

**NAZARETH HOUSING, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NAZARETH HOUSING, INC.**

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**JUNE 30, 2012 AND 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Nazareth Housing, Inc.  
New York, New York

We have audited the accompanying statement of financial position of Nazareth Housing, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nazareth Housing, Inc. as of June 30, 2012 and 2011, 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.

*D'Arcangelo & Co., LLP*

Rye Brook, New York  
December 15, 2012

NAZARETH HOUSING, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 369,101	\$ 227,534
Due from government agencies	73,350	82,595
Other receivables	58,872	73,683
Prepaid expenses	18,302	19,323
Total current assets	<u>519,625</u>	<u>403,135</u>
Property and equipment, net	<u>145,656</u>	<u>137,595</u>
Restricted asset:		
Restricted cash	<u>-</u>	<u>1,866</u>
Other assets:		
Certificates of deposit	498,000	522,063
Due from affiliate	113,037	113,037
	<u>611,037</u>	<u>635,100</u>
Total assets	<u><u>\$ 1,276,318</u></u>	<u><u>\$ 1,177,696</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accrued expenses	\$ 74,987	\$ 56,754
Deferred income	-	7,500
Due to affiliate	-	1,866
Total current liabilities	<u>74,987</u>	<u>66,120</u>
Net assets:		
Unrestricted	<u>1,201,331</u>	<u>1,111,576</u>
Total liabilities and net assets	<u><u>\$ 1,276,318</u></u>	<u><u>\$ 1,177,696</u></u>

See notes to financial statements.

**NAZARETH HOUSING, INC.**

**STATEMENT OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>Revenue and support:</b>		
Revenue:		
Fees from governmental sources:		
City of New York Department of Homeless Services	\$ 424,304	\$ 452,526
NYS Adolescent Pregnancy and Prevention Services	-	10,105
NYS Office of Temporary and Disability Assistance	38,291	113,391
Emergency food and shelter income	13,620	-
Other New York City grants	15,650	3,500
Harlem landlord income	304,729	197,098
Investment income	2,967	15,359
Support:		
Contributions, Foundations	186,876	100,818
Contributions, Individuals	19,204	13,513
Donated services	22,506	66,552
Miscellaneous income	6,061	667
Fundraising from special events, net of \$31,553 (2012) and \$50,248 (2011) in expenses	266,065	187,057
Total revenue and support	1,300,273	1,160,586
<b>Expenses:</b>		
Program Services:		
City of New York Department of Homeless Services	449,204	442,790
Other program services	638,939	549,959
Total program services	1,088,143	992,749
Supporting services:		
Management and general	122,375	138,629
Total expenses	1,210,518	1,131,378
Change in net assets	89,755	29,208
Net assets, beginning of year	1,111,576	1,082,368
Net assets, end of year	\$ 1,201,331	\$ 1,111,576

See notes to financial statements.

**NAZARETH HOUSING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

	City of		All other		Management		Total	
	New York Dept. of Homeless Services	\$	Program Services	\$	Total Program Services	and General	\$	Total
<b>Personnel services:</b>								
Salaries and wages	\$ 246,366		\$ 313,525		\$ 559,891	\$ 58,527		\$ 618,418
Consultants and contracted security	-		130,257		130,257	865		131,122
Employees health and welfare benefits	12,287		15,243		27,530	18,653		46,183
Payroll taxes and payroll related expenses	25,384		15,742		41,126	15,279		56,405
Total personnel services	<u>284,037</u>		<u>474,767</u>		<u>758,804</u>	<u>93,324</u>		<u>852,128</u>
<b>Other costs:</b>								
Shelter apartment rental	91,944		-		91,944	-		91,944
Professional fees	5,220		29,561		34,781	6,755		41,536
Office supplies	8,527		1,066		9,593	1,017		10,610
Telephone	11,307		2,841		14,148	146		14,294
Postage	658		1,636		2,294	16		2,310
Office rental	5,852		27,017		32,869	4,437		37,306
Transportation	3,507		770		4,277	589		4,866
Program expense	2,745		40,631		43,376	3,763		47,139
Repairs and maintenance	6,296		12,476		18,772	196		18,968
Shelter utilities	6,349		-		6,349	-		6,349
Assistance to individuals	-		13,902		13,902	1,200		15,102
Insurance	10,652		8,381		19,033	834		19,867
Miscellaneous	-		21		21	603		624
Total other costs	<u>153,057</u>		<u>138,302</u>		<u>291,359</u>	<u>19,556</u>		<u>310,915</u>
Total expenses before depreciation	437,094		613,069		1,050,163	112,880		1,163,043
Depreciation	12,110		25,870		37,980	9,495		47,475
Total expenses	<u>\$ 449,204</u>		<u>\$ 638,939</u>		<u>\$ 1,088,143</u>	<u>\$ 122,375</u>		<u>\$ 1,210,518</u>

See notes to financial statements.

**NAZARETH HOUSING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

	City of New York Dept. of Homeless Services	All other Program Services	Total Program Services	Management and General	Total
<b>Personnel services:</b>					
Salaries and wages	\$ 232,526	\$ 212,787	\$ 445,313	\$ 74,762	\$ 520,075
Consultants and contracted security	-	127,654	127,654	10,875	138,529
Employees health and welfare benefits	17,514	18,108	35,622	5,493	41,115
Payroll taxes and payroll related expenses	23,200	15,746	38,946	7,476	46,422
Total personnel services	<u>273,240</u>	<u>374,295</u>	<u>647,535</u>	<u>98,606</u>	<u>746,141</u>
<b>Other costs:</b>					
Shelter apartment rental	95,867	-	95,867	-	95,867
Professional fees	9,000	72,802	81,802	4,847	86,649
Office supplies	5,000	1,447	6,447	1,047	7,494
Telephone	9,800	940	10,740	169	10,909
Postage	1,165	1,529	2,694	27	2,721
Office rental	1,439	21,726	23,165	13,465	36,630
Transportation	4,850	2,175	7,025	2,597	9,622
Program expense	2,695	29,820	32,515	10,128	42,643
Repairs and maintenance	6,105	1,520	7,625	-	7,625
Shelter utilities	6,853	-	6,853	-	6,853
Assistance to individuals	-	29,207	29,207	800	30,007
Insurance	14,666	2,068	16,734	1,250	17,984
Miscellaneous	-	31	31	1,368	1,399
Total other costs	<u>157,440</u>	<u>163,265</u>	<u>320,705</u>	<u>35,698</u>	<u>356,403</u>
Total expenses before depreciation	430,680	537,560	968,240	134,304	1,102,544
Depreciation	12,110	12,399	24,509	4,325	28,834
Total expenses	<u>\$ 442,790</u>	<u>\$ 549,959</u>	<u>\$ 992,749</u>	<u>\$ 138,629</u>	<u>\$ 1,131,378</u>

See notes to financial statements.

**NAZARETH HOUSING, INC.**

**STATEMENT OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 89,755	\$ 29,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,475	28,834
Unrealized loss on other investment	-	95
Gain on sale of van	(4,027)	-
(Increase) decrease in operating assets:		
Due from government agencies	9,245	9,061
Other receivables	14,811	(28,404)
Prepaid expenses	1,021	(5,091)
Increase (decrease) in operating liabilities:		
Accrued expenses	18,233	17,162
Deferred income	(7,500)	2,331
Net cash provided by operating activities	169,013	53,196
Cash flows from investing activities:		
Purchase of property and equipment	(51,509)	(51,809)
Proceeds from sale of other investment	-	75,567
Purchase of other investment	-	(9,720)
Proceeds from maturing certificates of deposit	929,000	601,000
Purchase of certificates of deposit	(904,937)	(641,589)
Due to affiliate	(1,866)	(146,175)
Net cash (used in) investing activities	(29,312)	(172,726)
Net increase (decrease) in cash	139,701	(119,530)
Cash and cash equivalents, beginning of year	229,400	348,930
Cash and cash equivalents, end of year	\$ 369,101	\$ 229,400
Cash consists of:		
Cash and cash equivalents	\$ 369,101	\$ 227,534
Restricted cash	-	1,866
	\$ 369,101	\$ 229,400

See notes to financial statements.



# NAZARETH HOUSING, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

**1. Organization:**

Nazareth Housing, Inc. ("Nazareth") is a nonprofit organization established to provide both temporary and permanent housing to those individuals and families in financial need in New York City.

**2. Summary of significant accounting policies:**

Basis of accounting:

The accounting and reporting policies of the Organization conform to accounting principles generally accepted in the United States of America (GAAP).

**Basis of presentation:**

Nazareth reports information regarding its financial position and activities according to three classes of net assets 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 stipulations that may or will be met either by actions of Nazareth and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently.

At June 30, 2012 and 2011, Nazareth did not have any temporarily or permanently restricted net assets.

**Contributions:**

Contributions are recorded at fair value when received as: unrestricted, temporarily restricted, or if applicable permanently restricted support depending on the existence and/or nature of any donor restrictions.

**Revenue:**

A significant part of Nazareth's operations are funded by various governmental agencies. Revenue provided by these agencies may be subject to predetermined budgets or provisional rates. Amounts reported as revenue from governmental agencies are subject to possible adjustment after audit by the funding agencies.

NAZARETH HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

2. **Summary of significant accounting policies (continued):**

**Fair value measurements:**

The Organization adopted GAAP concept of *Fair Value Measurements*. In accordance with GAAP, fair value is defined as the price that the Organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. GAAP establishes a three-tier hierarchy for measuring fair value of assets and liabilities. The three-tier hierarchy of inputs is summarized in three broad levels: Level 1 - quoted prices in active markets for identical securities, Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

**Donated services:**

The value of donated volunteer services is recognized as support in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For 2012 and 2011, donated legal services amounting to \$22,506 and \$66,552 were recorded as both support and professional fees expense.

Members of the governing board and other volunteers donate time to provide managerial and fund-raising services used in the administration of Nazareth, which are not recognized since the above recognition criteria are not met.

**Use of estimates in the preparation of financial statements:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**NAZARETH HOUSING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**2. Summary of significant accounting policies (continued):**

**Concentration of credit risk:**

Nazareth's cash management policy is to mitigate the Organization's credit risks by investing in or through major financial institutions.

**Cash and cash equivalents:**

Cash and cash equivalents consists of checking and money market accounts.

**Reclassifications:**

Certain items in the fiscal 2011 financial statements have been reclassified for comparative purposes only.

**Tax exempt status:**

Nazareth is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is not deemed a private foundation.

The Organization evaluates the effect of uncertain tax positions in accordance with the provisions of GAAP. The board of directors believes that the Organization is designed and is currently being operated in compliance with the tax-exempt provisions of the Internal Revenue Code. The Organization discloses material adjustments resulting from tax examinations, if any, and reports interest and penalties resulting from such adjustments as interest expense or other expense. There were no tax examinations or adjustments relating therefrom. Tax returns for the fiscal years June 30, 2010 through June 30, 2012 are subject to audit by the applicable taxing jurisdictions.

**Property and equipment:**

Furniture and equipment is recorded at cost upon purchase or at fair value if contributed. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property and equipment are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the asset, ranging from 3-10 years. Depreciation expense amounted to \$35,920 for 2012 and \$16,702 for 2011.

**NAZARETH HOUSING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**2. Summary of significant accounting policies (continued):**

**Property and equipment (continued):**

Leasehold improvements are stated at cost. Amortization is computed on a straight line basis over various useful lives. Amortization expense amounted to \$11,555 for 2012 and \$12,132 for 2011.

Property and equipment consists of the following:

	2012	2011
Furniture and equipment	\$ 205,695	\$ 163,844
Leasehold improvements	100,307	105,240
	306,002	269,084
Less accumulated depreciation and amortization	(160,346)	(131,489)
	\$ 145,656	\$ 137,595

**3. Restricted cash:**

Included in restricted cash for 2011 was the remaining balance of funds received from the 2008 \$250,000 O'Toole Foundation grant amounting to \$1,866. The purpose of the grant was to renovate a fourteen unit low income residential apartment building at 721 E. 6<sup>th</sup> Street owned by affiliate 721 E. 6<sup>th</sup> Street Housing Development Fund Corporation. The renovation work has been substantially completed.

**4. Certificates of deposit:**

Certificates of deposits consist of the following:

Fiscal 2012	Maturity date	Amount
Bank Hapoalim	July 6, 2012	\$ 76,000
Sovereign Bank	August 8, 2012	100,000
Bank of India	October 10, 2012	128,000
Beal Bank of Nevada	October 24, 2012	32,000
Beal Bank of Nevada	December 12, 2012	48,000
Compass Bank	December 24, 2012	52,000
Franklin Security Bank	December 31, 2012	62,000
		\$ 498,000

NAZARETH HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

4. Certificates of deposit (continued):

Fiscal 2011	Maturity date	Amount
Beal Bank Nevada	September 28, 2011	\$ 100,000
Ally Bank	November 21, 2011	32,063
Bank of Baroda	December 5, 2011	100,000
Bank of China	December 8, 2011	100,000
Beal Bank of Nevada	December 28, 2011	100,000
Bank of China	March 8, 2012	90,000
		\$ 522,063

5. Fair value measurements:

In accordance with generally accepted accounting principles, *Fair Value Measurements*, the following are the Organization's financial assets presented at fair value:

<u>Description</u>	<u>6/30/12</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets for Identical assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
Certificates of deposit	\$ 498,000	\$ -	\$ 498,000	\$ -
Total	\$ 498,000	\$ -	\$ 498,000	\$ -

<u>Description</u>	<u>6/30/11</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets for Identical assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
Restricted cash	\$ 1,866	\$ 1,866	\$ -	\$ -
Certificates of deposit	522,063	-	522,063	-
Total	\$ 523,929	\$ 1,866	\$ 522,063	\$ -

**NAZARETH HOUSING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**6. Retirement plan:**

Nazareth has a 403 (b) retirement savings plan for its eligible employees. Employees can elect to defer up to the maximum allowed by the Internal Revenue Code per year to the plan. A discretionary employer contribution of \$13,500 was made for 2012 and \$11,500 was made for 2011.

**7. Related parties:**

Due from affiliate consists of advances by Nazareth to its affiliate Nazareth House Housing Development Fund Corp. for the renovation of a building located on East 4th Street in lower Manhattan. The site consists of 13 units of permanent housing and 2 units of transitional housing for qualified tenants. The Board of Directors of both organizations have established a periodic repayment policy as funds to repay the loan become available.

Due to affiliate for 2011 consisted of the pass through grant monies from The 2008 Theresa and Edward O'Toole Foundation grant described in Note 3 due to affiliate 721 E. 6<sup>th</sup> Street HDFC for planned renovation costs of the 721 E. 6<sup>th</sup> Street Apartment building.

**8. Commitments:**

Nazareth entered into a lease for office space at 519 E. 11<sup>th</sup> Street effective November 1, 2006, and extended through October 31, 2016. Rent expense was \$26,127 in 2012 and \$25,835 in 2011.

Nazareth also entered into a facilities use agreement for office space at 137 E. 2<sup>nd</sup> Street with Catholic Charities of the Archdiocese of New York effective December 1, 2010 and expiring November 30, 2013, at which time Nazareth has an option to renew for another three year term. Rent expense was \$7,625 in 2012 and \$7,262 in 2011.

**NAZARETH HOUSING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**8. Commitments (continued):**

**Related party leases:**

Nazareth entered into apartment lease agreements with its affiliate Nazareth House HDFC for two shelter apartments and six lease agreements with its affiliate 721 E. 6<sup>th</sup> Street HDFC for six shelter apartments for families participating in the New York City shelter system. The leases, which expire through various dates to December 31, 2013, require Nazareth to pay the following lease commitments:

<u>June 30,</u>	<u>Nazareth House HDFC</u>	<u>721 E. 6<sup>th</sup> St. HDFC</u>
2013	\$ 24,724	\$ 50,553
2014	12,362	-
	\$ 37,086	\$ 50,553

Several other shelter apartment rents were paid by Nazareth under leases with expiration dates to July 31, 2014 to unrelated parties. The rents were reimbursed through funds received from the City of New York Department of Homeless Services. Shelter apartment rental expense was \$91,944 for 2012 and \$95,867 for 2011 (including \$24,724 paid to affiliate Nazareth House HDFC for each year 2012 and 2011 and \$50,588 for 2012 and \$44,309 for 2011 paid to 721 E. 6<sup>th</sup> Street HDFC).

Future minimum lease commitments for the office spaces and the non-affiliate shelter apartments are as follows:

<u>June 30,</u>	<u>Office space</u>	<u>Shelter apartments</u>
2013	\$ 35,713	\$ 16,632
2014	31,113	16,632
2015	27,713	1,386
2016	27,713	-
2017	9,238	-
	\$ 131,490	\$ 34,650

**9. Subsequent events:**

Management has evaluated subsequent events through December 15, 2012, which is the date the financial statements are available for issuance.