

**CARE FOR THE HOMELESS  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**DECEMBER 31, 2012**

# **CARE FOR THE HOMELESS AND AFFILIATES**

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## **Independent Auditor's Report on Financial Statements and Supplementary Information**

**Board of Directors  
Care for the Homeless and Affiliates**

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

We have audited the accompanying consolidated financial statements of Care for the Homeless and Affiliates, which comprise the consolidated balance sheet as of December 31, 2012 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Care for the Homeless and Affiliates as of December 31, 2012 and the results of their operations, the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

#### ***Report on Summarized Comparative Information***

We have previously audited Care for the Homeless and Affiliates December 31, 2011 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 5, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2013 on our consideration of Care for the Homeless and Affiliates' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Care for the Homeless and Affiliates' internal control over financial reporting and compliance.

*Loeb & Troper LLP*

July 7, 2013, except as for the schedule  
of expenditures of federal awards, as  
to which the date is July 26, 2013

**CARE FOR THE HOMELESS AND AFFILIATES**

**EXHIBIT A**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2012**  
**(With Summarized Financial Information**  
**for the Year Ended December 31, 2011)**

	Unrestricted			Temporarily Restricted	Eliminations	Total	
	Care for the Homeless	Jerome, Inc.	Total			2012	2011
Revenues and other support							
Grants and contracts							
Public Health Solutions Section 330(h)	\$ 4,046,566		\$ 4,046,566			\$ 4,046,566	\$ 3,655,794
New York State Department of Health - Indigent Care	1,640,048		1,640,048			1,640,048	511,676
Ryan White Title III	463,128		463,128			463,128	463,125
Ryan White Rapid Testing income	169,968		169,968			169,968	131,480
Salvation Army	361,227		361,227			361,227	392,250
NYC Department of Homeless Services		\$ 6,649,173	6,649,173			6,649,173	6,286,407
H.E.L.P. U.S.A.	9,338		9,338			9,338	91,909
Doe Fund	52,417		52,417			52,417	141,135
Common Ground	46,680		46,680			46,680	34,560
Citizens Advice Bureau income	36,300		36,300			36,300	40,200
Neighborhood Coalition Services	19,657		19,657			19,657	10,537
Medicaid and Medicare fees	2,220,975		2,220,975			2,220,975	1,938,228
Miscellaneous grant revenues	134,596		134,596			134,596	192,196
Special events	89,820		89,820			89,820	133,147
Less direct cost of special events	(32,451)		(32,451)			(32,451)	(36,010)
Contributions (Note 5)	184,348	7,748	192,096	\$ 26,000		218,096	201,379
Investment income (includes unrealized gain of \$530)	659	141	800			800	1,336
Management fee	254,946		254,946		\$ (254,946)		
Other income		50,024	50,024			50,024	
Net assets released from restrictions (Note 5)	125,553	7,818	133,371	(133,371)			
<b>Total revenues and other support</b>	<b>9,823,775</b>	<b>6,714,904</b>	<b>16,538,679</b>	<b>(107,371)</b>	<b>(254,946)</b>	<b>16,176,362</b>	<b>14,189,349</b>

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**CARE FOR THE HOMELESS AND AFFILIATES**

**EXHIBIT A**

**-2-**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2012**  
**(With Summarized Financial Information**  
**for the Year Ended December 31, 2011)**

	Unrestricted			Temporarily Restricted	Eliminations	Total	
	Care for the Homeless	Jerome, Inc.	Total			2012	2011
Expenses (Schedule 1)							
Program services							
Medical clinics	\$ 6,226,829		\$ 6,226,829			\$ 6,226,829	\$ 6,672,375
Residential services at Susan's Place		\$ 7,247,015	7,247,015			7,247,015	7,483,162
Total program services	<u>6,226,829</u>	<u>7,247,015</u>	<u>13,473,844</u>			<u>13,473,844</u>	<u>14,155,537</u>
Supporting services							
Management and general	2,283,432	254,946	2,538,378		\$ (254,946)	2,283,432	1,965,788
Fund raising and development	165,992		165,992			165,992	234,679
Total supporting services	<u>2,449,424</u>	<u>254,946</u>	<u>2,704,370</u>		<u>(254,946)</u>	<u>2,449,424</u>	<u>2,200,467</u>
Total expenses (including interest of \$742,569 and depreciation of \$907,380)	<u>8,676,253</u>	<u>7,501,961</u>	<u>16,178,214</u>		<u>(254,946)</u>	<u>15,923,268</u>	<u>16,356,004</u>
Change in net assets before nonoperating revenue and expenses	1,147,522	(787,057)	360,465	\$ (107,371)	-	253,094	(2,166,655)
Capital improvement grant	40,644		40,644			40,644	246,755
Insurance recovery (Note 11)		53,742	53,742			53,742	596,772
Flood-related expenses (Note 11)							(139,630)
Change in net assets (Exhibit C)	<u>1,188,166</u>	<u>(733,315)</u>	<u>454,851</u>	<u>(107,371)</u>	<u>-</u>	<u>347,480</u>	<u>(1,462,758)</u>
Net assets (deficit) - beginning of year	<u>2,092,413</u>	<u>(991,397)</u>	<u>1,101,016</u>	<u>206,627</u>		<u>1,307,643</u>	<u>2,770,401</u>
Net assets (deficit) - end of year (Exhibit B)	<u>\$ 3,280,579</u>	<u>\$ (1,724,712)</u>	<u>\$ 1,555,867</u>	<u>\$ 99,256</u>	<u>\$ -</u>	<u>\$ 1,655,123</u>	<u>\$ 1,307,643</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**CARE FOR THE HOMELESS AND AFFILIATES**

**EXHIBIT B**

**CONSOLIDATED BALANCE SHEET**

**DECEMBER 31, 2012 AND 2011**

	<u>Care for the Homeless</u>	<u>Jerome, Inc.</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 925,831	\$ 60,214	\$ 986,045	\$ 149,533
Investment - equities	4,631		4,631	4,101
Government grants and contracts receivable	1,035,244	1,782,324	2,817,568	1,917,657
Accounts receivable - Medicaid and Medicare	246,724		246,724	245,110
Insurance recovery receivable		214	214	269,771
Prepaid expenses and deposits	113,062	65,468	178,530	233,584
	<u>2,325,492</u>	<u>1,908,220</u>	<u>4,233,712</u>	<u>2,819,756</u>
Total current assets				
Cash - escrow deposit		51,374	51,374	
Leasehold improvements (net of accumulated amortization of \$2,277,287 in 2012 and \$1,751,759 in 2011)		9,244,097	9,244,097	9,769,625
Furniture and equipment (net of accumulated depreciation of \$1,656,721 in 2012 and \$1,274,869 in 2011)	867,869	92,657	960,526	1,292,361
Due from (to) related party	1,606,443	(1,606,443)		
	<u>4,799,804</u>	<u>9,689,905</u>	<u>14,489,709</u>	<u>13,881,742</u>
Total assets				

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**CARE FOR THE HOMELESS AND AFFILIATES****EXHIBIT B****-2-****CONSOLIDATED BALANCE SHEET****DECEMBER 31, 2012 AND 2011**

	<u>Care for the Homeless</u>	<u>Jerome, Inc.</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,206,325	\$ 267,056	\$ 1,473,381	\$ 1,480,142
Refundable advances from grantors	102,470	1,791,693	1,894,163	1,278,671
Loan payable (Note 6)		298,834	298,834	275,685
Line of credit (Note 8)				250,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	1,308,795	2,357,583	3,666,378	3,284,498
Deferred rent	122,174	317,186	439,360	261,919
Loan payable (Note 6)		8,728,848	8,728,848	9,027,682
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,430,969	11,403,617	12,834,586	12,574,099
Net assets (deficit) (Exhibit A)				
Unrestricted	3,280,579	(1,724,712)	1,555,867	1,101,016
Temporarily restricted (Note 5)	88,256	11,000	99,256	206,627
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	3,368,835	(1,713,712)	1,655,123	1,307,643
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 4,799,804	\$ 9,689,905	\$ 14,489,709	\$ 13,881,742
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See independent auditor's report.

The accompanying notes are an integral part of these statements.

**EXHIBIT C**

**CARE FOR THE HOMELESS AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ 347,480	\$ (1,462,758)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	907,380	865,136
Unrealized loss (gain) on investment	(530)	18
Decrease (increase) in assets		
Government grants and contracts receivable	(899,911)	165,535
Accounts receivable - Medicaid and Medicare	(1,614)	(134,790)
Insurance recovery receivable	269,557	(269,771)
Prepaid expenses and deposits	55,054	(82,896)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(6,761)	111,591
Refundable advances from grantors	615,492	(42,679)
Deferred rent	177,441	261,919
Net cash provided (used) by operating activities	<u>1,463,588</u>	<u>(588,695)</u>
Cash flows from investing activities		
Increase in cash - escrow deposit	(51,374)	
Fixed asset acquisitions	(50,017)	(801,668)
Net cash used by investing activities	<u>(101,391)</u>	<u>(801,668)</u>
Cash flows from financing activities		
Repayments of loan	(275,685)	(254,330)
Proceeds from line of credit		250,000
Repayments of line of credit	(250,000)	
Net cash used by financing activities	<u>(525,685)</u>	<u>(4,330)</u>
Net increase (decrease) in cash and cash equivalents	836,512	(1,394,693)
Cash and cash equivalents - beginning of year	<u>149,533</u>	<u>1,544,226</u>
Cash and cash equivalents - end of year	<u>\$ 986,045</u>	<u>\$ 149,533</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 742,589</u>	<u>\$ 773,925</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**CARE FOR THE HOMELESS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 - NATURE OF ORGANIZATION**

Care for the Homeless (“CFH”) provides, coordinates and arranges for primary care, health education, HIV counseling and testing, early intervention services for those with HIV/AIDS, social services and behavioral health services to homeless people at more than 35 homeless clinics, shelters, soup kitchens and drop-in centers, and has two street outreach teams in four boroughs of New York City. Care for the Homeless is licensed by the NYS Department of Health under Article 28 of the Public Health Law to operate clinics as diagnostic and treatment centers, which are designated as federally qualified health centers. Care for the Homeless outreach team members also address long-range needs of homeless people by improving their access to services and public benefits and helping them develop life skills, while advocating for appropriate public policies.

CFH’s affiliate, Jerome Avenue Care for the Homeless Housing Development Fund Corporation (“Jerome”) operates Susan’s Place, a 200-bed transitional residential shelter.

In 2012, CFH provided services to more than 8,000 homeless men, women and children.

The organizations are primarily funded by government contracts, grants and Medicaid fees with more than 83% of revenue directed to the direct provision of services to clients.

The consolidated financial statements include the activities and net assets of Care for the Homeless and Jerome, whose sole member is CFH Jerome, Inc. (a dormant organization), whose sole member is, in turn, Care for the Homeless.

Care for the Homeless and Affiliates are not-for-profit corporations, which are tax-exempt organizations pursuant to Section 501(c)(3) of the Internal Revenue Code. CFH has earned the designation from the Better Business Bureau as an accredited charity.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of accounting*** - The financial statements are prepared on the accrual basis of accounting.

***Basis of consolidation*** - All material intercompany balances and activities have been eliminated in the consolidation.

***Reclassification*** - The 2011 summarized financial information reflects \$53,742 of flood-related expenses which were previously reported as program services. CFH’s 2011 change in net assets was not affected by this reclassification.

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**CARE FOR THE HOMELESS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

*Summarized financial information* - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organizations' financial statements for the year ended December 31, 2011, from which the summarized information was derived.

*Cash and cash equivalents* - Cash and cash equivalents include investments in highly liquid instruments with maturities when acquired of three months or less.

*Cash - escrow deposit* - This represents cash being held in a maintenance fund, which is required by the Low Income Investment Fund (Note 6).

*Investments* - Investments are recorded at fair value. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term, based on the markets' fluctuations.

*Government grants and contracts revenue, receivable and allowance for doubtful accounts* - Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Care for the Homeless and Affiliates record refundable advances from grantors. Care for the Homeless and Affiliates have determined that an allowance for uncollectible accounts for grants receivable is not necessary as of December 31, 2012. Such estimate is based on the aged basis of its receivables, subsequent collections, as well as current economic conditions and historical information. Interest income is not accrued or recorded on outstanding receivables.

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**CARE FOR THE HOMELESS AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Accounts receivable and allowance for doubtful accounts* - Care for the Homeless and Affiliates record receivables based on established rates or contracts for services provided. Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Interest income is not accrued or recorded on accounts receivable. Care for the Homeless and Affiliates have determined that an allowance for doubtful accounts is not necessary as of December 31, 2012.

*Fixed assets* - Fixed assets are stated at cost. Acquisitions and leasehold improvements with a cost over \$1,000 and a useful life of greater than one year are capitalized. Depreciation is computed on the straight-line basis over the estimated useful life of each asset. Amortization of leasehold improvements is computed over the lesser of their estimated useful lives or the term of the lease. The estimated useful lives of the assets are as follows:

Leasehold improvements	10-21 years
Furniture and equipment	5 years

*Unrestricted net assets* - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

*Temporarily restricted net assets* - Temporarily restricted net assets are those whose use by the organization has been limited by donors to a specific time period or purpose.

*Charity care* - CFH follows ASU 2010-23, Measuring Charity Care for Disclosure, which requires health care entities to use cost as the measurement basis for the disclosure of charity care provided. CFH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because CFH does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue (see Note 12).

*Contributions* - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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**CARE FOR THE HOMELESS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Functional allocation of expenses* - The costs of providing the organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Measure of operations* - CFH excludes from its definition of operations capital improvement grant, insurance recovery and flood-related expenses.

*Rent expense* - CFH leases space in various locations. All leases are operating leases and are recorded in accordance with generally accepted accounting principles. Rent is recognized on the first day of each month for the current month's rent. Rent is recorded on the straight-line basis. Deferred rent, when material, is recorded for the difference between straight-line basis rent and rent paid.

*Advertising* - It is the policy of CFH to expense advertising costs as incurred.

*Uncertainty in income taxes* - CFH has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2009 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through July 7, 2013, which is the date the financial statements were available to be issued.

**NOTE 3 - DUE TO THIRD PARTY PAYORS AND OTHER CONTINGENCIES**

CFH is responsible for reporting to and is regulated by various third parties, among which are the Centers for Medicare and Medicaid Services (CMS) and the New York State Department of Health (DOH). These agencies, as well as the New York State Office of Attorney General's Medicaid Fraud Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the Office of Inspector General (OIG), and other agencies have the right to audit CFH. These agencies have the right to audit fiscal, as well as programmatic compliance, i.e., clinical documentation, among other compliance requirements.

CFH is licensed by NYSDOH to operate an Article 28 Diagnostic and Treatment Center and has been designated as Federally Qualified Health Center (FQHC). As a FQHC, CFH is reimbursed by DOH a Medicaid fee-for-service rate as well as a supplemental payment rate known as a "wrap" payment.

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**CARE FOR THE HOMELESS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 3 - DUE TO THIRD PARTY PAYORS AND OTHER CONTINGENCIES (continued)**

The current Medicaid program is based upon extremely complex laws and regulations that are subject to interpretation. As a result, there is a possibility that recorded estimates may change.

CFH is party to a lawsuit in which a former employee is alleging discrimination and wrongful termination. While the outcome of this lawsuit cannot be determined at this time, management believes that any loss which may arise from these actions will be covered by insurance and will not have a material adverse effect on the financial position or results of operations of CFH.

**NOTE 4 - OPERATING LEASES**

In 2011, CFH entered into a ten-year operating lease agreement with 30 E. 33rd St. Realty LLC which expires December 31, 2020. CFH also rents space for one of its clinics on a month-to-month basis. Rent expense for 2012 was \$270,931.

As of March 1, 2005, Jerome began leasing space under an operating lease agreement which expires February 2027. Rent expense for 2012 was \$808,212.

Future minimum lease obligations are as follows:

<u><b>30 East 33rd Street</b></u>	
2013	\$ 247,615
2014	252,568
2015	257,619
2016	262,771
2017	268,027
Thereafter	<u>1,104,701</u>
	<u>\$ 2,393,301</u>
<u><b>1911-12 Jerome Avenue</b></u>	
2013	\$ 678,710
2014	699,071
2015	720,044
2016	741,645
2017	763,894
Thereafter	<u>8,163,548</u>
	<u>\$ 11,766,912</u>

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**CARE FOR THE HOMELESS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 4 - OPERATING LEASES (continued)**

The 1911-12 Jerome Avenue lease is noncancelable except in the event that the landlord plans to sell the premises and the tenant is given the first right of refusal (Article 29). There are no other cancellation clauses in the lease.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2012 are available for:

Client needs	\$ 14,747
Equipment	32,166
Medical equipment	30,343
Diabetic care	11,000
Volunteers	<u>11,000</u>
	<u>\$ 99,256</u>

During the year, temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

Client needs	\$ 9,631
Evaluation and data collection	55,500
Pediatric mental health	20,000
Health care	5,000
Medical equipment	37,882
Client supplies	<u>5,358</u>
	<u>\$ 133,371</u>

During the year, temporarily restricted contributions were received for the following purposes:

Client needs	\$ 5,000
Equipment	10,000
Diabetic care	<u>11,000</u>
	<u>\$ 26,000</u>

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**CARE FOR THE HOMELESS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 6 - LOAN PAYABLE**

Jerome Avenue CFH HDFC borrowed \$10,077,137 from Low Income Investment Fund (LIIF) to finance the construction of Susan's Place. The loan is being paid by Department of Homeless Services (DHS) directly to LIIF as part of the debt service component of the reimbursement for the operations of Susan's Place. As of December 31, 2012, there was \$9,027,682 outstanding. The interest rate is fixed at 8.09% and interest expense was \$742,569 for 2012. The loan matures on August 1, 2028 and the building, which is carried as leasehold improvements, is collateral for the LIIF loan. As part of the loan, Jerome is required to contribute \$10,000 annually into a maintenance fund. These funds can be used as needed for capital expenditures.

Future principal payments are as follows:

2013	\$ 298,834
2014	323,926
2015	351,126
2016	380,610
2017	412,569
Thereafter	<u>7,260,617</u>
	<u>\$ 9,027,682</u>

**NOTE 7 - CONCENTRATIONS**

The PHS Section 330(h) and NYC Department of Homeless Services grants represent approximately 65% of program revenues.

**NOTE 8 - LINE OF CREDIT**

CFH maintains a \$750,000 line of credit with JPMorgan Chase Bank for emergency cash needs. At December 31, 2012, there was a balance of \$0. The interest rate is 2.52% above LIBOR, which as of December 31, 2012 was 2.73%. The collateral on the line of credit is all eligible accounts receivable and equipment.

-continued-

**CARE FOR THE HOMELESS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 9 - FUNCTIONAL EXPENSES**

Program services	\$ 13,473,844
Management and general	2,283,432
Fund raising and development	<u>165,992</u>
Total per Exhibit A	15,923,268
Direct cost of special events	<u>32,451</u>
	<u>\$ 15,955,719</u>

**NOTE 10 - PENSION**

CFH sponsors a defined contribution pension plan for all eligible employees who have completed one year of service. Pension expense was \$13,516 in 2012.

**NOTE 11 - FLOOD AND INSURANCE RECOVERY**

Jerome suffered flood damages as a result of a water main break in 2011. The total cost of repairs and renovations was \$650,514, of which \$510,884 was capitalized as a component of leasehold improvements. Revenue of \$596,772 and \$53,742 was recorded in 2011 and 2012, respectively, for the insurance recovery. Payments from the insurance company were completed in 2012.

**NOTE 12 - CHARITY CARE**

The total cost of charity care provided was approximately \$700,000 for the year ended December 31, 2012. The cost of charity care is estimated by management based on the ratio of cost to gross charged multiplied by the gross uncompensated charges associated with providing care to charity patients.

**CARE FOR THE HOMELESS AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2012**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224		\$ 4,046,566
ARRA - Grants to Health Center Programs	93.703		40,644
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		463,125
HIV Prevention Activities - Health Department Based Passed through Public Health Solutions	93.940	11-HPT-593	<u>169,968</u>
Total U.S. Department of Health and Human Services			<u>4,720,303</u>
Total expenditures of federal awards			\$ <u><u>4,720,303</u></u>

See independent auditor's report.

The accompanying notes are an integral part of this schedule.

**CARE FOR THE HOMELESS AND AFFILIATES**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Care for the Homeless and Affiliates under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Care for the Homeless and Affiliates, it is not intended to and does not present the financial position, changes in net assets or cash flows of Care for the Homeless and Affiliates.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE 3 - SUBRECIPIENTS**

Of the federal expenditures presented in the Schedule, CFH provided federal awards to subrecipients as follows:

<b>CFDA Number</b>	<b>Program Name</b>	<b>Amount Provided to Subrecipients</b>
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	\$ 725,421
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	172,186

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance With Government Auditing Standards**

Independent Auditor's Report

**Board of Directors  
Care for the Homeless and Affiliates**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Care for the Homeless and Affiliates, which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 7, 2013.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Care for the Homeless and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Care for the Homeless and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Care for the Homeless and Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Care for the Homeless and Affiliates' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Loeb & Troper LLP*

July 7, 2013

**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance**

Independent Auditor's Report

**Board of Directors  
Care for the Homeless and Affiliates**

***Report on Compliance for Each Major Federal Program***

We have audited Care for the Homeless and Affiliates' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Care for the Homeless and Affiliates' major federal programs for the year ended December 31, 2012. Care for the Homeless and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Care for the Homeless and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Care for the Homeless and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Care for the Homeless and Affiliates' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Care for the Homeless and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### ***Report on Internal Control Over Compliance***

Management of Care for the Homeless and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Care for the Homeless and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Care for the Homeless and Affiliates' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Loeb & Troper LLP*

July 26, 2013

**CARE FOR THE HOMELESS AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2012**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditor's report issued on compliance  
 for major programs: Unmodified

Any audit findings disclosed that are required to be reported  
 in accordance with Section 510(a) of Circular A-133?        yes   X   no

Identification of major programs:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)

Dollar threshold used to distinguish between  
 Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

**CARE FOR THE HOMELESS AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2012**

**Section II - Financial Statement Findings**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.