

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

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

**December 31, 2009 and 2008**

**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, 2009 and 2008, 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, 2009 and 2008, 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*

June 10, 2010, except for Note 5  
for which the date is June 17, 2010

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2009 and 2008**

	<b>Assets</b>	<u>2009</u>	<u>2008</u>
Current assets:			
Cash and cash equivalents		\$ 299,956	\$ 296,744
Contributions receivable, current portion		<u>120,377</u>	<u>151,651</u>
Total current assets		420,333	448,395
Contributions receivable, less current portion		-	11,231
Land, buildings and equipment, net of accumulated depreciation of \$1,285,479 and \$1,103,532, respectively		3,766,770	3,947,067
Investments		<u>820,266</u>	<u>723,841</u>
Total assets		<u><u>\$ 5,007,369</u></u>	<u><u>\$ 5,130,534</u></u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable and accrued expenses		<u>\$ 42,384</u>	<u>\$ 21,034</u>
Total current liabilities		42,384	21,034
Note payable		<u>259,809</u>	<u>259,809</u>
Total liabilities		<u>302,193</u>	<u>280,843</u>
Net assets:			
Unrestricted:			
Undesignated		3,691,243	3,863,313
Designated		223,332	187,015
Temporarily restricted		173,789	166,651
Permanently restricted		<u>616,812</u>	<u>632,712</u>
Total net assets		<u>4,705,176</u>	<u>4,849,691</u>
Total liabilities and net assets		<u><u>\$ 5,007,369</u></u>	<u><u>\$ 5,130,534</u></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 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	<u>1,442,901</u>	<u>(167,978)</u>	<u>(29,381)</u>	<u>1,245,542</u>
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	<u>110,347</u>	<u>-</u>	<u>6,270</u>	<u>116,617</u>
Total public support and revenue	<u>1,553,248</u>	<u>(167,978)</u>	<u>(23,111)</u>	<u>1,362,159</u>
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	<u>1,570,903</u>	<u>-</u>	<u>-</u>	<u>1,570,903</u>
Supporting services:				
Management and general	294,579	-	-	294,579
Fundraising	16,544	-	-	16,544
Total supporting services	<u>311,123</u>	<u>-</u>	<u>-</u>	<u>311,123</u>
Total expenses	<u>1,882,026</u>	<u>-</u>	<u>-</u>	<u>1,882,026</u>
Change in net assets	<u>(328,778)</u>	<u>(167,978)</u>	<u>(23,111)</u>	<u>(519,867)</u>
Net assets, beginning of year	<u>4,379,106</u>	<u>334,629</u>	<u>655,823</u>	<u>5,369,558</u>
Net assets, end of year	<u>\$ 4,050,328</u>	<u>\$ 166,651</u>	<u>\$ 632,712</u>	<u>\$ 4,849,691</u>

See accompanying notes.

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

	Program Expenses				Support Expenses			
	Preschool Childcare	Senior Services	Community	Volunteers	Family Resource Center		Management and General	Fund- raising
					Total	Program Services		
Salaries and wages	\$ 506,250	\$ 61,912	\$ 105,014	\$ 23,541	\$ 59,387	\$ 756,104	\$ 161,801	\$ -
Benefits	124,665	15,248	25,266	5,243	14,385	184,807	37,173	-
Food	67,367	10,810	12,492	-	115	90,784	66	9,408
Equipment and maintenance	35,487	4,456	12,971	1,732	25,319	79,965	7,415	-
Utilities	27,369	3,421	10,263	1,369	17,225	59,647	5,473	-
Program supplies	15,850	64	30,955	289	250	47,408	323	6,182
Insurance	14,839	1,879	4,871	675	7,828	30,092	3,580	-
Office supplies	6,043	1,776	2,292	518	4,127	14,756	2,479	-
Professional	1,620	210	390	60	180	2,460	14,739	-
Interest charges	-	-	-	-	-	-	13,882	-
Gifts in kind	-	-	-	-	-	-	13,320	-
Telephone	4,216	527	1,581	211	3,162	9,697	842	-
Printing	-	-	143	-	2,259	2,402	6,801	1,283
Conference and meetings	4,057	45	-	250	-	4,352	539	-
Contract labor	3,631	88	151	25	38	3,933	-	-
Postage and shipping	-	-	213	200	45	458	2,699	167
Miscellaneous	-	-	1,416	-	-	1,416	1,610	-
Transportation	-	1,871	-	-	-	1,871	34	-
Licenses, fees, permits	356	24	-	-	-	380	571	-
	811,750	102,331	208,018	34,113	134,320	1,290,532	273,347	17,040
Depreciation	72,669	9,084	27,251	3,633	54,502	167,139	14,808	-
	\$ 884,419	\$ 111,415	\$ 235,269	\$ 37,746	\$ 188,822	\$ 1,457,671	\$ 288,155	\$ 17,040
							\$ 305,195	\$ 305,195
								\$ 1,762,866

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	Family Resource Center		Total Program Services	Management and General	Fund- raising	Total Support Expenses
Salaries and wages	\$ 511,497	\$ 14,739	\$ 67,824	\$ 140,162	\$ 23,396	\$ 816,880	\$ 158,564	\$ -	\$ 975,444
Benefits	132,628	4,160	14,576	36,092	6,089	203,615	38,765	-	242,380
Equipment and maintenance	44,691	28,132	5,061	10,218	1,185	91,052	10,098	-	101,150
Food	44,161	6,558	23,000	17,753	561	92,311	381	9,708	102,400
Utilities	33,207	22,139	3,690	7,379	738	67,891	5,916	-	73,807
Program supplies	19,909	-	88	17,473	205	37,762	405	4,884	43,051
Insurance	16,494	7,942	1,751	4,052	442	31,489	3,535	-	35,024
Interest charges	-	-	-	-	-	-	17,516	-	17,516
Contract labor	9,669	65	819	170	1	10,765	-	-	10,765
Office supplies	7,076	3,863	1,440	1,715	513	15,293	2,929	-	18,222
Professional	1,510	468	293	225	88	2,627	14,588	-	17,215
Printing	-	-	-	110	117	2,089	8,215	1,886	12,190
Telephone	5,540	3,684	616	1,233	123	11,329	989	-	12,318
Miscellaneous	1,828	2,465	-	1,420	-	5,713	3,414	-	9,127
Conference and meetings	3,334	-	156	326	290	4,463	1,267	-	5,730
Postage and shipping	17	-	-	526	276	978	2,971	66	4,015
Gifts in kind	-	-	-	-	-	-	6,389	-	6,389
Transportation	8	-	2,305	-	-	2,313	333	-	2,646
Bad debts expense	-	-	-	-	-	-	2,577	-	2,577
Licenses, fees, permits	280	-	41	-	-	321	595	-	916
	831,849	94,215	121,660	238,854	34,024	1,396,891	279,447	16,544	1,692,882
Depreciation	85,115	56,743	9,457	18,915	1,891	174,012	15,132	-	189,144
	\$ 916,964	\$ 150,958	\$ 131,117	\$ 257,769	\$ 35,915	\$ 1,570,903	\$ 294,579	\$ 16,544	\$ 1,882,026

See accompanying notes.



**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (144,515)	\$ (519,867)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donation of stock	-	(27,428)
Depreciation	181,947	189,144
Realized/unrealized (gain) loss on investments	(115,041)	250,353
Changes in operating assets and liabilities:		
Contributions receivable	42,505	38,207
Accounts payable and accrued expenses	21,350	(27,007)
Net cash used in operating activities	<u>(13,754)</u>	<u>(96,598)</u>
Cash flows from investing activities:		
Land, buildings and equipment purchases	(1,651)	-
Purchases of investments	(22,717)	(76,717)
Proceeds from sales of investments	41,334	73,668
Net cash provided by (used in) investing activities	<u>16,966</u>	<u>(3,049)</u>
Cash flows from financing activities:		
Payments on note payable	<u>-</u>	<u>(218,877)</u>
Net cash used in financing activities	<u>-</u>	<u>(218,877)</u>
Net increase (decrease) in cash and cash equivalents	3,212	(318,524)
Cash and cash equivalents at beginning of year	<u>296,744</u>	<u>615,268</u>
Cash and cash equivalents at end of year	<u>\$ 299,956</u>	<u>\$ 296,744</u>
Supplemental information:		
Donation of stock	<u>\$ -</u>	<u>\$ 27,428</u>
Interest paid	<u>\$ 13,882</u>	<u>\$ 17,516</u>

See accompanying notes.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**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. This program ended at December 31, 2008.

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.

**Accounting Standards Codification**

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

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

*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.

**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.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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

**Investments**

The Organization accounts for investments in accordance with standards of accounting for investments prescribed for not-for-profit organizations. Under these standards, 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. See Note 2 for additional information on fair value measurements.

**Restricted Endowment Funds**

The Uniform Prudent Management Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The 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.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Land, Buildings and Equipment**

Land, buildings and equipment are stated in the accompanying statements 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 10,900 volunteer hours to the Organization's programs during the year ended December 31, 2009. 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.

On January 1, 2009, the Organization adopted FASB ASC 740-10-25 paragraphs 5 through 17, "Income Taxes" ("FASB ASC 740"). The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. FASB ASC 740 must be applied to all existing tax positions upon initial adoption. 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, 2006 through December 31, 2009. Adoption of this pronouncement had no impact on the Organization's accompanying financial statements.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Effective January 1, 2008, the Organization adopted the provisions of the Fair Value Measurement Topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities.

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>2009</u>	<u>2008</u>
Board Designated Fund (includes some permanently restricted net assets in addition to board designations)	\$ 246,248	\$ 217,005
In Perpetuity Fund	<u>574,018</u>	<u>506,836</u>
	<u>\$ 820,266</u>	<u>\$ 723,841</u>

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

	<u>2009</u>	<u>2008</u>
Interest	\$ 14,525	\$ 33,335
Realized and unrealized gain (loss)	<u>115,041</u>	<u>(248,180)</u>
	<u>\$ 129,566</u>	<u>\$ (214,845)</u>

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable are summarized below at December 31:

	<u>2009</u>	<u>2008</u>
Receipts expected within one year	\$ 124,146	\$ 151,651
Receipts expected in one to five years	<u>-</u>	<u>15,000</u>
	124,146	166,651
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	120,377	162,882
Less current portion	<u>(120,377)</u>	<u>(151,651)</u>
Total long-term portion	<u>\$ -</u>	<u>\$ 11,231</u>

**NOTE 4 – LAND, BUILDINGS AND EQUIPMENT**

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

	<u>2009</u>	<u>2008</u>
Land	\$ 213,746	\$ 213,746
Buildings and improvements	4,418,768	4,418,768
Equipment and furniture	<u>419,735</u>	<u>418,085</u>
	5,052,249	5,050,599
Accumulated depreciation	<u>(1,285,479)</u>	<u>(1,103,532)</u>
	<u>\$ 3,766,770</u>	<u>\$ 3,947,067</u>

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**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, 2009 and 2008 totaled \$259,809.

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, 2009. However, the Organization has obtained a waiver of this requirement from its bank. Furthermore, subsequent to December 31, 2009, the Organization paid the principal balance down to approximately \$59,000 and has secured contributions to pay off the remaining debt outstanding.

Anticipated maturities of the note payable are as follows:

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

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2009</u>	<u>2008</u>
Capital campaign	\$ 9,700	\$ 30,300
Unconditional promises to give due in future periods	114,446	136,351
Program services	<u>49,643</u>	<u>-</u>
	<u>\$ 173,789</u>	<u>\$ 166,651</u>



**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**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.

**2009 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	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,812</u>	<u>616,812</u>
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 (realized and unrealized)	83,083	36,317	-	10,166	129,566
Distributions, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,066)</u>	<u>(26,066)</u>
Endowment net assets, end of year	<u>\$ (81,762)</u>	<u>\$ 223,332</u>	<u>\$ -</u>	<u>\$ 616,812</u>	<u>\$ 758,382</u>

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE 7 – ENDOWMENT (Continued)**

**2008 Endowment Net Asset Composition by Type of Fund as of December 31, 2008:**

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted	\$ (164,845)	\$ -	\$ -	\$ -	\$ (164,845)
Board designated endowment funds	-	187,015	-	-	187,015
Donor restricted endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>632,712</u>	<u>632,712</u>
Total	<u>\$ (164,845)</u>	<u>\$ 187,015</u>	<u>\$ -</u>	<u>\$ 632,712</u>	<u>\$ 654,882</u>

**Changes in Endowment Net Assets for the year ended December 31, 2008:**

Endowment net assets, beginning of year	\$ -	\$ 268,934	\$ -	\$ 655,823	\$ 924,757
Investment return	(164,845)	(81,919)	-	6,270	(240,494)
Distributions, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,381)</u>	<u>(29,381)</u>
Endowment net assets, end of year	<u>\$ (164,845)</u>	<u>\$ 187,015</u>	<u>\$ -</u>	<u>\$ 632,712</u>	<u>\$ 654,882</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, 2009 and 2008**

**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 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.

In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$81,762 and \$164,845 as of December 31, 2009 and 2008, 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 Trustees 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.

**ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE 7 – ENDOWMENT (Continued)**

**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 \$140,465 and \$130,100 for the years ended December 31, 2009 and 2008, 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 \$180,271 and \$163,827 for the years ended December 31, 2009 and 2008, 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 – 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 \$41,124 and \$39,221 for the years ended December 31, 2009 and 2008, respectively.

**NOTE 11 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through June 10, 2010, when these financial statements were available to be issued. Management 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 accompanying financial statements.