

**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**JOSEPH'S HOUSE, INC.  
(A NON-PROFIT ORGANIZATION)**

**September 30, 2013 and 2012**

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# Farmer & First, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

*"Grow Your Business With Us"*

## INDEPENDENT AUDITORS REPORT

February 1, 2014

To the Board of Directors of:

Joseph's House, Inc.  
Washington, D.C.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Joseph's House, Inc. (a non-profit organization) which comprise the statements of financial position as of September 30, 2013 and 2012 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's presentation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Joseph's House, Inc. as of September 30, 2013 and 2012 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.

*Janner & Grist, PC*

Warren, Rhode Island

**Joseph's House, Inc. (A Non-Profit Organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30,**

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 81,957	\$ 57,466
Accounts receivable	3,997	1,200
Grants receivable and promises to give	85,189	163,947
Prepaid expenses	<u>26,193</u>	<u>25,426</u>
Total current assets	<u>197,336</u>	<u>248,039</u>
PROPERTY AND EQUIPMENT:		
Buildings and improvements	1,168,211	1,160,011
Automobile	48,002	23,730
Furniture and fixtures	44,357	40,562
Office equipment	35,689	34,701
Donated equipment	500	500
Household and medical equipment	<u>30,842</u>	<u>30,842</u>
Total property and equipment	1,327,601	1,290,346
Less: accumulated depreciation	<u>715,616</u>	<u>676,027</u>
Property and equipment, net	<u>611,985</u>	<u>614,319</u>
OTHER ASSETS		
Cash Surrender Value	<u>3,561</u>	<u>3,482</u>
<b>TOTAL</b>	<u><u>\$ 812,882</u></u>	<u><u>\$ 865,840</u></u>

The accompanying notes are an integral part of these statements.

**Joseph's House, Inc. (A Non-Profit Organization)**  
**STATEMENTS OF FINANCIAL POSITION (continued)**  
**September 30,**

	2013	2012
<b>CURRENT LIABILITIES:</b>		
Accounts payable and employee withholdings	\$ 14,982	\$ 14,730
Accrued expenses	44,883	46,100
Capital lease obligation - current portion	775	775
Line of credit	-	-
Deferred support	-	94,676
Total current liabilities	60,640	156,281
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation	1,769	2,705
<b>NET ASSETS:</b>		
Unrestricted		
Operating	712,836	685,027
Board designated - contingency	10,577	10,577
	723,413	695,604
Temporarily restricted	27,060	11,250
Total net assets	750,473	706,854
<b>TOTAL</b>	<b>\$ 812,882</b>	<b>\$ 865,840</b>

The accompanying notes are an integral part of these statements.

**Joseph's House, Inc. (A Non-Profit Organization)**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT &amp; REVENUE:</b>			
Grants and Contributions			
Government grants	\$ 429,181	\$ -	\$ 429,181
Foundation, non-profit and corporate grants	299,000	30,000	329,000
Individual and religious organizations	440,679	-	440,679
Total grants and contributions	1,168,860	30,000	1,198,860
Program service revenue	1,055	-	1,055
Interest income	8	-	8
Increase in cash surrender value	80	-	80
Miscellaneous income	3,010	-	3,010
Net assets releases from restrictions	14,190	(14,190)	-
 Total unrestricted support and reclassifications	 1,187,203	 15,810	 1,203,013
 <b>EXPENSES:</b>			
Program services			
Joseph House, Inc	966,272	-	966,272
Management and general	114,073	-	114,073
Fundraising	79,049	-	79,049
Net expenses	1,159,394	-	1,159,394
 Change in net assets	 27,809	 15,810	 43,619
Net assets, October 1, 2012	695,604	11,250	706,854
Net assets, September 30, 2013	\$ 723,413	\$ 27,060	\$ 750,473

The accompanying notes are an integral part of these statements.

**Joseph's House, Inc. (A Non-Profit Organization)**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT & REVENUE:			
Grants and Contributions			
Government grants	\$ 443,271	\$ -	\$ 443,271
Foundation, non-profit and corporate grants	205,242	15,000	220,242
Individual and religious organizations	318,234	-	318,234
Total grants and contributions	966,747	15,000	981,747
Program service revenue	2,590	-	2,590
Interest income	4	-	4
Increase in cash surrender value	230	-	230
Miscellaneous income	147	-	147
Net assets releases from restrictions	11,250	(11,250)	-
 Total unrestricted support and reclassifications	 <u>980,968</u>	 <u>3,750</u>	 <u>984,718</u>
EXPENSES:			
Program services			
Joseph House, Inc	921,302	-	921,302
Management and general	124,580	-	124,580
Fundraising	93,426	-	93,426
Net expenses	<u>1,139,308</u>	<u>-</u>	<u>1,139,308</u>
 Change in net assets	 (158,340)	 3,750	 (154,590)
 Net assets, October 1, 2011	 <u>853,944</u>	 <u>7,500</u>	 <u>861,444</u>
 Net assets, September 30, 2012	 <u>\$ 695,604</u>	 <u>\$ 11,250</u>	 <u>\$ 706,854</u>

The accompanying notes are an integral part of these statements.

**Joseph's House, Inc. (A Non-Profit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2013**

	Program		Supporting Services		Functional Expenses
	Joseph's House	Mgmt & General	Fund-Raising	Total Support	
Salaries & labor	\$ 544,051	\$ 48,187	\$ 14,721	\$ 62,908	\$ 606,959
Payroll taxes	41,930	3,727	931	4,658	46,588
Fringe benefits	<u>60,228</u>	<u>5,354</u>	<u>1,338</u>	<u>6,692</u>	<u>66,920</u>
Total payroll related expenses	646,209	57,268	16,990	74,258	720,467
Legal and accounting	34,527	20,716	13,810	34,526	69,053
Consultants	18,501	12,198	29,275	41,473	59,974
Volunteer expenses	41,895	-	-	-	41,895
Repairs and maintenance	40,174	1,627	-	1,627	41,801
Depreciation	37,609	990	990	1,980	39,589
Insurance	31,778	4,241	1,767	6,008	37,786
Food	31,720	-	-	-	31,720
Staff development	19,788	892	449	1,341	21,129
Contracted services	14,579	3,549	-	3,549	18,128
Utilities	13,183	973	420	1,393	14,576
Telephone	10,174	901	275	1,176	11,350
Printing and copying	-	383	7,420	7,803	7,803
Office supplies	2,169	5,517	-	5,517	7,686
Rent	5,355	595	1,658	2,253	7,608
Household supplies	7,377	-	-	-	7,377
Direct client costs	5,626	-	-	-	5,626
Postage and delivery	-	112	3,162	3,274	3,274
Transportation	2,483	647	-	647	3,130
Miscellaneous development	-	-	2,833	2,833	2,833
Funeral expenses	1,778	-	-	-	1,778
Licenses and permits	-	1,112	-	1,112	1,112
Medical supplies	971	-	-	-	971
Interest	-	675	-	675	675
Dues and subscriptions	375	188	-	188	563
Miscellaneous expenses	<u>1</u>	<u>1,489</u>	<u>-</u>	<u>1,489</u>	<u>1,490</u>
Totals	<u>\$ 966,272</u>	<u>\$ 114,073</u>	<u>\$ 79,049</u>	<u>\$ 193,122</u>	<u>\$ 1,159,394</u>

The accompanying notes are an integral part of these statements.

**Joseph's House, Inc. (A Non-Profit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2012**

	Program		Supporting Services			Functional Expenses
	Joseph's House	Mgmt & General	Fund-Raising	Total Support		
Salaries & labor	\$ 495,365	\$ 43,875	\$ 13,404	\$ 57,279	\$ 552,644	
Payroll taxes	38,354	3,409	852	4,261	42,615	
Fringe benefits	51,701	4,596	1,149	5,745	57,446	
Total payroll related expenses	585,420	51,880	15,405	67,285	652,705	
Consultants	21,599	14,240	34,176	48,416	70,015	
Legal and accounting	13,378	30,183	16,054	46,237	59,615	
Volunteer expenses	52,252	-	-	-	52,252	
Meeting and staff costs	44,544	3,231	1,627	4,858	49,402	
Insurance	37,851	5,051	2,105	7,156	45,007	
Repairs and maintenance	36,937	1,495	-	1,495	38,432	
Depreciation	29,026	764	764	1,528	30,554	
Food	28,969	-	-	-	28,969	
Contracted services	23,063	3,120	-	3,120	26,183	
Miscellaneous development	-	-	16,355	16,355	16,355	
Utilities	14,225	960	432	1,392	15,617	
Household supplies	10,265	-	-	-	10,265	
Telephone	9,034	800	244	1,044	10,078	
Office supplies	2,276	5,789	-	5,789	8,065	
Rent	5,389	599	1,620	2,219	7,608	
Transportation	4,507	1,175	-	1,175	5,682	
Printing and copying	-	1,116	2,993	4,109	4,109	
Postage and delivery	48	1,635	1,651	3,286	3,334	
Funeral expenses	836	-	-	-	836	
Licenses and permits	-	798	-	798	798	
Dues and subscriptions	496	248	-	248	744	
Medical supplies	662	-	-	-	662	
Program expenses	525	-	-	-	525	
Interest	-	277	-	277	277	
Miscellaneous expenses	-	1,219	-	1,219	1,219	
Totals	<u>\$ 921,302</u>	<u>\$ 124,580</u>	<u>\$ 93,426</u>	<u>\$ 218,006</u>	<u>\$ 1,139,308</u>	

The accompanying notes are an integral part of these statements.

**Joseph's House, Inc. (A Non-Profit Organization)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30,**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 43,619	\$ (154,590)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,589	30,554
Increase in cash surrender value due to earnings on the policy	(79)	(230)
Decrease (increase) in operating assets:		
Accounts receivable	(2,797)	5,403
Grants receivable	78,758	35,589
Prepaid expenses	(767)	17,610
Increase (decrease) in operating liabilities:		
Accounts payable and employee withholdings	252	3,443
Accrued expenses	(1,217)	(1,632)
Deferred support	(94,676)	(15,550)
Net cash provided (used) by operating activities	<u>62,682</u>	<u>(79,403)</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(37,255)	(21,943)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net advance (payment) on capital lease obligation	(936)	3,480
Net advance (payment) on loans and line of credit	-	-
Net cash (used) provided by operating activities	<u>(936)</u>	<u>3,480</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	24,491	(97,866)
Cash and cash equivalents, beginning of year	<u>57,466</u>	<u>155,332</u>
Cash and cash equivalents, end of year	<u>\$ 81,957</u>	<u>\$ 57,466</u>
Interest paid during the year	<u>\$ 675</u>	<u>\$ 277</u>

The accompanying notes are an integral part of these statements.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013 and 2012**

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**1. Nature of Activities**

Joseph's House, Inc. (a non-profit organization) was incorporated on June 18, 1990 in the District of Columbia. The Organization has the following objectives:

- To create a home and community for homeless men and women dying of AIDS and cancer in the District of Columbia;
- To provide health care and related services for residents in the house;
- To coordinate those same services for other homeless in the Washington, D.C. Metropolitan area; and
- To educate the public on the needs of those who are homeless and dying.

**2. Basis of Accounting**

The Organization recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

**3. Basis of Presentation**

The financial statements are presented are in accordance with FASB Accounting Standard Codification (FASB ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had no permanently restricted net assets as of September 30, 2013 and 2012.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013 and 2012**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**4. Property and Equipment**

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The estimated lives used in determining depreciation are:

Building and building improvements	7 – 30 yrs
Automobiles	8 yrs
Personal property	5 – 7 yrs

**5. Income Taxes**

The Organization is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the organization has been classified as an organization that is not a private foundation under Section 590(a)(1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the years ended September 30, 2013 and 2012.

**6. Cash and Cash Equivalents**

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013 and 2012**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**7. Contributed Services**

Several unpaid volunteers have made significant contributions of their time to the management of the Organization and to the health care operations. The value of this donated time is not recognizable and is not reflected in these financial statements. Additionally, the Organization received during the year ended September 30, 2013 in-kind legal services in the amount of \$15,973.

**8. Restricted and Unrestricted Revenue**

Contributions 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**9. Grants and Contract Awards**

The Organization receives grants and contracts from governmental agencies and private grantors for various purposes. Grants and contract awards not yet received are accrued to the extent that unreimbursed expenses have been incurred for the purposes specified by an approved grant or contract. The Organization defers grants and contract revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013 and 2012**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**10. Grants and Other Accounts Receivable**

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

**11. Promises to Give**

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are due in less than one year.

**12. 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 Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**13. Use of Estimates**

In preparing 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.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013 and 2012**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**14. Uncertain Tax Provisions**

Accounting for uncertain income tax positions, relating to both federal and state income taxes, are required when a more likely than not threshold is attained. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. With the adoption of these new rules, the Organization assessed its tax positions in accordance with the guidance. The Organization has determined that its tax status as a DC non-profit corporation is its only tax position and is highly certain. Therefore, these new rules had no impact on the Organization's financial statements.

**15 Subsequent Events**

Management has evaluated subsequent events through February 9, 2014, the date which the financial statements were available to be issued.

NOTE B – GOVERNMENT GRANTS

For the years ended September 30, 2013 and 2012, the Organization received approximately 36% and 45% respectively, of its total unrestricted revenue from three government grants. The grants cover one-year periods and are subject to renewal. The Organization relies on continued receipt of government grants in order to provide ongoing and continued operations.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013 and 2012**

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at the end of the year represent grants that have been received and designated as temporarily restricted by the grantor. As these funds are expended, the temporary restrictions expire and the temporarily restricted net assets are reclassified to unrestricted net assets on the statement of activities.

Temporarily restricted net assets, by fund, as of September 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Operational for future periods	\$15,000	\$11,250
Medicaid feasibility	<u>12,060</u>	<u>-0-</u>
	<u>\$27,060</u>	<u>\$11,250</u>

NOTE D – MINIMUM LEASE PAYMENTS

The Organization leases office space in close proximity to its care facility. The lease on this administrative office space requires payments of \$750 per month and is on a month-to-month basis until either party notifies the other in writing.

NOTE E – CONCENTRATION OF CREDIT RISK – CASH

The Organization has several cash accounts at local banks. These accounts are insured, up to \$250,000, by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash.

NOTE F – CASH SURRENDER VALUE

The Organization was a recipient of a life insurance from one of its donors. The Organization is the owner and beneficiary on the life insurance which has a face value of \$26,975. The cash surrender of the policy on September 30, 2013 and 2012 was \$3,561 and \$3,482, respectively.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013 and 2012**

NOTE G – LINE OF CREDIT

The Organization entered into a line of credit with SunTrust Bank on August 30, 2010. The line of credit which is secured by the real estate owned, bears interest at the rate of the bank prime rate plus 3.25%, interest payable monthly, and is payable on demand. The line of credit limit is \$50,000. The interest rate as of September 30, 2013 and 2012 was 6.5% and the balance due on the note was \$-0-, respectively.

NOTE H - CAPITAL LEASE OBLIGATION

The Organization entered into a capital lease obligation on December 6, 2011 to purchase a phone system. The lease requires monthly lease payments of \$78 and expires on November 6, 2016.

Under the terms of this lease, the Organization has the option to purchase the property for \$1 on November 6, 2016.

The total future minimum lease payments at September 30, 2013 are as follows:

2014	\$	936
2015		936
2016		936
2017		<u>156</u>
		<u>\$2,964</u>

NOTE I – RECLASSIFICATIONS

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.