

DRAFT

HILLIARD HOUSE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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DRAFT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hilliard House
Richmond, Virginia

We have audited the accompanying statements of financial position of Hilliard House (a nonprofit organization) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. The financial statements are the responsibility of the management of Hilliard House. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2008 financial statements, and, in our report dated September 10, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Hilliard House as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
October 28, 2009

HILLIARD HOUSE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 12,596	\$ 46,746
Accounts receivable	12,475	6,139
Prepaid expenses	3,376	5,171
TOTAL CURRENT ASSETS	<u>28,447</u>	<u>58,056</u>
PROPERTY AND EQUIPMENT		
Buildings and improvement	1,725,985	1,725,985
Office equipment and furniture	82,324	76,012
	<u>1,808,309</u>	<u>1,801,997</u>
Less accumulated depreciation	613,206	545,576
NET PROPERTY AND EQUIPMENT	<u>1,195,103</u>	<u>1,256,421</u>
TOTAL ASSETS	<u>\$ 1,223,550</u>	<u>\$ 1,314,477</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,626	\$ 7,704
Accrued expenses and other	6,983	8,233
Capital lease obligation	-	1,205
Line of credit payable	13,676	-
TOTAL CURRENT LIABILITIES	<u>24,285</u>	<u>17,142</u>
NET ASSETS		
Unrestricted	1,180,631	1,279,757
Temporarily restricted	18,634	17,578
TOTAL NET ASSETS	<u>1,199,265</u>	<u>1,297,335</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,223,550</u>	<u>\$ 1,314,477</u>

See Notes to Financial Statements

HILLIARD HOUSE

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Unrestricted
REVENUE				
Federal Grant	\$ 356,684	\$ -	\$ 356,684	\$ 324,437
Contributions	98,100	24,000	122,100	152,943
Local Grant	63,000	-	63,000	60,000
Other Income	11,294	-	11,294	7,242
Net assets released from restrictions	22,944	(22,944)	-	-
TOTAL REVENUE	552,022	1,056	553,078	544,622
EXPENSES				
Salaries	287,232	-	287,232	306,779
Depreciation	67,630	-	67,630	72,540
Household	65,087	-	65,087	81,968
Employee benefit	64,308	-	64,308	36,853
Professional services	44,478	-	44,478	30,608
Payroll taxes	27,252	-	27,252	29,991
Utilities	24,923	-	24,923	20,335
Office supplies	12,474	-	12,474	16,688
Insurance	10,993	-	10,993	13,297
Education	10,187	-	10,187	9,162
Fundraising	8,887	-	8,887	2,289
Repairs and maintenance	8,728	-	8,728	10,254
Transportation	7,766	-	7,766	4,949
Telephone	6,081	-	6,081	5,953
Miscellaneous	2,054	-	2,054	653
Volunteer and staff recognition	1,557	-	1,557	7,461
Licenses and fees	898	-	898	432
Meetings and reception	437	-	437	1,028
Interest	176	-	176	184
Advertising	-	-	-	1,120
TOTAL EXPENSES	651,148	-	651,148	652,544
CHANGE IN NET ASSETS	(99,126)	1,056	(98,070)	(107,922)
Net assets - beginning	1,279,757	17,578	1,297,335	1,405,257
NET ASSETS - ENDING	\$ 1,180,631	\$ 18,634	\$1,199,265	\$1,297,335

See Notes to Financial Statements

HILLIARD HOUSE

STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (98,070)	\$ (107,922)
Depreciation	67,630	72,540
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Increase) decrease in		
Accounts receivable	(6,336)	(4,253)
Prepaid expenses	1,795	(292)
Increase (decrease) in		
Accounts payable	(4,078)	(1,420)
Accrued payroll and payroll taxes	(1,250)	1,527
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(40,309)</u>	<u>(39,820)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(6,312)</u>	<u>(1,312)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	13,676	-
Payments under capital lease obligation	<u>(1,205)</u>	<u>(1,087)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>12,471</u>	<u>(1,087)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,150)	(42,219)
Cash and cash equivalents - beginning	<u>46,746</u>	<u>88,965</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 12,596</u>	<u>\$ 46,746</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 176	\$ 184

See Notes to Financial Statements

HILLIARD HOUSE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - NATURE OF ORGANIZATION

Nature of Organization

Hilliard House (Hilliard or the "Organization"), a Virginia non-stock, non-profit, tax exempt entity organized in 2000, is primarily engaged in providing shelter for homeless women and children.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classes of Net Assets

Hilliard reports net asset amounts by class as follows:

Unrestricted amounts are those currently available at the discretion of the Board for use in the Organization's operations.

Temporarily restricted amounts are those which are stipulated by donor for specific operating purposes or for the acquisition of equipment. When a donor's restrictions expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Income Taxes

Hilliard is a non-profit charitable organization as defined by the Internal Revenue Code Section 501(c)(3) and is not subject to federal or state income taxes.

Credit Risk

Financial instruments, which potentially subject Hilliard to concentration of credit risk, consist principally of temporary cash investments. Hilliard places its temporary cash investments with high credit quality financial institutions. Hilliard's cash funds are fully insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Grants receivable, if any, consist mainly of amounts due from the federal government, which are not considered subject to credit risk.

Donated Materials and Services

Donated materials and services are included in unrestricted contributions at the fair market value when received.

HILLIARD HOUSE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Hilliard considers all cash and investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost or fair market value at the date of donation and depreciated by the straight-line method over the estimated useful lives which range from five (5) to twenty-seven and one-half (27.5) years.

New Accounting Standards

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected this deferral and, accordingly, will be required to adopt FIN 48 in its 2010 annual financial statements. Prior to adoption of FIN 48, the Organization will continue to evaluate its uncertain tax positions and related income tax contingencies under FASB Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Organization to accrue for losses it believes are probable and can be reasonably estimated. Management does not currently believe that the adoption of FIN 48 will have a material effect on its financial statements.

In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Organization adopted SFAS No. 157 for the fiscal year beginning July 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until the fiscal year beginning July 1, 2009. Management does not currently believe that the adoption of the remaining provisions of SFAS No. 157 will have an effect on its financial statements.

HILLIARD HOUSE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3 - FEDERAL AWARDS

Hilliard is the sub-recipient of a federal grant from the Department of Housing and Urban Development (HUD) for its operations.

NOTE 4 - LINE OF CREDIT

Hilliard has a \$50,000 revolving line of credit, of which \$13,676 was outstanding at June 30, 2009. Bank advances on the credit line are payable on demand and bear interest at 1.0% over BB&T's prime rate (4.25% at June 30, 2009). The credit line is unsecured.

NOTE 5 - COMMITMENTS

The land lease for Hilliard House is payable at \$1 per year for 20 years to the County of Henrico, Virginia, with a renewable 20-year term (unless the County needs the property for a governmental purpose).

NOTE 6 - CAPITALIZED LEASE OBLIGATION

The Organization leased certain equipment under an agreement classified as a capital lease, which ended June 2009. The net book value of such equipment as of June 30, 2009 was determined as follows:

Cost	\$	3,275
Less accumulated depreciation		<u>3,032</u>
Net book value	\$	<u>243</u>

NOTE 7 - FUNCTIONAL EXPENSES

Functional expenses are as follows:

	2009	2008
Program services	\$ 548,924	\$ 555,170
Management and general	92,578	94,654
Fundraising	9,646	2,720
	<u>\$ 651,148</u>	<u>\$ 652,544</u>

HILLIARD HOUSE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2009 and 2008 consist of:

	<u>2009</u>	<u>2008</u>
On-site mental health services	\$ 756	\$ 13,544
Read Aloud Program	3,912	4,034
Peach Program	13,966	-
	<u>\$ 18,634</u>	<u>\$ 17,578</u>

NOTE 9 - SUBSEQUENT EVENTS

In the preparation of its financial statements, Hilliard House considered subsequent events through October 28, 2009, which was the date the financial statements were issued.