

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**METROPOLITAN HOUSING
COALITION, INC.**

DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Metropolitan Housing Coalition, Inc.

We have audited the accompanying statements of financial position of the Metropolitan Housing Coalition, Inc. (a not-for-profit organization) as of December 31, 2010 and 2009, 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 audits 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 the Metropolitan Housing Coalition, Inc. as of December 31, 2010 and 2009, 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.

Anderson, Bryant, Lasky + Winslow, P.S.C.

Louisville, Kentucky
July 8, 2011

**STATEMENTS OF FINANCIAL POSITION
METROPOLITAN HOUSING COALITION, INC.
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 487,071	\$ 713,492
Certificates of deposit	157,025	153,112
Receivables	136,594	18,054
Prepaid expenses	5,243	4,139
Notes receivable	1,000,050	820,286
Furniture and equipment, net	<u>555</u>	<u>841</u>
 Total assets	 <u>\$ 1,786,538</u>	 <u>\$ 1,709,924</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 867	\$ 834
Payroll withholdings	5,645	4,417
Accrued expenses	2,409	3,099
Long-term debt	<u>1,310,876</u>	<u>1,227,751</u>
 Total liabilities	 <u>1,319,797</u>	 <u>1,236,101</u>
 Net assets		
Unrestricted	454,039	460,871
Temporarily restricted	250	500
Permanently restricted	<u>12,452</u>	<u>12,452</u>
 Total net assets	 <u>466,741</u>	 <u>473,823</u>
 Total liabilities and net assets	 <u>\$ 1,786,538</u>	 <u>\$ 1,709,924</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES
METROPOLITAN HOUSING COALITION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions and grants	\$ 100,392	\$ 250	\$ -	\$ 100,642	\$ 121,650	\$ 500	\$ -	\$ 122,150
Membership dues	34,742	-	-	34,742	47,913	-	-	47,913
Administrative fee	153,876	-	-	153,876	127,018	-	-	127,018
Interest income	26,365	-	-	26,365	22,565	-	-	22,565
Miscellaneous income	966	-	-	966	8,503	-	-	8,503
Forgiveness of debt	100,000	-	-	100,000	-	-	-	-
Annual meeting	23,221	-	-	23,221	21,710	-	-	21,710
Total support	439,562	250	-	439,812	349,359	500	-	349,859
Net assets released from restrictions:								
Restrictions satisfied by payments	500	(500)	-	-	-	-	-	-
Total support and reclassifications	440,062	(250)	-	439,812	349,359	500	-	349,859
Expenses:								
Program services	371,883	-	-	371,883	284,046	-	-	284,046
Management and general	62,390	-	-	62,390	29,127	-	-	29,127
Fund raising	12,621	-	-	12,621	31,395	-	-	31,395
Total expenses	446,894	-	-	446,894	344,568	-	-	344,568
Change in net assets	(6,832)	(250)	-	(7,082)	4,791	500	-	5,291
Net assets at beginning of year	460,871	500	12,452	473,823	456,080	-	12,452	468,532
Net assets at end of year	\$ 454,039	\$ 250	\$ 12,452	\$ 466,741	\$ 460,871	\$ 500	\$ 12,452	\$ 473,823

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF FUNCTIONAL EXPENSES
METROPOLITAN HOUSING COALITION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009				
	Total	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising
Salaries	\$ 169,773	\$ 132,915	\$ 35,245	\$ 1,613	\$ 167,767	\$ 134,016	\$ 16,029	\$ 17,722
Employee benefits and payroll taxes	52,475	41,083	10,894	498	49,797	39,779	4,758	5,260
Contract labor	4,278	3,349	888	41	13,616	12,889	345	382
Postage	3,548	2,778	737	33	2,401	1,918	229	254
Office expense	2,287	1,790	475	22	2,088	1,668	199	221
Telephone	1,719	1,346	357	16	1,705	1,362	163	180
Printing	10,176	7,967	2,113	96	13,406	11,825	1,581	-
Rent	13,877	10,864	2,881	132	14,747	11,780	1,409	1,558
Equipment rental	3,381	2,647	702	32	2,817	2,250	269	298
Travel and meetings	9,640	7,547	2,001	92	7,799	6,230	745	824
Dues, subscriptions and training	2,806	2,197	583	26	2,369	1,893	226	250
Professional services	24,652	24,652	-	-	19,801	19,801	-	-
Development expense	9,767	-	-	9,767	936	-	-	936
Professional fees	11,030	8,635	2,290	105	10,558	8,434	1,009	1,115
Annual meeting	11,160	8,737	2,317	106	11,082	8,852	1,059	1,171
Insurance	3,897	3,051	809	37	3,651	2,916	349	386
Miscellaneous	190	149	39	2	7,014	5,603	670	741
Interest expense	11,952	11,952	-	-	12,099	12,099	-	-
Bad debt	100,000	100,000	-	-	-	-	-	-
Depreciation	286	224	59	3	915	731	87	97
Total expenses	\$ 446,894	\$ 371,883	\$ 62,390	\$ 12,621	\$ 344,568	\$ 284,046	\$ 29,127	\$ 31,395

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS
METROPOLITAN HOUSING COALITION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (7,082)	\$ 5,291
Adjustments to reconcile change in net cash from operating activities		
Depreciation	286	915
Bad debt expense	(100,000)	-
(Increase) decrease in operating assets		
Receivables	(18,540)	4,749
Prepaid expenses	(1,104)	4,501
Increase (decrease) in operating liabilities	<u>571</u>	<u>(17,738)</u>
Net cash provided (used) by operating activities	<u>(125,869)</u>	<u>(2,282)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificate of deposits purchased	(3,913)	(10,123)
Loans made	(650,000)	(300,000)
Debt forgiveness	100,000	-
Principal payments received	<u>270,236</u>	<u>310,000</u>
Net cash provided (used) by investing activities	<u>(283,677)</u>	<u>(123)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(91,966)	(81,018)
Proceeds from notes payable	<u>275,091</u>	<u>194,749</u>
Net cash provided by financing activities	<u>183,125</u>	<u>113,731</u>
Net increase (decrease) in cash	(226,421)	111,326
Cash at beginning of year	<u>713,492</u>	<u>602,166</u>
Cash at end of year	<u>\$ 487,071</u>	<u>\$ 713,492</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 11,952</u>	<u>\$ 12,099</u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS
METROPOLITAN HOUSING COALITION, INC.
DECEMBER 31, 2010 AND 2009**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Housing Coalition, Inc. ("Coalition") is a not-for-profit corporation organized in 1991 under the laws of the Commonwealth of Kentucky.

The mission of the Coalition is to coalesce Louisville, Kentucky's public and private resources to provide equitable, accessible housing choices for all people through advocacy, public education and support for affordable housing providers.

A significant portion of the Coalition's funding is grants received from the Kentucky Housing Corporation and Metro Louisville. The Coalition also receives membership dues from businesses and individuals.

Basis of Accounting

The financial statements of the Coalition have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, the Coalition is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net assets categories follows:

Unrestricted Net Assets: include the portion of expendable funds that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: include gifts for which donor imposed restrictions have not been met.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Permanently Restricted Net Assets: include amounts which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

The Coalition considers all highly-liquid investments with a maturity of three months or less when purchased to be cash.

Receivables

Miscellaneous receivables consist of grants and interest receivable amounts. The Coalition estimates the amount to be collected based upon historical experience and management evaluation of outstanding receivables. There is no allowance for uncollectibles at December 31, 2010 or 2009.

Notes Receivable

Notes receivable represent amounts due the Coalition for loans made to housing associations and other nonprofit entities for the acquisition, financing and production of housing to provide safe, decent and affordable housing to low-income residents of Kentucky. These loans have a 1% to 3% interest rate and a two to six year maturity date. A provision for loan losses is not considered necessary. (See Note 3)

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Coalition that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

Furniture and Equipment

Furniture and equipment is recorded at cost if purchased and fair market value if donated and depreciated based on the straight-line method over the estimated useful life of the respective assets (4-5 years). Leasehold improvements are recorded at cost and depreciated over 40 years on the straight-line method. The cost of furniture and equipment purchased in excess of \$250 is capitalized.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Coalition pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Coalition with programs, solicitations and various committee assignments.

Expense Allocation

Expenses are allocated (based on estimated time allocation) to programs and supporting services on the basis of direct salaries.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

Income Tax Status

The Coalition is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Coalition qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement or accrued in the balance sheet. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in current year financial statements.

Subsequent Events

Management has evaluated subsequent events through July 8, 2011, the date the financial statements were available to be issued.

NOTE 2. CONCENTRATIONS OF CREDIT RISK

The Coalition maintains its cash balances in various financial institutions. The balances, at times, may exceed the federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Financial instruments that potentially subject the Coalition to concentrations of credit risk consist primarily of notes receivable. The risk with respect to notes receivable is limited due to the types of entities receiving the loans.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 3. NOTES RECEIVABLE

Notes receivable consists of the following:

<u>Date of Note</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 2010</u>	<u>Balance 2009</u>
1/30/06	01/31/10	3%	\$ -	\$ 100,000
5/7/07	12/31/11	1%	175,050	230,286
6/30/08	02/12/12	3%	-	95,000
8/8/08	02/12/12	1%	-	95,000
8/27/09	08/27/11	3%	200,000	200,000
10/30/09	10/30/10	1%	-	100,000
2/26/10	02/26/12	3%	150,000	-
2/12/10	02/12/12	3%	300,000	-
8/26/10	08/26/11	3%	25,000	-
9/17/10	09/17/12	3%	<u>150,000</u>	<u>-</u>
Totals			<u>\$ 1,000,050</u>	<u>\$ 820,286</u>

The note receivable dated 10/30/09 was found to be uncollectible in 2010 and recorded as bad debt expense. (See Note 9.)

NOTE 4. FURNITURE AND EQUIPMENT

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over the estimated useful lives on a straight-line basis. At December 31, 2010 and 2009, the cost and accumulated depreciation of such assets were as follows:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 16,811	\$ 16,811
Less accumulated depreciation	<u>16,256</u>	<u>15,970</u>
Building and equipment, net	<u>\$ 555</u>	<u>\$ 841</u>
Depreciation expense	<u>\$ 286</u>	<u>\$ 915</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 5. LONG-TERM DEBT

The Coalition borrows money from the Kentucky Housing Corporation through the Non-Profit Housing Production and Repair Program. The Coalition in turn loans this money to other housing associations and non-profits. The Coalition receives 40% of the loan amount as an administrative fee. Maturity is 20 years with an interest rate of 1%, payable quarterly with an annual principal payment of 5%, except for the 7/1/09 loan. The 7/1/09 loan matures in 20 years with an interest rate of 1% and monthly principal and interest payments of \$995. Amounts are due as follows:

<u>Date of Note</u>	<u>Original Commitment</u>	<u>Balance 2010</u>	<u>Balance 2009</u>
7/1/97	\$ 12,600	\$ 4,410	\$ 5,040
7/1/98	254,906	-	108,006
7/1/99	287,040	129,168	143,520
7/1/00	119,250	44,526	55,838
7/1/01	214,500	117,975	128,700
7/1/03	108,750	70,688	76,125
7/1/04	36,000	25,200	27,000
7/1/05	177,000	132,750	141,600
7/1/06	223,200	189,720	189,720
7/1/07	174,948	157,453	157,453
7/1/09	216,388	208,209	194,749
7/1/10	<u>230,777</u>	<u>230,777</u>	<u>-</u>
Totals	<u>\$ 2,055,359</u>	<u>\$ 1,310,876</u>	<u>\$ 1,227,751</u>

Following are maturities of long-term debt for each of the next five years:

2011	\$ 102,867
2012	102,977
2013	103,088
2014	103,200
2015	103,313
Subsequent	<u>795,431</u>
Total	<u>\$ 1,310,876</u>

See Note 9 for forgiveness of debt.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Program	<u>\$ 250</u>	<u>\$ 500</u>

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income is used to support general activities.

NOTE 7. LEASE

The Coalition leases office space under an operating lease expiring in May 2012. Future minimum lease payments under noncancelable operating leases at December 31, 2010 are as follows:

2011	\$ 15,566
2012	<u>6,565</u>
Total	<u>\$ 22,131</u>

Rent expense for the years ended December 31, 2010 and 2009 was \$13,877 and \$14,747, respectively.

NOTE 8. RETIREMENT PLAN

The Coalition sponsors a SEP-IRA for its employees. The plan covers all employees of the Coalition. Contributions to the plan for the years ended December 31, 2010 and 2009 amounted to \$11,566 and \$11,375, respectively.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 9. BAD DEBT/FORGIVENESS OF DEBT

During 2010, \$100,000 of notes receivable was found to be uncollectible and is recorded as bad debt expense in the Statements of Functional Expenses. The original source of the loan was money borrowed from the Kentucky Housing Corporation through the Non-Profit Housing Production and Repair Program. The Kentucky Housing Corporation has agreed to forgive repayment of the loan and it is recorded as revenue in the Statements of Activities. The Kentucky Housing Corporation forgave the remainder of the 7/1/98 loan and a portion of the 7/1/00 loan.

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the statements of financial position for cash and certificates of deposit approximate fair market value due to the short maturities of those instruments. The carrying amount of notes receivable reported in the statement of financial position approximates fair value because the Coalition can make similar loans at the same terms. The carrying amount of the long-term debt reported in the statement of financial position approximates fair value because the Coalition can obtain similar loans at the same terms.