

THE HOMELESS ALLIANCE, INC.

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Audit Report
For the Year Ended
June 30, 2008



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Homeless Alliance, Inc.
Oklahoma City, Oklahoma

We have audited the accompanying statements of financial position of THE HOMELESS ALLIANCE, INC. (an Oklahoma not-for-profit corporation) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Alliance'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial statements. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 The Homeless Alliance, Inc. as of June 30, 2008 and 2007, 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.

Engelbach Roberts & Co.
Certified Public Accountants

Oklahoma City, Oklahoma
February 24, 2009

THE HOMELESS ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION

	June 30,	
	2008	2007
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 2)	\$121,487	\$86,856
Accounts receivable	924	
Fees and grants receivable (Note 3)	72,794	23,552
Investments (Note 4)	34,060	28,683
Total current assets	229,265	139,091
Land, building, and equipment at cost, net of accumulated depreciation of \$18,761 and \$14,805 (Notes 5 and 6)	931,955	919,280
Total assets	\$1,161,220	\$1,058,371
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$10,786	\$5,839
Payroll taxes payable	543	6,124
Accrued expenses	25,000	38,860
Note payable (Note 6)	816,726	862,000
Total liabilities	853,055	912,823
Net assets:		
Unrestricted	258,004	106,833
Temporarily restricted (Note 7)	50,161	38,715
Total net assets	308,165	145,548
Total liabilities and net assets	\$1,161,220	\$1,058,371

See notes to financial statements

THE HOMELESS ALLIANCE, INC.
STATEMENT OF ACTIVITIES

	For the Year Ended June 30,	
	2008	2007
Changes in unrestricted net assets:		
Contributions, grants, and other revenues:		
Contributions:		
Public support	\$10,665	\$13,081
Foundations, trusts, and not-for-profit organizations	263,774	176,206
Donated professional services and facilities (Note 8)	17,256	33,133
Federal and state grants and contracts	288,127	136,148
Interest income	5,134	3,102
Net unrealized and realized gains (losses) on investments (Note 4)	(618)	46
Gain on disposal of assets		419
Total revenue	<u>584,338</u>	<u>362,135</u>
Net assets released from restrictions:		
Expiration of time restriction (Note 7)	<u>20,554</u>	<u>1,219</u>
Total net assets released from restriction	<u>20,554</u>	<u>1,219</u>
Total revenue, gains and other support	<u>604,892</u>	<u>363,354</u>
Expenses:		
Program	393,981	440,512
Fundraising	14,025	13,029
Management and general	<u>45,715</u>	<u>44,098</u>
Total expenses	<u>453,721</u>	<u>497,639</u>
Increase (decrease) in unrestricted net assets	<u>151,171</u>	<u>(134,285)</u>
Changes in temporarily restricted net assets:		
Contributions	32,000	24,934
Foundation grants		<u>15,000</u>
Total revenue	32,000	39,934
Net assets released from restriction (Note 7)	<u>(20,554)</u>	<u>(1,219)</u>
Increase (decrease) in temporarily restricted net assets	<u>11,446</u>	<u>38,715</u>
Increase (decrease) in total net assets	162,617	(95,570)
Net assets, beginning of year	<u>145,548</u>	<u>241,118</u>
Net assets, end of year	<u>\$308,165</u>	<u>\$145,548</u>

See notes to financial statements

THE HOMELESS ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Programs</u>	<u>Total</u>
<u>For the Year Ended June 30, 2008</u>				
Employee compensation:				
Salaries	\$11,851	\$14,789	\$136,667	\$163,307
Employee benefits	1,734	2,238	18,906	22,878
Payroll taxes	387	967	10,321	11,675
	<u>13,972</u>	<u>17,994</u>	<u>165,894</u>	<u>197,860</u>
Total employee compensation				
Conferences and dues		2,679	2,594	5,273
Depreciation		509	3,447	3,956
Program administration			4,881	4,881
Insurance		1,050	11,769	12,819
Interest		79	58,338	58,417
Meetings and travel	27	2,099	4,278	6,404
Minor equipment and software		70	6,528	6,598
Occupancy		4,620	19,426	24,046
Printing		320	632	952
Professional services		13,531	91,746	105,277
Specific assistance to individuals			18,970	18,970
Supplies	26	2,764	5,478	8,268
	<u>14,025</u>	<u>45,715</u>	<u>393,981</u>	<u>453,721</u>
Total functional expenses				
	<u>\$14,025</u>	<u>\$45,715</u>	<u>\$393,981</u>	<u>\$453,721</u>
<u>For the Year Ended June 30, 2007</u>				
Employee compensation:				
Salaries	\$10,941	\$16,733	\$161,479	\$189,153
Employee benefits	1,205	1,844	17,790	20,839
Payroll taxes	830	1,269	12,249	14,348
	<u>12,976</u>	<u>19,846</u>	<u>191,518</u>	<u>224,340</u>
Total employee compensation				
Conferences and dues		2,009	1,379	3,388
Depreciation		673	2,377	3,050
Program administration			2,860	2,860
Insurance		1,050	13,221	14,271
Interest			72,115	72,115
Meetings and travel	51	2,061	4,754	6,866
Minor equipment and software		161	18,072	18,233
Occupancy		4,203	20,905	25,108
Printing		2,770	637	3,407
Professional services		10,284	106,843	117,127
Supplies	2	1,041	5,831	6,874
	<u>13,029</u>	<u>44,098</u>	<u>440,512</u>	<u>497,639</u>
Total functional expenses				
	<u>\$13,029</u>	<u>\$44,098</u>	<u>\$440,512</u>	<u>\$497,639</u>

See notes to financial statements.

THE HOMELESS ALLIANCE, INC.
STATEMENT OF CASH FLOWS

	For the Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from donors and grants	\$544,400	\$351,448
Cash received from earnings on investments	5,134	3,102
Cash paid to employees and suppliers	<u>(453,696)</u>	<u>(449,721)</u>
Net cash provided (used) by operating activities	<u>95,838</u>	<u>(95,171)</u>
Cash flows from investing activities:		
Acquisitions of property and equipment	(9,938)	(4,857)
Investment in endowed funds held by community foundation	(5,995)	
Acquisitions of investments		(82)
Disposal of investments		<u>419</u>
Net cash provided (used) by investing activities	<u>(15,933)</u>	<u>(4,520)</u>
Cash flows from financing activities:		
Payments on notes payable	<u>(45,274)</u>	
Net cash provided (used) by financing activities	<u>(45,274)</u>	
Net increase (decrease) in cash	34,631	(99,691)
Cash at beginning of year	<u>86,856</u>	<u>186,547</u>
Cash at end of year	<u>\$121,487</u>	<u>\$86,856</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$162,617	(\$95,570)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,956	3,050
Unrealized and realized (gains) losses	618	(46)
Realized (gains) losses on disposal of assets		(419)
(Increase) decrease in grants receivable	(50,166)	13,873
(Increase) decrease in prepaid expenses		11,947
Increase (decrease) in accounts payable and accrued expenses	(14,494)	(3,072)
Donated assets	<u>(6,693)</u>	<u>(24,934)</u>
Net cash provided (used) by operating activities	<u>\$95,838</u>	<u>(\$95,171)</u>
Supplemental schedule of noncash operating activities:		
Fair market value of services, facilities and equipment donated	<u>\$17,256</u>	<u>\$33,133</u>

See notes to financial statements

THE HOMELESS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
For Years Ended June 30, 2008 and 2007

1. Nature of Activities and Summary of Significant Accounting Policies

Organization - The Homeless Alliance, Inc. (the Alliance), was organized in April, 2004 under the laws of the State of Oklahoma as a not-for-profit corporation. The Alliance was formed with the goal of ending long-term homelessness in Oklahoma City by both preventing homelessness and increasing the supply of affordable and permanent supportive housing to move those who are currently homeless back into housing. The mission of the Alliance is to call the community together to care for the homeless by focusing on outcomes, implementing best business practices, helping the chronically homeless to break the cycle of precarious housing, and preventing homelessness with affordable and supportive housing.

The Homeless Alliance, Inc. is supported by public donations, grants and other financial support from private foundations and other grant-making organizations in addition to governmental funding. Members of the Board serve on a voluntary basis receiving no compensation.

The Alliance receives governmental funding for the development and support of a Homeless Management Information System (HMIS), a federally-supported, networked computer database that will enable all service providers to access data on homeless clients and the services available to them. Widespread use of HMIS will not only facilitate case management but, in the process, also generate system-wide data on the number and characteristics of homeless persons in Oklahoma City.

Financial Statement Presentation - The Alliance's financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for not-for-profit organizations. The Alliance reports information regarding its financial position and changes in net assets according to three classes of net assets based on the existence or absence of donor-imposed restrictions, as follows: unrestricted net assets consist of expendable amounts available to support the Alliance's operations and objectives; temporarily restricted net assets consist of amounts which have been temporarily restricted by donors for specific purposes or time periods; and permanently restricted net assets consist of amounts required to be maintained by the Alliance, with income generated by such amounts available to support operations and objectives. At June 30, 2008 and 2007, the Alliance had no permanently restricted net assets.

THE HOMELESS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

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For the Years Ended June 30, 2008 and 2007

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Contributions - The Alliance reports support in conformity with U. S. generally accepted accounting principles for not-for-profit organizations. Contributions, including unconditional promises to give, are recognized as revenue in the period received or promised and are reported as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions.

The Alliance reports gifts of cash or other assets as restricted support if the donor imposes restrictions that limit the use of the donated asset. When a donor restriction expires, through the passage of time or accomplishment of the stipulated purpose, the Alliance reclassifies temporarily restricted net assets as unrestricted net assets and reports them in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Property and Equipment - The Alliance capitalizes all major expenditures for equipment. The Alliance records such assets at cost, or if acquired by gift, at fair value at date of receipt. Depreciation has been provided on the straight-line method over a useful life ranging from 1 to 3 years for equipment, and 30 years for the building (Note 6).

Fair Value of Financial Instruments - The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, accounts payable, and accrued expenses, approximate carrying value principally because of the short maturity of those items. Unconditional future promises to give are discounted to present value.

The Alliance reports investments in equity securities with readily determinable market values and all investments in debt securities at fair value, based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment will occur in the future and such changes could affect the Alliance's financial position.

THE HOMELESS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the Years Ended June 30, 2008 and 2007

Income Taxes - The Alliance is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Statement of Cash Flows - For purposes of the statement of cash flows, only bank deposits subject to immediate withdrawal are considered to be cash equivalents.

Functional Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, indirect costs have been allocated among the programs and supporting services benefited. The allocation of certain indirect expenses between supporting services (management and general) and program services (the programs conducted by the Alliance) is based on estimates and the determination of the percentage of effort expended by employees and other statistical factors.

2. Concentration of Credit Risk

The Alliance maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Alliance has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash or cash equivalents.

3. Fees and Grants

City of Oklahoma City - The Alliance entered into an agreement with the City of Oklahoma City (City) to implement the Homeless Management Information System (HMIS). The funds were made available under the U.S. Housing and Urban Development (HUD) Supportive Housing Grant Program administered by the City. The initial grant is a renewable cost-reimbursement grant totaling \$240,000 for November 1, 2007 through October 31, 2009. A second grant from the same sources was initiated in 2007 to provide additional funding support for the HMIS. Since both grants are for the same services and the same time period, this additional \$85,000 grant has been combined with the initial grant so both end on October 31, 2009. All communities receiving HUD funds for the homeless are required to implement the HMIS system. The funds are to be used to provide information technology hardware, software and training to agencies that serve the homeless in order to track the progress of individuals receiving services, to share information among agencies on shared clients, and to provide a means to aggregate data on the homeless within the community. These grants require the Alliance to provide a 25% cash match to the reimbursement received. The City retains \$7,738 of the entire grant as administrative fees, and the Alliance is allowed administrative expenditures of \$7,738, leaving a net amount for program service expenditures of \$309,524 for the grant period.

THE HOMELESS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Years Ended June 30, 2008 and 2007

As of June 30, 2008, \$31,219 (\$23,552 in 2007) is recorded as receivable from the City for this grant.

The Alliance entered into a separate social services grant agreement with the City to provide professional services related to administering the HMIS system, called Continuum of Care Homeless Clearinghouse (COC). Under the terms of this agreement, the Alliance received \$14,000 as of June 30, 2008 and 2007, respectively. Requirements to qualify for this grant include that at least 95% of the services provided to the homeless by various participating agencies occur within the corporate limits of the City.

On July 3, 2007, the Alliance entered into an agreement with the City of Oklahoma City (City) to provide direct financial assistance to homeless families to help them move from emergency shelters to secure housing. This direct financial assistance is one component of a larger project the Alliance is developing in collaboration with other service providers to coordinate case management to homeless families in Oklahoma City. The funds were made available under the U.S. Housing and Urban Development (HUD) Emergency Shelter Grant (ESG) Program administered by the City. The grant is a cost-reimbursement grant totaling \$20,000 for July 1, 2007 through June 30, 2008. The grant requires the Alliance to provide a 100% match in the form of program coordinator's salary.

The Alliance also entered into an agreement with the City to provide professional services to develop programs and coordinate the development of services to the homeless at the WestTown facility. Under the terms of this agreement, the Alliance received \$115,000 as of June 30, 2008. The agreement may be renewed annually.

The Alliance received \$4,800 under the Emergency Food and Shelter Program in 2008. Funds are used to provide temporary shelter for families when the family shelters are full. At June 30, 2008 \$1,077 of these funds had not been expended for the intended purpose and are reported as temporarily restricted net assets.

The following is a summary of fees and grants receivable at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
City of Oklahoma City:		
HUD Supportive Grant Program	\$31,219	\$23,552
Emergency Services Grant	16,575	
Pledges due within one year	<u>25,000</u>	
	<u>\$72,794</u>	<u>\$23,552</u>

THE HOMELESS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Years Ended June 30, 2008 and 2007

4. Investments

The Alliance is the beneficiary of a designated agency endowment fund held by the Communities Foundation of Oklahoma, Inc. (the Foundation) with a market value of \$8,257 at June 30, 2008 (\$3,779 in 2007). This endowment was established with funds contributed by the Alliance. Under the terms of the Foundation's designated fund policies, the Foundation has variance power over the endowment fund, and only that portion of the assets contributed by the Alliance together with earnings thereon, is considered to represent the present value of future distributions expected to be made to the Alliance. All of the total endowment fund balance at June 30, 2008 and 2007, represents contributions and accumulated earnings by the Alliance and is, therefore, included as an asset in the accompanying statement of financial position.

In 2007, the Alliance became the income beneficiary of certain other investments managed by the Foundation. The Foundation retains variance power, the Alliance has no remainder interest in the principal of these investments, and the assets, totaling \$5,531 at June 30, 2008 (\$3,607 at June 30, 2007), are not recorded in the accompanying financial statements.

The Alliance received distributions from the Foundation accounts totaling \$257 in fiscal year 2008 (\$226 in 2007).

Total investments are as follows at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Communities Foundation of Oklahoma	\$8,257	\$3,779
Money market	<u>25,803</u>	<u>24,904</u>
	<u>\$34,060</u>	<u>\$28,683</u>

THE HOMELESS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Years Ended June 30, 2008 and 2007

5. Summary of Property and Equipment

At June 30, 2008 and 2007, the cost of equipment was as follows:

	<u>2008</u>	<u>2007</u>
Cost:		
Land	\$159,400	\$159,400
Building (Note 6)	753,512	753,512
Furniture and equipment	<u>37,804</u>	<u>21,173</u>
Total cost	<u>950,716</u>	<u>934,085</u>
Accumulated depreciation:		
Furniture and equipment	<u>18,761</u>	<u>14,805</u>
	<u>\$931,955</u>	<u>\$919,280</u>

6. Note Payable

In January, 2006, the Alliance acquired a building in Oklahoma City known as the WestTown Resource Center (WRC). The purpose of the facility is to provide day services to the homeless and those at risk of homelessness in central Oklahoma by locating multiple service agencies at one site. While the project is being developed by the Alliance, all services will be provided by existing agencies in Oklahoma City. No depreciation was recorded on the building as of June 30, 2008, as the WRC program was not in operation at year end.

The Alliance paid \$50,000 as a down payment and executed a promissory note to Union Bank in the amount of \$862,000, with principal and interest due January 27, 2009. Interest rates charged on this note ranged from 5 to 6% during the year ended June 30, 2008. Interest accrued as of June 30, 2008 totaled \$19,231. The note, which is presently collateralized by assets of a related party, had an outstanding balance of \$816,726 on June 30, 2008 and was renewed on January 27, 2009 with a new maturity date of January 27, 2010.

THE HOMELESS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
For the Years Ended June 30, 2008 and 2007

7. Temporarily Restricted Net Assets

The Alliance has received contributions of \$56,741 restricted by the donors for use in developing the WestTown Resource Center. During the year, \$7,657 was released from restriction.

WestTown Resource Center program	\$49,084
Emergency Food and Shelter Program (Note 3)	<u>1,077</u>
Temporarily restricted net assets	<u><u>\$50,161</u></u>

8. Donated Services and Facilities

The Alliance receives donated services and facilities from a variety of professionals and organizations. The services and facilities are valued at their fair market value in conformity with generally accepted accounting principles, and are recorded in the accompanying financial statements as follows:

	<u>2008</u>	<u>2007</u>
Professional services	\$6,063	\$28,633
Donated assets	6,693	
Use of facilities	<u>4,500</u>	<u>4,500</u>
	<u><u>\$17,256</u></u>	<u><u>\$33,133</u></u>

9. Retirement Plan

On January 1, 2005, the Alliance adopted a Simple Individual Retirement Account (Simple IRA). Employees who earn at least \$5,000 per year are eligible to participate in the plan. The Alliance contributes a matching amount equal to the employee's contribution, up to a limit of 3% of the employee's compensation. For the period ended June 30, 2008, the Alliance's contribution totaled \$3,584 (\$3,185 in 2007).