipment, supplies, and other items are included in the accompanying financial statements at their estimated value.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. Accordingly, no provision for income taxes has been made in the financial statements.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications have been made to 2007 in order to conform to the 2008 presentation.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized below at December 31:

	<u>2008</u>	<u>2007</u>
Receipts expected within one year	\$ 151,651	\$ 184,858
Receipts expected in one to five years	<u>15,000</u>	<u>20,000</u>
	166,651	204,858
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>(769)</u>	<u>(769)</u>
Net contributions receivable	162,882	201,089
Less current portion	<u>(151,651)</u>	<u>(184,858)</u>
Total long-term portion	<u>\$ 11,231</u>	<u>\$ 16,231</u>

NOTE 3 – INVESTMENTS

Investments consisting substantially of mutual funds maintained as part of the Episcopal Endowment Corporation Common Trust Fund are stated at fair value and consist of the following:

	<u>2008</u>	<u>2007</u>
Board Designated Fund (includes some permanently restricted net assets in addition to board designations)	\$ 217,005	\$ 298,924
In Perpetuity Fund	<u>506,836</u>	<u>644,793</u>
	<u>\$ 723,841</u>	<u>\$ 943,717</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 3 – INVESTMENTS (Continued)

Fair value of investments is based on quoted prices in active markets for identified items.

Investment funds are to be maintained as cash or as publicly traded securities. The long-term investment goal of the Organization is to earn a minimum real rate of 5% per year in excess of the rate of inflation (as measured by the CPI or the GNP Deflator), over 5 to 10 year time periods. The Organization may utilize distributions from the funds based on 5% of a 3-year rolling average of the Fund subject to certain policies and prudent management laws. 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 unrestricted losses of 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.

Investment (loss) income, net is comprised of the following:

	<u>2008</u>	<u>2007</u>
Interest	\$ 33,335	\$ 28,583
Realized and unrealized (loss) gain	<u>(248,180)</u>	<u>35,755</u>
	<u>\$ (214,845)</u>	<u>\$ 64,338</u>

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 213,746	\$ 213,746
Buildings and improvements	4,418,768	4,418,768
Equipment and furniture	<u>418,085</u>	<u>418,085</u>
	5,050,599	5,050,599
Accumulated depreciation	<u>(1,103,532)</u>	<u>(914,388)</u>
	<u>\$ 3,947,067</u>	<u>\$ 4,136,211</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 5 – LINE OF CREDIT

During 2007, the Organization entered into a line of credit agreement with a bank with the interest rate equal to the Wall Street Journal Prime Rate. The agreement provides for short-term borrowings of up to \$150,000 with interest payable monthly on outstanding principal balances. Outstanding balances under the line of credit totaled \$0 at December 31, 2008 and 2007. Subsequent to December 31, 2008, the line of credit was terminated.

NOTE 6 – NOTE PAYABLE

During 2003, the Organization secured financing for a new building and renovation of existing buildings on the Organization's current campus. The related construction note allowed for maximum borrowings of \$3,500,000 and required monthly interest payments on outstanding balances. Effective December 2004, the note converted to a term loan with quarterly principal payments of \$30,877 plus interest based on a twenty-year amortization period with a final principal payment due June 1, 2012. The note bears interest at a fixed rate of 5.27%. Amounts outstanding under the note at December 31, 2008 and 2007 totaled \$259,809 and \$478,686, 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 not less than 1.0. The Organization was not in compliance with this covenant at December 31, 2008.

Subsequent to December 31, 2008, the Organization entered into an amendment, waiver and termination agreement. Under this agreement, the Organization has terminated the line of credit agreement, obtained waiver of the default under the term loan agreement and has 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.

Anticipated maturities of the note payable are as follows:

Years Ended December 31,	
2009	\$ -
2010	-
2011	-
2012	259,809
2013	-
Thereafter	-
	<hr/>
	<u>\$ 259,809</u>

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2008</u>	<u>2007</u>
Capital campaign	\$ 30,300	\$ 84,926
Unconditional promises to give due in future periods	136,351	110,903
Program services	<u>-</u>	<u>138,800</u>
	<u>\$ 166,651</u>	<u>\$ 334,629</u>

NOTE 8 – CONTRIBUTIONS – THRIFT SHOP AND ASSOCIATED ORGANIZATIONS

The Organization receives support from income generated by a local thrift shop. Such contributions totaled \$130,100 and \$125,125 for the years ended December 31, 2008 and 2007, 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 \$163,827 and \$137,563 for the years ended December 31, 2008 and 2007, respectively.

NOTE 9 – PENSION PLAN

During fiscal 2000, the Board of Directors approved an amendment to its defined benefit pension plan which resulted in the freezing of all future benefits under the plan as of August 31, 2000. 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 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. Cash at December 31, 2008 and 2007 includes demand deposits at high credit quality financial institutions. The deposits possess credit risk to the extent they exceed federally insured limits. The exposure to concentrations of credit risk relative to securities exists due to fluctuations in the securities markets and to the Organization's investment objectives and policies of maintaining a variety of quality investments.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 11 – 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 \$39,221 and \$33,982 for the years ended December 31, 2008 and 2007, respectively.