

**JOSEPH'S HOUSE & SHELTER, INC.**

**Financial Statements and  
Supplementary Information**

**December 31, 2011 and 2010**

**JOSEPH'S HOUSE AND SHELTER, INC.**

**Financial Statements and Supplementary Information**

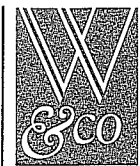
**December 31, 2011 and 2010**

Financial Statements

|  |   |
|--|---|
| Independent Auditors' Report .....     | 1 |
| Statements of Financial Position ..... | 3 |
| Statements of Activities .....         | 5 |
| Statement of Functional Expenses ..... | 6 |
| Statements of Cash Flows .....         | 7 |
| Notes to Financial Statements .....    | 8 |

Supplementary Information

|   |    |
|---|----|
| Schedule of Actual Expenses – Homeless Housing and Assistance Corporation ..... | 16 |
|---|----|



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Joseph's House & Shelter, Inc.

We have audited the accompanying statements of financial position of Joseph's House & Shelter, Inc., (a not-for-profit entity) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2011. These financial statements are the responsibility of Joseph's House & Shelter, Inc.'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 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 the 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 Joseph's House & Shelter, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of Joseph's House & Shelter, Inc.'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 considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Joseph's House & Shelter, Inc. taken as a whole. The Schedule of Actual Expenses – Homeless Housing and Assistance Corporation is presented for 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 taken as a whole.

*Wojcik & Co. CPAs, P.C.*

East Greenbush, New York  
September 7, 2012

**JOSEPH'S HOUSE & SHELTER, INC.**

**Statements of Financial Position**

|                                   | December 31,       |                    |
|-----------------------------------|--------------------|--------------------|
|                                   | 2011               | 2010               |
| <b>ASSETS</b>                     |                    |                    |
| <b>CURRENT ASSETS</b>             |                    |                    |
| Cash                              | \$ 149,210         | \$ 135,615         |
| Accounts receivable:              |                    |                    |
| Government                        | 322,000            | 974,152            |
| Department of Social Services     | 27,820             | 8,839              |
| Other                             | 25,151             | 11,418             |
| Prepaid expenses                  | 27,373             | 42,699             |
| <b>TOTAL CURRENT ASSETS</b>       | <b>551,554</b>     | <b>1,172,723</b>   |
| <b>PROPERTY AND EQUIPMENT</b>     |                    |                    |
| Buildings and improvements        | 6,661,449          | 3,491,378          |
| Land                              | 368,577            | 368,577            |
| Furniture, fixtures and equipment | 241,099            | 145,207            |
| Vehicles                          | 26,316             | 26,316             |
|                                   | <u>7,297,441</u>   | <u>3,941,478</u>   |
| Less accumulated depreciation     | <u>(1,270,237)</u> | <u>(1,097,547)</u> |
|                                   | 6,027,204          | 2,843,931          |
| <b>CAPITAL PROJECT COSTS</b>      | -                  | 2,248,168          |
| <b>INTANGIBLE ASSETS, net</b>     | 13,665             | -                  |
|                                   | <u>6,592,423</u>   | <u>6,264,822</u>   |

See accompanying notes to financial statements.

|                                    | December 31,        |                     |
|------------------------------------|---------------------|---------------------|
|                                    | 2011                | 2010                |
| <b>LIABILITIES AND NET ASSETS</b>  |                     |                     |
| <b>CURRENT LIABILITIES</b>         |                     |                     |
| Accounts payable                   | \$ 180,732          | \$ 715,580          |
| Accrued salaries and related items | 93,303              | 84,679              |
| Deferred grant revenue             | 25,800              | 227,551             |
|                                    | <u>299,835</u>      | <u>1,027,810</u>    |
| <b>TOTAL CURRENT LIABILITIES</b>   |                     |                     |
| <b>NET ASSETS</b>                  |                     |                     |
| Unrestricted                       | 6,238,843           | 5,235,845           |
| Board designated                   | 1,178               | 1,167               |
| Temporarily restricted             | 52,567              | -                   |
|                                    | <u>6,292,588</u>    | <u>5,237,012</u>    |
| <b>TOTAL NET ASSETS</b>            |                     |                     |
|                                    | <u>\$ 6,592,423</u> | <u>\$ 6,264,822</u> |

See accompanying notes to financial statements.

**JOSEPH'S HOUSE & SHELTER, INC.**

**Statements of Activities**

**Year Ended December 31, 2011 (with comparative totals for the year ended December 31, 2010)**

|  | Unrestricted        | Temporarily<br>Restricted | 2011<br>Totals      | 2010<br>Totals      |
|--|---------------------|---------------------------|---------------------|---------------------|
| <b>REVENUES AND SUPPORT</b>                  |                     |                           |                     |                     |
| Public support and revenues:                 |                     |                           |                     |                     |
| Government fees and contracts                | \$ 2,320,167        | \$ -                      | \$ 2,320,167        | \$ 4,114,337        |
| DSS fees for service                         | 310,980             | -                         | 310,980             | 276,548             |
| Government fees rent                         | 259,726             | -                         | 259,726             | 169,324             |
| Individual tenants rent                      | 152,556             | -                         | 152,556             | 124,453             |
| Contributions and gifts                      | 62,400              | 59,852                    | 122,252             | 152,629             |
| Contributed goods and services               | 73,498              | -                         | 73,498              | 96,086              |
| United Way                                   | 38,795              | -                         | 38,795              | 41,433              |
| Special activities, net of expenses          | 25,136              | -                         | 25,136              | 23,856              |
| Memberships                                  | 7,608               | -                         | 7,608               | 7,288               |
| Other revenues                               | 7,288               | -                         | 7,288               | 7,135               |
| Net assets released from restrictions        | 7,285               | (7,285)                   | -                   | -                   |
| <b>TOTAL PUBLIC SUPPORT<br/>AND REVENUES</b> | <b>3,265,439</b>    | <b>52,567</b>             | <b>3,318,006</b>    | <b>5,013,089</b>    |
| <b>EXPENSES</b>                              |                     |                           |                     |                     |
| Program services:                            |                     |                           |                     |                     |
| Emergency Shelter                            | 840,827             | -                         | 840,827             | 673,286             |
| The Lansing Inn                              | 478,055             | -                         | 478,055             | 505,896             |
| Hill St. Inn                                 | 478,968             | -                         | 478,968             | 235,227             |
| HPRP Program                                 | 166,200             | -                         | 166,200             | 918,814             |
| <b>Total Program services</b>                | <b>1,964,050</b>    | <b>-</b>                  | <b>1,964,050</b>    | <b>2,333,223</b>    |
| Management and general                       | 224,882             | -                         | 224,882             | 234,701             |
| Contributed goods and services               | 73,498              | -                         | 73,498              | 96,086              |
| <b>TOTAL EXPENSES</b>                        | <b>2,262,430</b>    | <b>-</b>                  | <b>2,262,430</b>    | <b>2,664,010</b>    |
| <b>CHANGE IN NET ASSETS</b>                  | <b>1,003,009</b>    | <b>52,567</b>             | <b>1,055,576</b>    | <b>2,349,079</b>    |
| Net assets at beginning of year              | 5,237,012           | -                         | 5,237,012           | 2,887,933           |
| <b>NET ASSETS AT END OF YEAR</b>             | <b>\$ 6,240,021</b> | <b>\$ 52,567</b>          | <b>\$ 6,292,588</b> | <b>\$ 5,237,012</b> |

See accompanying notes to financial statements.

JOSEPH'S HOUSE & SHELTER, INC.

Statement of Functional Expenses

Year Ended December 31, 2011 (with comparative totals for the year ended December 31, 2010)

|                                    | Program Services          |                 |                  |            | Support Services       |                        |              |              |
|------------------------------------|---------------------------|-----------------|------------------|------------|------------------------|------------------------|--------------|--------------|
|                                    | Emergency Shelter Program | The Lansing Inn | The Hill St. Inn | HPRP       | Program Services Total | Management and General | 2011 Total   | 2010 Total   |
| <b>FUNCTIONAL EXPENSES</b>         |                           |                 |                  |            |                        |                        |              |              |
| Salaries and wages                 | \$ 525,972                | \$ 250,271      | \$ 240,660       | \$ 31,186  | \$ 1,048,089           | \$ 114,518             | \$ 1,162,607 | \$ 1,049,118 |
| Employment benefits                | 86,514                    | 53,529          | 42,140           | 5,657      | 187,840                | 15,762                 | 203,602      | 173,243      |
| Payroll taxes                      | 43,837                    | 17,868          | 20,422           | 2,488      | 84,615                 | 7,855                  | 92,470       | 83,637       |
| Total salaries and related         | 656,323                   | 321,668         | 303,222          | 39,331     | 1,320,544              | 138,135                | 1,458,679    | 1,305,998    |
| Depreciation expense               | 30,422                    | 63,554          | 78,714           | -          | 172,690                | -                      | 172,690      | 93,734       |
| Direct assistance adults/children  | 22,385                    | 1,145           | 1,817            | 92,879     | 118,226                | 855                    | 119,081      | 673,842      |
| Utilities                          | 18,074                    | 28,966          | 24,178           | 642        | 71,860                 | -                      | 71,860       | 56,456       |
| Subcontractor                      | -                         | -               | -                | 13,037     | 13,037                 | 42,370                 | 55,407       | 183,920      |
| Professional fees                  | 33,455                    | -               | -                | 17,864     | 51,319                 | 14,000                 | 65,319       | 64,253       |
| Repairs and maintenance            | 16,804                    | 22,128          | 11,235           | -          | 50,167                 | 180                    | 50,347       | 34,528       |
| Food                               | 13,484                    | 11,692          | 10,607           | -          | 35,783                 | -                      | 35,783       | 16,366       |
| Insurance                          | 17,843                    | 7,509           | 6,296            | -          | 31,648                 | 2,946                  | 34,594       | 31,062       |
| Telephone                          | 7,280                     | 6,156           | 7,394            | 663        | 21,493                 | 556                    | 22,049       | 13,370       |
| Household and other supplies       | 4,386                     | 3,867           | 11,769           | -          | 20,022                 | 22                     | 20,044       | 10,499       |
| Printing and publications          | 3,843                     | 1,761           | 3,624            | -          | 9,228                  | 5,529                  | 14,757       | 14,325       |
| Water and sewer                    | 7,137                     | 4,258           | 3,063            | -          | 14,458                 | -                      | 14,458       | 12,219       |
| Travel and auto agency expenses    | 2,578                     | 2,084           | 2,566            | -          | 7,228                  | 2,430                  | 9,658        | 4,246        |
| Office supplies                    | 1,946                     | 975             | 4,318            | 134        | 7,373                  | 1,381                  | 8,754        | 6,568        |
| Expendable equipment and furniture | 17                        | 62              | 4,714            | -          | 4,793                  | 646                    | 5,439        | 2,785        |
| Staff recruitment/training         | -                         | 8               | 218              | -          | 226                    | 5,023                  | 5,249        | 2,794        |
| Payroll processing                 | -                         | -               | -                | -          | -                      | 4,668                  | 4,668        | 3,629        |
| Supported housing                  | 1,080                     | -               | 760              | 1,575      | 3,415                  | -                      | 3,415        | 8,300        |
| Postage and shipping               | 1,204                     | 1,150           | 812              | -          | 3,166                  | 119                    | 3,285        | 3,266        |
| Community relations                | 396                       | 200             | 178              | -          | 774                    | 1,182                  | 1,956        | 941          |
| Interest expense                   | 64                        | -               | -                | -          | 64                     | 1,577                  | 1,641        | 1,722        |
| Tokens                             | 1,040                     | -               | 370              | -          | 1,410                  | -                      | 1,410        | 1,200        |
| Amortization expense               | -                         | -               | 471              | -          | 471                    | -                      | 471          | -            |
| Other expenses                     | 1,066                     | 872             | 2,642            | 75         | 4,655                  | 3,263                  | 7,918        | 21,901       |
|                                    | \$ 840,827                | \$ 478,055      | \$ 478,968       | \$ 166,200 | \$ 1,964,050           | \$ 224,882             | \$ 2,188,932 | \$ 2,567,924 |

See accompanying notes to financial statements.

**JOSEPH'S HOUSE & SHELTER, INC.****Statements of Cash Flows**

|   | For the Year Ended December 31 |                    |
|---|--------------------------------|--------------------|
|   | 2011                           | 2010               |
| <b>OPERATING ACTIVITIES</b>   |                                |                    |
| Change in net assets  | \$ 1,055,576                   | \$ 2,349,079       |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                                |                    |
| Bad debt expense  | -                              | 14,007             |
| Depreciation expense  | 172,690                        | 93,734             |
| Amortization expense  | 471                            | -                  |
| Changes in operating assets and liabilities:  |                                |                    |
| Accounts receivable   | 619,438                        | (751,397)          |
| Prepaid expenses  | 15,326                         | (26,262)           |
| Accounts payable  | (534,848)                      | 518,028            |
| Accrued salaries and related items  | 8,624                          | 7,091              |
| Deferred grant revenue  | (201,751)                      | (70,657)           |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>1,135,526</b>               | <b>2,133,623</b>   |
| <b>INVESTING ACTIVITIES</b>   |                                |                    |
| Purchases of property and equipment and capital project costs                               | (1,107,795)                    | (2,233,448)        |
| Purchases of intangible assets  | (14,136)                       | -                  |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>(1,121,931)</b>             | <b>(2,233,448)</b> |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | <b>13,595</b>                  | <b>(99,825)</b>    |
| Cash at beginning of year   | 135,615                        | 235,440            |
| <b>CASH AT END OF YEAR</b>  | <b>\$ 149,210</b>              | <b>\$ 135,615</b>  |

See accompanying notes to financial statements.

## JOSEPH'S HOUSE AND SHELTER, INC.

### Notes to Financial Statements

December 31, 2011 and 2010

#### NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Joseph's House & Shelter, Inc. (the "Organization" or "Joseph's House") is a not-for-profit entity incorporated in 1982. The purpose of the Organization is to alleviate and prevent homelessness through the provision of shelter, services, support, and hospitality and guidance to homeless adults, youth and families. The Organization operates a shelter for temporary indigents and provides permanent housing for people who have experienced homelessness. Additionally, the Organization guides its guests in getting help from community agencies and acts as an advocate for the homeless to address immediate and long-term needs. These program services are performed in Troy, New York. The Organization is supported primarily through government fees and contracts.

A summary of significant accounting policies for the Organization follows:

##### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting whereby all assets and liabilities are recorded during the period in which they were incurred.

The Organization presents its financial statements in accordance with FASB ASC 958, *Not-For-Profit Entities*. Under these provisions net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that either expire by the passage of time or will be fulfilled by future actions of the Organization.

*Permanently restricted net assets* – Net assets that have been restricted by donors to be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2011 and 2010.

## JOSEPH'S HOUSE AND SHELTER, INC.

### Notes to Financial Statements--Continued

#### NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES-- Continued

##### Contributions

Contributions, including unconditional promises to give, are recorded in the period received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

##### Government Fees and Contracts

Revenue from the Organization's government contracts is recognized (up to the contract ceilings) when eligible expenses relative to the contracts are incurred. Cash received on the contracts in excess of eligible expenses incurred is recorded as deferred revenue. All monies not spent according to the contract agreements at the end of the contract period are to be returned to the contractors. Accordingly, the Organization does not maintain any equity in its government contracts.

The cost of capital assets purchased with contract funds are capitalized (see Note A) since it is probable that the Organization will be permitted to keep the assets when the contract agreement(s) terminate. All capital assets purchased with contract funds gives use to the Organization subject to accountability requirements and the right to transfer title.

##### Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

##### Cash

Cash consists of demand deposit accounts at local financial institutions.

##### Accounts Receivable

Accounts receivable are non-interest bearing and are recorded at their estimated collectible amounts. The Organization uses the allowance method to account for uncollectible receivables. Receivable balances are periodically reviewed for collectability based on past history and current economic conditions. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

## JOSEPH'S HOUSE AND SHELTER, INC.

### Notes to Financial Statements--Continued

#### NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES-- Continued

##### Property and Equipment

Property and equipment is recorded at cost, or in the case of donations or bequests, at fair market value at the date of acquisition. It is the Organization's policy to capitalize expenditures with a useful life of greater than one year and a unit value in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for normal repairs and maintenance are charged to operations as incurred. When units of property are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

##### Long-Lived Asset Impairment

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. During the years ended December 31, 2011 and 2010, no impairment loss was recorded for long-lived assets.

##### Intangible Assets

The Organization's intangible assets consist of title insurance and other costs relating to the construction of the 202 Fourth Street building. The costs are being amortized over 25 years.

##### Contributed Goods and Services

Public support and revenues include the fair market value of contributed goods and services, consisting mostly of food, supplies and professional services. The corresponding fair market value expense for contributed goods and services is also included in the financial statements. These services benefited all programs of the Organization.

##### Tax Status

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction for individual donors. The Organization does not conduct unrelated business activities and, therefore, has made no provision for income taxes in the accompanying financial statements.

## JOSEPH'S HOUSE AND SHELTER, INC.

### Notes to Financial Statements--Continued

#### NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES-- Continued

##### Tax Status--Continued

When annual returns are filed, some tax positions are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the Organization's tax positions, including interest and penalties attributable thereto, and concluded that the Organization had taken no tax positions that required adjustment in its financial statements as of December 31, 2011 and 2010.

The Organization's information return filings are subject to audit by various taxing authorities. The Organization is no longer subject to examinations by taxing authorities for the years ending before December 31, 2008, and currently, there are no examinations in process nor has the Organization been informed of any pending examination.

##### 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 service benefited.

##### Comparative Totals, Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class, and expenses not by function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended April 30, 2011, from which the summarized information was derived.

##### Reclassifications

Certain amounts for the year ended December 31, 2010 have been reclassified to conform to the presentation for the year ended December 31, 2011. These reclassifications had no effect on the changes in net assets or net assets.

##### Subsequent Events

The Organization evaluates transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on September 7, 2012.

**JOSEPH'S HOUSE AND SHELTER, INC.**

**Notes to Financial Statements--Continued**

**NOTE B--GOVERNMENT ACCOUNTS RECEIVABLE**

Government accounts receivable are deemed to be fully collectible by management and are comprised of the following amounts due at December 31:

|                                   | <u>2011</u>       | <u>2010</u>       |
|-----------------------------------|-------------------|-------------------|
| New York State (various agencies) | \$ 229,362        | \$ 911,103        |
| HPRP                              | 44,577            | 48,119            |
| City of Troy                      | 48,061            | 14,930            |
|                                   | <u>\$ 322,000</u> | <u>\$ 974,152</u> |

**NOTE C--LINE OF CREDIT**

The Organization has an unsecured working capital line of credit agreement with a bank. The Organization may borrow up to \$175,000 at the prime interest rate (3.25% at December 31, 2011), with a minimum interest rate of 3.75%. The line of credit expires on July 31, 2012 and is renewable annually by mutual agreement of the parties.

**NOTE D--BOARD DESIGNATION OF NET ASSETS - RESERVE FUNDS**

The Board of Directors of Joseph's House voted to set aside unrestricted net assets of \$1,178 and \$1,167 at December 31, 2011 and 2010, respectively, for the purpose of the future development and expansion of the programs of the Organization. Use of these funds requires the notification of New York State Homeless Housing Assistance Corporation (HHAC). Reserve funds are maintained in a separate bank account.

**NOTE E--RETIREMENT PLAN**

The Organization offers a retirement plan pursuant to section 403(b) of the Internal Revenue Code. The Plan covers substantially all employees upon commencement of employment with the Organization, and allows for employee elective deferrals only.

## JOSEPH'S HOUSE AND SHELTER, INC.

### Notes to Financial Statements--Continued

#### NOTE F--NEW YORK STATE HOMELESS HOUSING ASSISTANCE CORPORATION (HHAC)

During 1994, HHAC awarded contractual funding to Joseph's House (contract no. HC00175) in the amount of \$641,136. To secure compliance with the aforementioned contract, HHAC obtained a grant enforcement note and a securing mortgage on property located at 74 Ferry Street, Troy, New York in an amount equal to the funding awarded to Joseph's House. The mortgage requires no repayment of principal or interest. However, the entire mortgage amount shall become due and subject to recapture upon Joseph's House's default, if any, on certain contract provisions or applicable regulations. The mortgage contains a 20 year term expiring March 2015. Management believes that the Organization is in compliance with the terms of the contract. As it is the intention of the Organization to comply with the requirements of the contract, no payments are expected to be due on the contract.

During 2000, HHAC awarded contractual funding to Joseph's House (contract no. HC00430) in the amount of \$970,000, which was subsequently increased to \$1,043,369. To secure compliance with the aforementioned contract, HHAC obtained a grant enforcement note and a securing mortgage on property located at 596 2<sup>nd</sup> Avenue, Troy, New York in an amount equal to the funding awarded to Joseph's House. The mortgage requires no repayment of principal or interest. However, the entire mortgage amount shall become due and subject to recapture upon Joseph's House's default, if any, on certain contract provisions or applicable regulations. The mortgage contains a 20 year term expiring December 2020. Management believes that the Organization is in compliance with the terms of the contract. As it is the intention of the Organization to comply with the requirements of the contract, no payments are expected to be due on the contract.

During late 2009, HHAC awarded contractual funding to Joseph's House (contract no. HC00714) in the amount of \$3,033,194. To secure compliance with the aforementioned contract, HHAC obtained a grant enforcement note and a securing mortgage on property located at 202 4<sup>th</sup> Street, Troy, New York in an amount equal to the funding awarded to Joseph's House. The mortgage requires no repayment of principal or interest. However, the entire mortgage amount shall become due and subject to recapture upon Joseph's House's default, if any, on certain contract provisions or applicable regulations. The mortgage contains a 25 year term expiring February 2036. Management believes that the Organization is in compliance with the terms of the contract. As it is the intention of the Organization to comply with the requirements of the contract, no payments are expected to be due on the contract.

## JOSEPH'S HOUSE AND SHELTER, INC.

### Notes to Financial Statements--Continued

#### NOTE G--COMMITMENTS AND CONTINGENCIES

##### Individual tenants and government rent

Joseph's House leases space to tenants and government in its buildings, principally under month-to-month rental agreements.

##### Grant/Contract Programs

Joseph's House participates in various grant and contract programs which are subject to financial and compliance audits by the grantors or their representatives. Accordingly, Joseph's House's compliance with the applicable grant and contract requirements may be established at some future date. The amount of expenditures or funding which may be disallowed by the granting agencies cannot be determined at this time although management, based upon prior experience, expects such amounts, if any, to be immaterial.

##### Federal Home Loan Bank

A grant award in the amount of \$400,000 was received during 2010 in connection with the 202 4<sup>th</sup> Street property. Repayment of the grant award, plus interest will only be due in the event of the program's noncompliance with the Affordable Housing Program requirements during the retention period of 15 years. As it is the intention of the Organization to comply with the requirements, no payments are expected to be due on the grant award.

#### NOTE G--CONCENTRATION OF CREDIT RISK

##### Concentration of Cash

The Organization maintains cash accounts in three financial institutions. At times, the balances in these accounts may exceed the limits insured by the Federal Deposit Insurance Corporation (FDIC).

##### Concentration by Revenue Source

Although the Organization receives support from various grantors and other sources, approximately 17% and 39% of the Organization's total support for the years ended December 31, 2011 and 2010, respectively, was received from the U.S. Department of Housing and Urban Development (HUD), and approximately 9% and 10% was received from the Department of Social Services for the years ended December 31, 2011 and 2010, respectively.

**JOSEPH'S HOUSE AND SHELTER, INC.**

**Notes to Financial Statements--Continued**

**NOTE I--SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid for interest during the years ended December 31, 2011 and 2010 was \$1,641 and \$1,722, respectively.

**SUPPLEMENTARY INFORMATION**

**JOSEPH'S HOUSE & SHELTER, INC.**

**Schedule of Actual Expenses - Homeless Housing and Assistance Corporation**

**December 31, 2011**

| HHAC Contract #                | HC00175                               | HC00430                                 | HC00714                                 |
|--------------------------------|---------------------------------------|---|---|
| Site Address                   | 74 Ferry<br>Street<br><u>Troy, NY</u> | 596 Second<br>Avenue<br><u>Troy, NY</u> | 202 Fourth<br>Street<br><u>Troy, NY</u> |
| <b>EXPENSES</b>                |                                       |   |   |
| Operating                      |                                       |   |   |
| Maintenance payroll            | \$ 138,403                            | \$ 74,580                               | 60,817                                  |
| Utilities, water and sewer     | 27,359                                | 33,224                                  | 25,735                                  |
| Rent                           | 2,655                                 | -                                       | 760                                     |
| Fire/liability/other insurance | 18,554                                | 7,509                                   | 5,586                                   |
| Household supplies             | 4,386                                 | 3,867                                   | 11,769                                  |
| Repairs and maintenance        | 17,192                                | 22,128                                  | 10,848                                  |
| Telephone, internet and cable  | 5,735                                 | 5,209                                   | 6,175                                   |
|                                | <u>214,284</u>                        | <u>146,517</u>                          | <u>121,690</u>                          |
| Program                        |                                       |   |   |
| Support services payroll       | 593,284                               | 247,087                                 | 206,371                                 |
| Program administrative costs   | 196,369                               | 8,122                                   | 15,863                                  |
| Other program costs            | 32,703                                | 64,637                                  | 81,340                                  |
| Food                           | 13,484                                | 11,692                                  | 10,607                                  |
|                                | <u>835,840</u>                        | <u>331,538</u>                          | <u>314,181</u>                          |
| <b>TOTAL EXPENSES</b>          | <u><u>\$ 1,050,124</u></u>            | <u><u>\$ 478,055</u></u>                | <u><u>435,871</u></u>                   |

See independent auditors' report.