

THE HOMELESS FAMILIES FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
The Homeless Families Foundation:

We have audited the accompanying statements of financial position of The Homeless Families Foundation as of December 31, 2007 and 2006, and the related statements of activities, cash flows and of functional expenses for the years then ended. These statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit. The 2005 summarized comparative information has been derived from the Homeless Families Foundation December 31, 2005 financial statements, and in our report dated May 15, 2006; we expressed an unqualified opinion on the financial statements.

We conducted our audit 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 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 The Homeless Families Foundation as of December 31, 2007 and 2006 and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Breen, Winkel & Green LLP*  
May 6, 2008

THE HOMELESS FAMILIES FOUNDATION

Statements of Financial Position  
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 449,760	\$ 517,731
Accounts Receivable	154,110	45,194
Pledges Receivable (net of valuation allowance of \$1,142 and \$5,601, respectfully)	128,858	79,399
Deposits	1,650	1,650
Land	91,378	79,251
Building	1,299,956	1,192,212
Leasehold Improvements	435,872	362,803
Equipment	166,812	215,478
Less: Accumulated Depreciation	(616,416)	(540,895)
Net Land, Building and Equipment	<u>1,377,602</u>	<u>1,308,849</u>
Total Assets	<u><u>\$ 2,111,980</u></u>	<u><u>\$ 1,952,823</u></u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 21,939	\$ 8,096
Accrued Payroll	38,205	32,719
Accrued Payroll Taxes	17,582	14,808
Security Deposits	1,000	1,090
Mortgage Payable	253,494	283,043
Total Liabilities	<u>332,220</u>	<u>339,756</u>
<u>NET ASSETS</u>		
Unrestricted	1,429,190	1,408,930
Temporarily Restricted	<u>350,570</u>	<u>204,137</u>
Total Net Assets	<u>1,779,760</u>	<u>1,613,067</u>
Total Liabilities and Net Assets	<u><u>\$ 2,111,980</u></u>	<u><u>\$ 1,952,823</u></u>

See accompanying notes to financial statements

THE HOMELESS FAMILIES FOUNDATION

Statements of Activities

For the years ended December 31, 2007 with comparative totals for 2006

	Unrestricted	Temporarily Restricted	2007	2006
Public Support and Revenue:				
Contributions	\$ 679,805	\$ 47,096	\$ 726,901	\$ 761,683
Donated services	90,536	-	90,536	49,998
Family Reimbursement	60	-	60	1,630
Interest Income	17,618	-	17,618	15,895
Miscellaneous	13,379	-	13,379	25,388
Restricted Operating Grants	-	1,414,313	1,414,313	1,127,859
	<u>801,398</u>	<u>1,461,409</u>	<u>2,262,807</u>	<u>1,982,453</u>
Net Assets Released from Restrictions	1,314,976	(1,314,976)	-	-
Total Revenues and Support	2,116,374	146,433	2,262,807	1,982,453
Expenses:				
Program Services	1,866,760	-	1,866,760	1,542,296
Administrative and General	137,687	-	137,687	102,432
Fundraising	91,667	-	91,667	96,897
Total Expenses	<u>2,096,114</u>	<u>-</u>	<u>2,096,114</u>	<u>1,741,625</u>
Increase in Net Assets	20,260	146,433	166,693	240,828
Net Assets, Beginning of Year	1,408,930	204,137	1,613,067	1,372,239
Net Assets, End of Year	<u>\$ 1,429,190</u>	<u>\$ 350,570</u>	<u>\$ 1,779,760</u>	<u>\$ 1,613,067</u>

See accompanying notes to financial statements

THE HOMELESS FAMILIES FOUNDATION

Statements of Activities

For the years ended December 31, 2006 with comparative totals for 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006</u>	<u>2005</u>
Public Support and Revenue				
Contributions	\$ 708,383	\$ 53,300	\$ 761,683	\$ 794,894
Donated services	49,998	-	49,998	177,477
Family Reimbursement	1,630	-	1,630	4,592
Interest Income	15,895	-	15,895	12,367
Miscellaneous	25,388	-	25,388	56,001
Restricted Operating Grants	-	1,127,859	1,127,859	562,223
	<u>801,294</u>	<u>1,181,159</u>	<u>1,982,453</u>	<u>1,607,554</u>
Net Assets Released from Restrictions	<u>1,133,186</u>	<u>(1,133,186)</u>	-	-
Total Revenues and Support	1,934,480	47,973	1,982,453	1,607,554
Expenses				
Program Services	1,542,296	-	1,542,296	1,093,451
Administrative and General	102,432	-	102,432	69,999
Fund Raising	96,897	-	96,897	63,906
Total Expenses	<u>1,741,625</u>	<u>-</u>	<u>1,741,625</u>	<u>1,227,356</u>
Increase in Net Assets	192,855	47,973	240,828	380,198
Net Assets, Beginning of Year	<u>1,216,075</u>	<u>156,164</u>	<u>1,372,239</u>	<u>992,041</u>
Net Assets, End of Year	<u>\$ 1,408,930</u>	<u>\$ 204,137</u>	<u>\$ 1,613,067</u>	<u>\$ 1,372,239</u>

See accompanying notes to financial statements

THE HOMELESS FAMILIES FOUNDATION

Statements of Functional Expenses

For the year ended December 31, 2007 with comparative totals for 2006

	Program Services	Supporting Services			Total Expenses	
		Management and General	Fund Raising	Supporting Services		
		2007	2006			
Salaries and related expenses	\$ 861,146	\$ 98,533	\$ 52,420	\$ 150,953	\$ 1,012,099	\$ 863,685
Rent	215,343	5,364	-	5,364	220,707	190,863
Office Supplies	14,424	2,366	636	3,002	17,426	13,821
Postage	2,129	937	2,161	3,098	5,227	5,975
Utilities	145,664	5,826	133	5,959	151,623	123,780
Repairs and maintenance	89,890	3,017	35	3,052	92,942	122,699
Family Expenses	4,770	-	-	-	4,770	12,680
Overflow	138,695	-	-	-	138,695	-
Direct Assistance	48,516	-	-	-	48,516	38,773
Education Center	34,249	-	-	-	34,249	38,878
Audit Fees	-	4,600	-	4,600	4,600	3,800
Consultant Fees	48,008	9,103	1,068	10,171	58,179	8,710
Auto and Truck	31,664	702	269	971	32,635	17,900
Interest - mortgage	16,451	-	-	-	16,451	17,586
Insurance	34,284	1,498	-	1,498	35,782	34,291
Miscellaneous	9,970	5,623	3,282	8,905	18,875	32,034
Fundraising	-	118	31,663	31,781	31,781	28,374
<b>Total before Depreciation, Loss, and Donated Services</b>	<b>1,695,203</b>	<b>137,687</b>	<b>91,667</b>	<b>229,354</b>	<b>1,924,557</b>	<b>1,553,849</b>
Depreciation	153,137	-	-	-	153,137	137,778
Loss on Disposal of Assets	494	-	-	-	494	-
Donated services	17,926	-	-	-	17,926	49,998
<b>Total</b>	<b>\$ 1,866,760</b>	<b>\$ 137,687</b>	<b>\$ 91,667</b>	<b>\$ 229,354</b>	<b>\$ 2,096,114</b>	<b>\$ 1,741,625</b>

See accompanying notes to financial statements

THE HOMELESS FAMILIES FOUNDATION

Statements of Functional Expenses

For the year ended December 31, 2006 with comparative totals for 2005

	Program Services	Supporting Services			Total Expenses	
	Community Service	Management and General	Fund Raising	Total	2006	2005
Salaries and related expenses	\$ 716,859	\$ 86,369	\$ 60,457	\$ 146,826	\$ 863,685	\$ 574,814
Rent	188,954	1,909	-	1,909	190,863	164,073
Office Supplies	11,748	1,382	691	2,073	13,821	9,718
Postage	1,673	359	3,943	4,302	5,975	4,644
Utilities	122,542	1,238	-	1,238	123,780	95,759
Repairs and maintenance	121,472	1,227	-	1,227	122,699	93,098
Family Expenses	12,680	-	-	-	12,680	7,564
Direct Assistance	38,773	-	-	-	38,773	21,102
Education Center	38,489	-	389	389	38,878	30,974
Audit Fees	-	3,800	-	3,800	3,800	3,700
Consultant Fees	8,623	87	-	87	8,710	11,673
Auto and Truck	17,900	-	-	-	17,900	15,980
Interest - mortgage	17,586	-	-	-	17,586	18,656
Insurance	32,234	2,057	-	2,057	34,291	30,242
Miscellaneous	24,987	4,004	3,043	7,047	32,034	16,096
Fundraising	-	-	28,374	28,374	28,374	18,417
Total before Depreciation and Donated Services	1,354,520	102,432	96,897	199,329	1,553,849	1,116,510
Depreciation	137,778	-	-	-	137,778	98,135
Donated services	49,998	-	-	-	49,998	12,711
Total	\$ 1,542,296	\$ 102,432	\$ 96,897	\$ 199,329	\$ 1,741,625	\$ 1,227,356

See accompanying notes to financial statements

THE HOMELESS FAMILIES FOUNDATION

Statement of Cash Flows  
For the year ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Cash Flows from Operating Activities</u>		
Increase in net assets	\$ 166,693	\$ 240,828
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated services capitalized	(72,610)	-
Depreciation	153,137	137,778
Loss on disposal of assets	494	-
(Increase) in accounts receivable	(108,916)	(19,311)
(Increase) decrease in pledges receivable	(49,459)	(43,075)
(Increase) decrease in deposits	-	2,300
Increase (decrease) in accrued liabilities	22,013	(400)
	<u>111,352</u>	<u>318,120</u>
Net Cash Provided by Operating Activities		
	111,352	318,120
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(149,774)	(482,784)
Debt reduction payments	(29,549)	(18,413)
	<u>(179,323)</u>	<u>(501,197)</u>
Net Cash (Used) by Investing Activities		
	(179,323)	(501,197)
Net Increase (decrease) in Cash and Cash Equivalents	(67,971)	(183,077)
Cash and Cash Equivalents Beginning of Year	517,731	700,808
Cash and Cash Equivalents End of Year	<u>\$ 449,760</u>	<u>\$ 517,731</u>
Supplemental Data:		
Interest Paid	<u>\$ 16,451</u>	<u>\$ 17,586</u>

See accompanying notes to financial statements

THE HOMELESS FAMILIES FOUNDATION

Notes to the Financial Statements  
December 31, 2007 and 2006

Note 1 - Summary of Significant Accounting Policies

Nature of Organization

The Homeless Families Foundation, the Foundation, is a nonprofit organization working with homeless families. The Foundation provides shelter, stability and support to homeless families, with the ultimate goal being to help families make the changes necessary to improve their situations so that they can move on to permanent housing and independence.

Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Accrual Basis

The financial statements of the Foundation have been prepared on the accrual basis. The statement of activities is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income.

Basis of Presentation

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made" contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

The Foundation also adopted SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Foundation 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.

Depreciation

Expenditures for equipment and furnishings are capitalized at cost or fair market value at the date of donation in the case of gifts.

For buildings, furniture, fixtures and autos, depreciation is charged on a straight-line basis over the estimated useful lives of the assets.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

THE HOMELESS FAMILIES FOUNDATION

Notes to the Financial Statements (Continued)  
December 31, 2007 and 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Donations

Donations received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Mortgage Payable

Following is the maturity of the debt for each of the next five years:

<u>Year</u>	<u>Amount</u>
2008	\$ 20,755
2009	22,035
2010	23,394
2011	24,837
2012	26,369
Thereafter	<u>146,104</u>
	<u>\$263,494</u>

The note carries an interest rate of 6%, is due on August 1, 2017 and payable in monthly installments of \$3,000. The note is secured by a mortgage on land and building located at 33 N. Grubb St., Columbus, Ohio.

The book value of the property as of December 31, 2007 was \$890,067.

THE HOMELESS FAMILIES FOUNDATION

Notes to the Financial Statements (Continued)  
December 31, 2007 and 2006

Note 3 - Net Assets

Unrestricted Net Assets

Unrestricted net assets may be used by the Board of Trustees to achieve any of the Foundation's purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets for are comprised of the following:

<u>Purpose</u>	<u>Balance</u> <u>12/31/06</u>	<u>Donations</u>	<u>Restrictions</u> <u>Satisfied</u>	<u>Balance</u> <u>12/31/07</u>
Bonner Family Foundation	\$ 53,000	\$ 50,000	\$ (40,129)	\$ 62,871
Cardinal Health	---	37,096	---	37,096
City of Columbus	---	40,655	(40,655)	---
COHHIO-YEP	1,148	---	---	1,148
Columbus Foundation - Literacy	---	10,000	(4,309)	5,691
Columbus Rotary	1,000	---	---	1,000
Columbus Youth Foundation	1,626	8,500	(10,126)	---
Community Shelter Board	---	816,788	(816,788)	---
Education Center	7,408	99,215	(106,623)	---
Education Center Food	3,082	28,830	(27,364)	4,548
Education Center Programs	2,800	3,000	(200)	5,600
Harry C Moores	---	28,000	(3,740)	24,260
Honda Grant	5,437	---	(5,437)	---
Moritz Family Foundation	---	50,000	---	50,000
Ohio Department of Development	---	126,108	(126,108)	---
Paul and Kathy Miller	25,000	---	(13,810)	11,190
Prepayment for Fundraising Event	22,500	20,000	(22,500)	20,000
Project Connect	---	4,999	(4,381)	618
Rutherford Grant	55,782	34,218	(30,000)	60,000
Siemer/Moritz for Behavior Therapist	25,354	---	(16,810)	8,544
Siemer/Moritz for Part-time Clinician	---	44,000	(2,668)	41,332
Southeast	---	50,000	(33,328)	16,672
Wood Foundation	---	10,000	(10,000)	---
	<u>\$204,137</u>	<u>\$1,461,409</u>	<u>\$(1,314,976)</u>	<u>\$350,570</u>

THE HOMELESS FAMILIES FOUNDATION

Notes to the Financial Statements (Continued)  
December 31, 2007 and 2006

Note 3 - Net Assets (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets for are comprised of the following:

<u>Purpose</u>	<u>Balance</u> <u>12/31/05</u>	<u>Donations</u>	<u>Restrictions</u> <u>Satisfied</u>	<u>Balance</u> <u>12/31/06</u>
Columbus Youth Foundation	\$ ---	\$ 6,500	\$ (4,874)	\$ 1,626
Columbus Foundation	---	35,000	(35,000)	---
Ohio Department of Development	---	50,000	(50,000)	---
Community Shelter Board	---	570,350	(570,350)	---
COHHIO-YEP	---	2,000	(852)	1,148
Rutherford Grant	---	90,000	(34,218)	55,782
Ed Center	53,358	115,436	(161,386)	7,408
Academic & Cultural	2,601	---	(2,601)	---
Multicultural arts program	341	---	(341)	---
Education Center food	14,383	24,289	(35,590)	3,082
Ed center programs	2,404	2,800	(2,404)	2,800
Prepayment for fundraising event	17,500	22,500	(17,500)	22,500
Siemer/Moritz for Behavior Therapist	36,221	44,000	(54,867)	25,354
Honda Grant	---	6,950	(1,513)	5,437
Ingram White Castle	2,686	---	(2,686)	---
JP Morgan Chase Foundation Library	1,128	---	(1,128)	---
Renovation of Shelter Units	9,542	---	(9,542)	---
Citizens Bank - Heating	6,000	---	(6,000)	---
Bonner Family Foundation	10,000	53,000	(10,000)	53,000
Columbus Rotary	---	1,000	---	1,000
Project Connect	---	4,000	(4,000)	---
City of Columbus	---	86,000	(86,000)	---
Osteopathic Foundation	---	42,334	(42,334)	---
Paul and Kathy Miller	---	25,000	---	25,000
	<u>\$156,164</u>	<u>\$1,181,159</u>	<u>\$1,133,186</u>	<u>\$204,137</u>

THE HOMELESS FAMILIES FOUNDATION

Notes to the Financial Statements (Continued)  
December 31, 2007 and 2006

Note 4 - Donated Services and Materials

The Foundation receives donated services consisting of professional and general volunteer hours and donated materials. In accordance with SFAS No. 116, the contribution of services are recognized in the financial statements if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Rates used in the calculations of the professional volunteer services are based on the average rate charged by the respective professions in the Columbus area.

A summary of donated services follows:

	<u>2007</u>	<u>2006</u>
Professional services and materials	\$90,536	\$49,998
Donated services capitalized	<u>72,610</u>	---
Services recognized as expenses	<u>\$17,926</u>	<u>\$49,998</u>

The Foundation has general volunteer hours for various operations. General volunteer hours have not been recognized in the financial statements because they do not meet the criteria of SFAS No. 116. Hours of general volunteer service received were 2,800 for 2007 and 2,615 for 2006.

The Foundation receives donations of furniture, clothing and household items. The value of these items is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Note 5 - Concentration of Credit Risk

The Foundation has concentrated its credit risk for cash by maintaining deposits in a bank located within the same geographic region. The account is insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The Foundation donors are located primarily in the Central Ohio area.

During 2007, the Foundation received \$816,788 (approximately 36% of its revenues) from an arrangement with The Community Shelter Board and another \$293,973 (approximately 13% of its revenues) from a benefit dinner.

During 2006, the Foundation received \$570,350 (approximately 30% of its revenues) from an arrangement with The Community Shelter Board and another \$285,065 (approximately 15% of its revenues) from a benefit dinner.

Note 6 - Operating Lease

Beginning January 1, 2007, the Foundation entered into a five-year non-cancelable lease for the premises at West Broad Street, Grubb Street, and Glenwood for office and shelter units. The annual rent is \$150,120. The future minimum rent payments are as follows:

2008	150,120
2009	150,120
2010	150,120
2011	150,120

In 2007, the Foundation also entered into a one year leases for apartments on West Mound Street. The monthly total due is \$4,835. Future minimum rent payments for 2008 is \$36,940.

The Foundation is also party to several leases that run from month to month.

THE HOMELESS FAMILIES FOUNDATION

Notes to the Financial Statements (Continued)  
December 31, 2007 and 2006

Note 7 - Pledges Receivable

Included in the 2007 grants and accounts receivable balance on the statements of financial position are four grants. The first grant is to be paid \$19,000 per year over the next two years, the second grant is \$5,000 per year over the next two years, the third grant is \$60,000 in 2008, and the fourth grant is \$22,000 in 2008. The grants that are to be received after one year are discounted at 5%. These grants are expected to be fully collectible.

Included in the 2006 grants and accounts receivable balance on the statements of financial position are three grants. The first grant is to be paid \$30,000 per year over the next two years, the second grant is \$5,000 per year over the next three years, and the third grant is \$10,000 in 2007. The grants that are to be received after one year are discounted at 5%. These grants are expected to be fully collectible.

	<u>2007</u>	<u>2006</u>
Grants	\$130,000	\$85,000
Less: Discount to net present value	<u>1,142</u>	<u>5,601</u>
Net pledges as of December 31	<u>\$128,858</u>	<u>\$79,399</u>

