

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

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

**September 30, 2014 and 2013**

# CONTENTS

	Page
Report of Independent Certified Public Accountants	1
Financial Statements:	
Statements of Financial Position	3
Statement of Activities – For the year ended September 30, 2014	5
Statement of Activities – For the year ended September 30, 2013	6
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10

## INDEPENDENT AUDITORS REPORT

January 15, 2015

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, 2014 and 2013 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, 2014 and 2013 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,**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 40,745	\$ 81,957
Accounts receivable	1,346	3,997
Grants receivable and promises to give	371,079	85,189
Investments	71,888	-
Prepaid expenses	38,436	26,193
Total current assets	<u>523,494</u>	<u>197,336</u>
 <b>PROPERTY AND EQUIPMENT:</b>		
Buildings and improvements	1,174,271	1,168,211
Automobiles	24,272	48,002
Furniture and fixtures	44,357	44,357
Office equipment	35,689	35,689
Donated equipment	500	500
Household and medical equipment	30,842	30,842
Total property and equipment	<u>1,309,931</u>	<u>1,327,601</u>
Less: accumulated depreciation	<u>736,246</u>	<u>715,616</u>
Property and equipment, net	<u>573,685</u>	<u>611,985</u>
 <b>OTHER ASSETS</b>		
Security deposits	1,700	-
Cash Surrender Value	3,577	3,561
Total other assets	<u>5,277</u>	<u>3,561</u>
 <b>TOTAL</b>		
	<u>\$ 1,102,456</u>	<u>\$ 812,882</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,**

	2014	2013
CURRENT LIABILITIES:		
Accounts payable	\$ 9,099	\$ 14,982
Accrued expenses	24,963	44,883
Capital lease obligation - current portion	450	775
Deferred support	307,151	-
Total current liabilities	341,663	60,640
LONG-TERM LIABILITIES		
Capital lease obligation	1,092	1,769
NET ASSETS:		
Unrestricted		
Operating	737,951	723,413
Temporarily restricted	21,750	27,060
Total net assets	759,701	750,473
TOTAL	\$ 1,102,456	\$ 812,882

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, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT &amp; REVENUE:</b>			
Grants and Contributions			
Government grants	\$ 434,344	\$ -	\$ 434,344
Foundations and corporations	237,069	28,000	265,069
Individuals and religious organizations	444,441	-	444,441
Total grants and contributions	1,115,854	28,000	1,143,854
Event income	729	-	729
Dividend income	349	-	349
Unrealized gain in investments	45	-	45
Increase in cash surrender value	16	-	16
Net assets releases from restrictions	33,310	(33,310)	-
	1,150,303	(5,310)	1,144,993
<b>EXPENSES:</b>			
Program services			
Joseph House, Inc	965,322	-	965,322
Management and general	94,477	-	94,477
Fundraising	75,966	-	75,966
Net expenses	1,135,765	-	1,135,765
Change in net assets	14,538	(5,310)	9,228
Net assets, October 1, 2013	723,413	27,060	750,473
Net assets, September 30, 2014	\$ 737,951	\$ 21,750	\$ 759,701

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**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT & REVENUE:			
Grants and Contributions			
Government grants	\$ 429,181	\$ -	\$ 429,181
Foundations and corporations	299,000	30,000	329,000
Individuals 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
 EXPENSES:			
Program services			
Joseph House, Inc	969,821	-	969,821
Management and general	110,524	-	110,524
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 FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2014**

	Program		Supporting Services		Functional Expenses
	Joseph's House	Mgmt & General	Fund-Raising	Total Support	
Salaries & labor	\$ 532,595	\$ 46,959	\$ 14,860	\$ 61,819	\$ 594,414
Payroll taxes	39,476	3,481	1,101	4,582	44,058
Fringe benefits	54,398	4,796	1,518	6,314	60,712
Total payroll related expenses	626,469	55,236	17,479	72,715	699,184
Legal and accounting	25,967	15,580	10,386	25,966	51,933
Repairs and maintenance	43,211	1,750	-	1,750	44,961
Depreciation	42,142	1,109	1,109	2,218	44,360
Consultants	19,745	896	21,871	22,767	42,512
Staff development	32,646	4,092	740	4,832	37,478
Food	35,673	-	-	-	35,673
Volunteer expenses	29,055	-	-	-	29,055
Insurance	21,261	2,837	1,183	4,020	25,281
Utilities	17,559	1,280	179	1,459	19,018
Contracted services	18,828	-	-	-	18,828
Telephone	12,716	1,126	344	1,470	14,186
Funeral and burial expenses	11,138	-	-	-	11,138
Miscellaneous development	-	-	10,663	10,663	10,663
Printing and copying	-	621	8,902	9,523	9,523
Household supplies	9,438	-	-	-	9,438
Rent	6,558	729	553	1,282	7,840
Direct client costs	7,713	-	-	-	7,713
Office supplies	1,290	3,280	-	3,280	4,570
Postage and delivery	63	1,043	2,557	3,600	3,663
Transportation	2,591	675	-	675	3,266
Dues and subscriptions	585	294	-	294	879
Medical supplies	599	-	-	-	599
Licenses and permits	-	580	-	580	580
Interest	-	542	-	542	542
Miscellaneous expenses	75	2,807	-	2,807	2,882
Totals	<u>\$ 965,322</u>	<u>\$ 94,477</u>	<u>\$ 75,966</u>	<u>\$ 170,443</u>	<u>\$ 1,135,765</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	60,228	5,354	1,338	6,692	66,920	
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	
Repairs and maintenance	40,174	1,627	-	1,627	41,801	
Depreciation	37,609	990	990	1,980	39,589	
Consultants	18,501	12,198	29,275	41,473	59,974	
Staff development	19,788	892	449	1,341	21,129	
Food	31,720	-	-	-	31,720	
Volunteer expenses	41,895	-	-	-	41,895	
Insurance	31,778	4,241	1,767	6,008	37,786	
Utilities	13,183	973	420	1,393	14,576	
Contracted services	18,128	-	-	-	18,128	
Telephone	10,174	901	275	1,176	11,350	
Funeral and burial expenses	1,778	-	-	-	1,778	
Miscellaneous development	-	-	2,833	2,833	2,833	
Printing and copying	-	383	7,420	7,803	7,803	
Household supplies	7,377	-	-	-	7,377	
Rent	5,355	595	1,658	2,253	7,608	
Direct client costs	5,626	-	-	-	5,626	
Office supplies	2,169	5,517	-	5,517	7,686	
Postage and delivery	-	112	3,162	3,274	3,274	
Transportation	2,483	647	-	647	3,130	
Dues and subscriptions	375	188	-	188	563	
Medical supplies	971	-	-	-	971	
Licenses and permits	-	1,112	-	1,112	1,112	
Interest	-	675	-	675	675	
Miscellaneous expenses	1	1,489	-	1,489	1,490	
Totals	<u>\$ 969,821</u>	<u>\$ 110,524</u>	<u>\$ 79,049</u>	<u>\$ 189,573</u>	<u>\$ 1,159,394</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,**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 9,228	\$ 43,619
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,360	39,589
Unrealized gain & dividend reinvested on investments	(394)	-
Noncash contributions	(6,060)	-
Increase in cash surrender value due to earnings on the policy	(16)	(79)
Decrease (increase) in operating assets:		
Accounts receivable	2,651	(2,797)
Grants receivable	(285,890)	78,758
Prepaid expenses	(12,243)	(767)
Security deposits	(1,700)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(5,883)	252
Accrued expenses	(19,920)	(1,217)
Deferred support	307,151	(94,676)
Net cash provided by operating activities	<u>31,284</u>	<u>62,682</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	-	(37,255)
Purchase of investments	(71,494)	-
Net cash used by investing activities	<u>(71,494)</u>	<u>(37,255)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payment on capital lease obligation	(1,002)	(936)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(41,212)</b>	<b>24,491</b>
Cash and cash equivalents, beginning of year	<u>81,957</u>	<u>57,466</u>
Cash and cash equivalents, end of year	<u>\$ 40,745</u>	<u>\$ 81,957</u>
Interest paid during the year	<u>\$ 542</u>	<u>\$ 675</u>

The accompanying notes are an integral part of these statements.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

**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 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, 2014 and 2013.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

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 non-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, 2014 and 2013.

**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, 2014 and 2013**

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, 2014, in-kind architectural services in the amount of \$6,060 and for 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, 2014 and 2013**

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, 2014 and 2013**

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 January 23, 2015 the date which the financial statements were available to be issued.

NOTE B – GOVERNMENT GRANTS

For the years ended September 30, 2014 and 2013, the Organization received approximately 39% and 36% 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.

NOTE C – 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.



**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

NOTE D – INVESTMENT IN SECURITIES

The Organization classifies investment in securities as available-for-sale securities. All securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities. As of September 30, 2014, detail of the unrealized gains and losses for available-for-sale securities was as follows:

	<b><u>2014</u></b>
Amortized cost	\$71,843
Gross unrealized gain (loss)	<u>45</u>
Fair market value	<u>\$71,888</u>

NOTE E – 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, 2014 and 2013 were as follows:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Operational for future periods	\$18,750	\$15,000
Furniture and furnishings	3,000	-0-
Medicaid feasibility	<u>-0-</u>	<u>12,060</u>
	<u>\$21,750</u>	<u>\$27,060</u>

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, 2014 and 2013 was \$3,577 and \$3,561, respectively.

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

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, 2014 and 2013 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, 2014 are as follows:

2015	\$ 450
2016	936
2017	<u>156</u>
	<u>\$1,542</u>

NOTE I – COMMITMENTS

The Organization is obligated under the following rental leases:

<u>Lessor</u>	<u>Location</u>	<u>Term / Exp. Date</u>	<u>Terms</u>
Cord Partner, LLC	1752 Columbia Rd, NW, 4th Fl, Washington, DC.	Two Years to July 31, 2016	\$1,375/mo. to 7.31.15, \$1,444/mo. To 7/31/16

The future minimum rental commitments under operating leases as of September 30, 2014 are as follows:

For the year ending September 30, 2015	\$16,638
For the year ending September 30, 2016	14,438

**Joseph's House, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

NOTE J – RECLASSIFICATIONS

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 financial statement presentation.