

JOSEPH HOUSE, INC.
FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

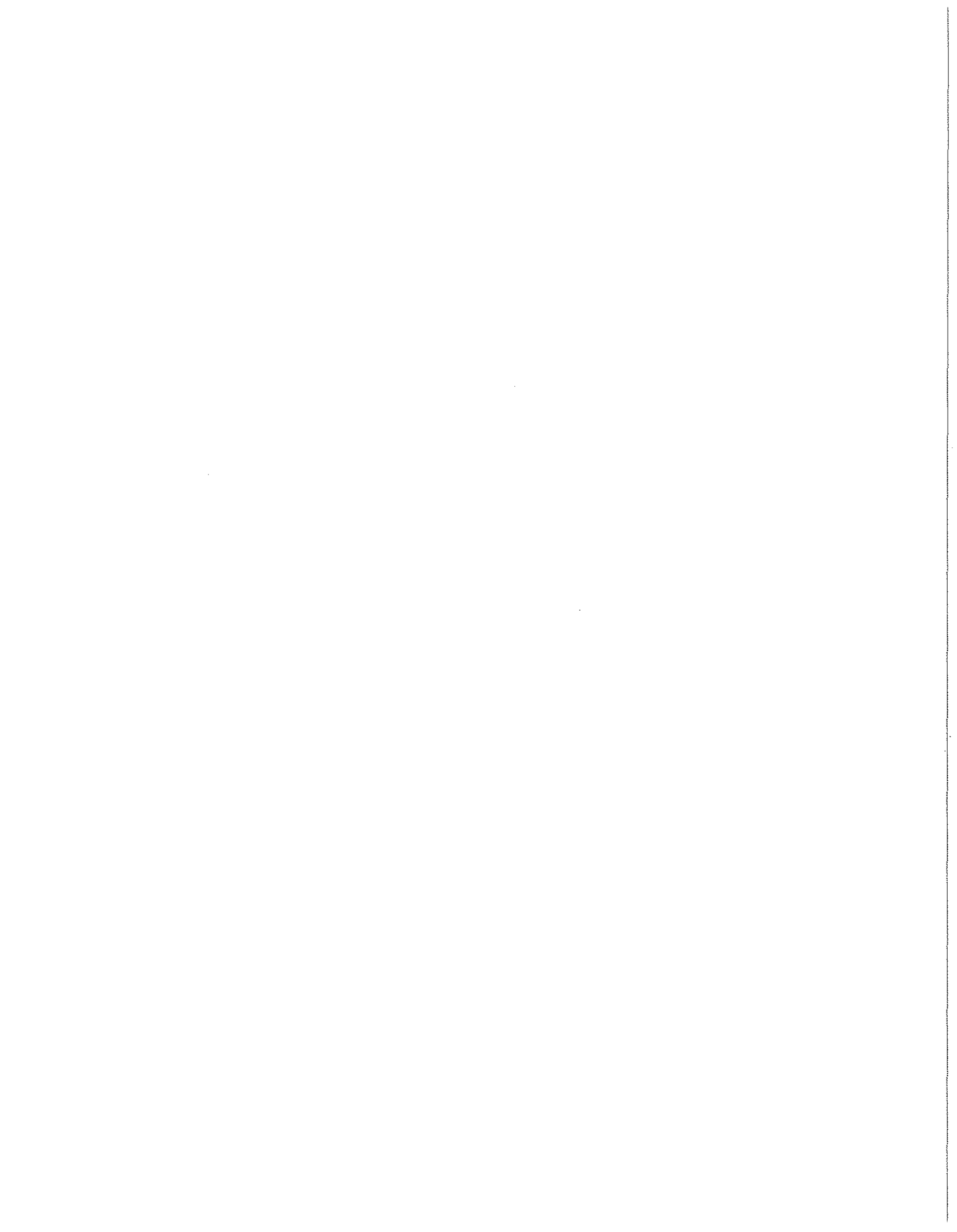


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**RUDLER &
ASSOCIATES, INC.**

Certified Public Accountants

A Professional Service Corporation
Founded in 1969

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Joseph House, Inc.

We have audited the accompanying statement of financial position of Joseph House, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 the 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 Joseph House, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2009, on our consideration of Joseph House, Inc.'s internal control over financial reporting and on our tests of its 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement of Activities by Program is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, such information has not been subjected to the audit procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion on the supplementary information.

Rudler & Associates, Inc.

Fort Wright, Kentucky
August 31, 2009

JOSEPH HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2009

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	182,716
Accounts Receivable:		
Fees		49,536
HUD Grant		184,716
Other		<u>4,659</u>
 Total Current Assets		 <u>421,627</u>
 PROPERTY, PLANT AND EQUIPMENT, NET		 <u>749,543</u>
 OTHER ASSETS		
Accounts receivable - HUD grant		<u>151,331</u>
 Total Assets		 <u><u>\$ 1,322,501</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of notes payable	\$	7,110
Accounts payable		21,253
Accrued liabilities		24,386
Unearned HUD Grant revenue		<u>184,716</u>
 Total Current Liabilities		 <u>237,465</u>
 LONG-TERM LIABILITIES		
Notes payable		297,765
Unearned HUD grant revenue		<u>151,331</u>
 Total Long Term Liabilities		 <u>449,096</u>
 Total Liabilities		 <u>686,561</u>
 NET ASSETS:		
Unrestricted net assets		623,799
Temporarily restricted net assets		<u>12,141</u>
 Total Net Assets		 <u>635,940</u>
 Total Liabilities and Net Assets		 <u><u>\$ 1,322,501</u></u>

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

JOSEPH HOUSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Fees	\$ 727,637	\$ 0	\$ 727,637
Individual contributions	61,691	0	61,691
Foundations and organizations contributions	75,149	0	75,149
Grants	0	221,164	221,164
Interest income and other	1	0	1
Net assets released from restrictions satisfaction of program restrictions	<u>258,181</u>	<u>(258,181)</u>	<u>0</u>
Total Support and Revenue	<u>1,122,659</u>	<u>(37,017)</u>	<u>1,085,642</u>
Expenses			
Program Service	1,025,617	0	1,025,617
Management and general	137,411	0	137,411
Fundraising	<u>18,427</u>	<u>0</u>	<u>18,427</u>
Total Expenses	<u>1,181,455</u>	<u>0</u>	<u>1,181,455</u>
Increase (Decrease) in Net Assets	<u>(58,796)</u>	<u>(37,017)</u>	<u>(95,813)</u>
Net Assets at Beginning of Year	<u>682,595</u>	<u>49,158</u>	<u>731,753</u>
Net Assets at End of Year	<u>\$ 623,799</u>	<u>\$ 12,141</u>	<u>\$ 635,940</u>

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

JOSEPH HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	Program Service	Management and General	Fundraising	Total
Salaries, benefits and payroll taxes	\$ 486,622	\$ 68,756	\$ 0	\$ 555,378
Utilities	113,133	599	0	113,732
Depreciation	80,384	1,147	0	81,531
Food and supplies	62,440	8,862	2,747	74,049
Insurance	30,776	9,725	0	40,501
Fundraising and public relations	0	0	15,680	15,680
Psychological consulting	30,000	0	0	30,000
Program materials	21,296	0	0	21,296
Repairs and maintenance-building	93,667	0	0	93,667
Safety and security	13,178	0	0	13,178
Auto expense	27,342	1,374	0	28,716
Office supplies	27,517	0	0	27,517
Interest expense	0	19,475	0	19,475
Rent	9,413	3,875	0	13,288
Professional fees	7,775	18,766	0	26,541
Training and morale	2,079	2,642	0	4,721
Property taxes	0	47	0	47
Miscellaneous	679	2,043	0	2,722
HUD grant administration	16,693	0	0	16,693
Bank service charges	0	100	0	100
Casual labor	2,623	0	0	2,623
Total functional expenses	<u>\$ 1,025,617</u>	<u>\$ 137,411</u>	<u>\$ 18,427</u>	<u>\$ 1,181,455</u>

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

JOSEPH HOUSE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	<u>\$ (95,813)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	81,531
(Increase) decrease in accounts receivables	(5,471)
Increase (decrease) in accounts payable	(20,702)
Increase (decrease) in accrued liabilities	<u>4,495</u>
Total Adjustments	<u>59,853</u>
Net Cash Provided (Used) By Operating Activities	<u>(35,960)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of leasehold improvements	<u>(10,284)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Payments on notes payable	<u>(4,039)</u>
Net Cash Provided (Used) By Financing Activities	<u>(4,039)</u>

Net Increase (decrease) in Cash	(50,283)
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Cash, Beginning of Year	<u>232,999</u>
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Cash, End of Year	<u><u>\$ 182,716</u></u>
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CASH PAID DURING THE YEAR FOR:

Interest	<u><u>\$ 19,475</u></u>
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The accompanying notes are an integral part of these financial statements.

JOSEPH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Joseph House, Inc. is presented to assist in understanding the Organization's financial statements. The statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles.

Nature of Organization

Joseph House, Inc. (the Organization), an Ohio not-for-profit corporation, was formed for the purpose of helping to prevent and to treat drug and alcohol abuse problems in veterans and to try and help them lead a more productive life – drug and alcohol free.

Accounts receivable

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts receivable is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

Functional expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly certain costs have been allocated between the program service, management and general, and fundraising services.

Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts. The main estimate used by the Organization relates to depreciation.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by a donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in subsequent years, are reported at present value net of estimated uncollectible pledges, using risk-free interest rates applicable to the years in which the promises are to be received.

Recognition of donor restrictions

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, temporarily restricted net assets are reclassified to unrestricted net assets.

Property, plant, and equipment

Property, plant and equipment are recorded at cost if purchased and at fair market value if donated. Upon retirement, the cost is removed from the asset accounts, the related depreciation allowance is adjusted, and the difference, if any, is charged against operations. Expenditures greater than \$1,000 for furniture and equipment are capitalized at cost when acquired.

The assets are depreciated over their estimated useful lives, using the straight-line method, with lives varying from three to thirty years.

JOSEPH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. Summary of Significant Accounting Policies (Continued)

In-kind support

The Organization records various types of in-kind support including contributed equipment and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts included in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or property and equipment.

Classes of net assets

The accompanying financial statements have been prepared in conformity with the requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations". Accordingly, the net assets of the Organization are reported in each of the following classes: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Net assets of the temporarily restricted class are restricted only by donor-imposed restrictions on their use. All other net assets, including board-designated amounts, are legally unrestricted, and are reportable as part of the unrestricted class.

Tax Exempt Status

The Organization is tax-exempt under Internal Revenue Code Section 501 (c)(3) and has received a favorable determination letter. The Organization is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

2. Cash and Cash Equivalents

At various times throughout the year, the Organization may have cash in certain financial institutions in excess of insured limits. Total cash on deposit at June 30, 2009 did not exceed insured limits.

For purposes of the cash flows statement, cash includes cash on hand and cash in checking accounts, not including cash and cash equivalents included under the caption investments. The Organization also considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization did not own any cash equivalents at June 30, 2009.

3. Lease Expense

On December 1, 2007 the Organization entered into a one year lease agreement for second floor office space located at 1522 Race Street, Cincinnati, Ohio. Starting December 1, 2008, the lease continued as a month-to-month lease; the current lease payment is \$200 per month. On February 15, 2008 the Organization entered into a month-to-month lease on the third floor of the same location as above; that lease payment is \$200 per month as well. The Organization also leases a house from Tender Mercies for \$2,000 a year for 15 years beginning July 1, 2003 and terminating on June 30, 2018. Total rent expense at June 30, 2009 was \$9,413.

Future minimum lease payments are approximated as follows:

2010	\$ 2,000
2011	2,000
2012	2,000
2013	2,000
2014	2,000

JOSEPH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

4. Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:	<u>June 30, 2009</u>
Supportive Services and Housing	<u>\$258,181</u>

5. Line of Credit

The Organization maintains a line of credit with a total amount available of \$50,000 of which \$0 was outstanding at June 30, 2009. The line of credit is due on demand and bears interest at the rate of 5.00% and is secured by the Organization's building.

6. Notes Payable

Notes payable consist of the following at June 30, 2009:

6.00% loan payable, collateralized by a building at 1207 Elm Street; monthly payment of \$717 including principal and interest; final payment due August, 2034	\$ 111,723
4.875% loan payable, collateralized by two buildings at 1530 Republic and at 1207 Elm Street; monthly payment of \$607 including principal and interest; final payment due January, 2035	106,427
5.50% loan payable, collateralized by a building; monthly payment of \$330 including principal and interest; final payment due January, 2036	55,283
5.50% loan payable, collateralized by a building; monthly payment of \$228 including principal and interest; final payment due January, 2036	<u>31,442</u>
Total Notes Payable	304,875
Less: Current Maturities	<u>7,110</u>
Total Long Term Liabilities	<u>\$ 297,765</u>

The notes payable mature as follows:

<u>Year Ending June 30,</u>	
2010	\$ 7,110
2011	7,518
2012	7,925
2013	8,764
2014	9,373

JOSEPH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

7. Property, Plant, and Equipment

Property, plant and equipment consist of the following:

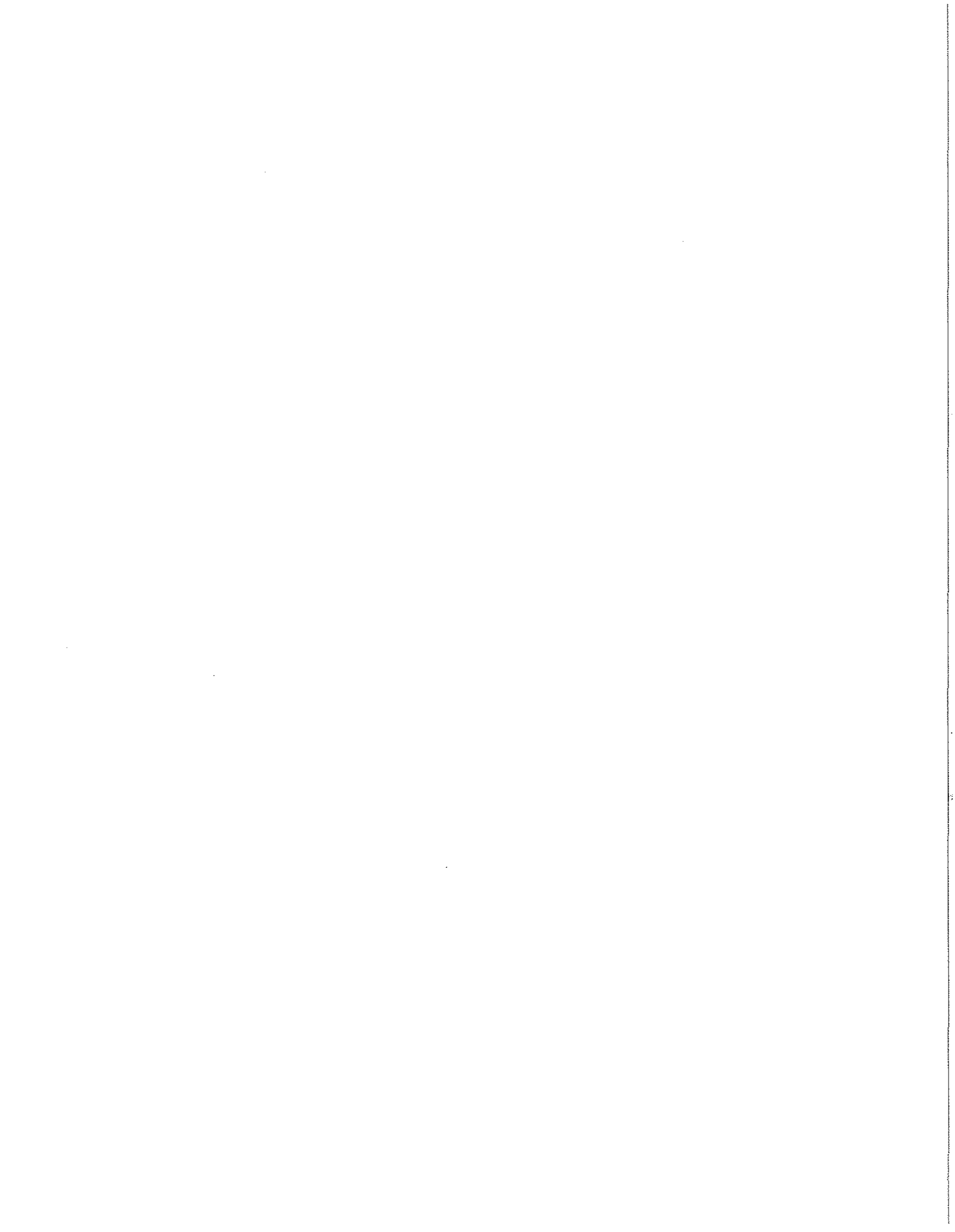
Land, buildings and improvements	\$ 1,352,817
Equipment	9,731
Vehicles	<u>108,296</u>
	1,470,844
Less: Accumulated depreciation	<u>721,301</u>
 Total Property, Plant and Equipment	 <u>\$ 749,543</u>

8. HUD Grant Revenue

The Organization received two grants from the U.S. Department of Housing and Urban Development in 2008. The first grant was received March 31, 2008 in the amount of \$307,602; the term is for 36 months, with the remaining benefit being received over the next 21 months. The second grant was received June 30, 2008 in the amount of \$231,147; the term is for 36 months, with the balance being received over the next 23 months.

9. Retirement Plan

The Organization sponsors a Simple IRA retirement plan for all eligible employees. The Organization's contribution to the plan was \$13,076.





RUDLER &
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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

Board of Trustees
Joseph House, Inc.

We have audited the financial statements of Joseph House, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated August 31, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Joseph House, Inc. internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Joseph House, Inc. internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

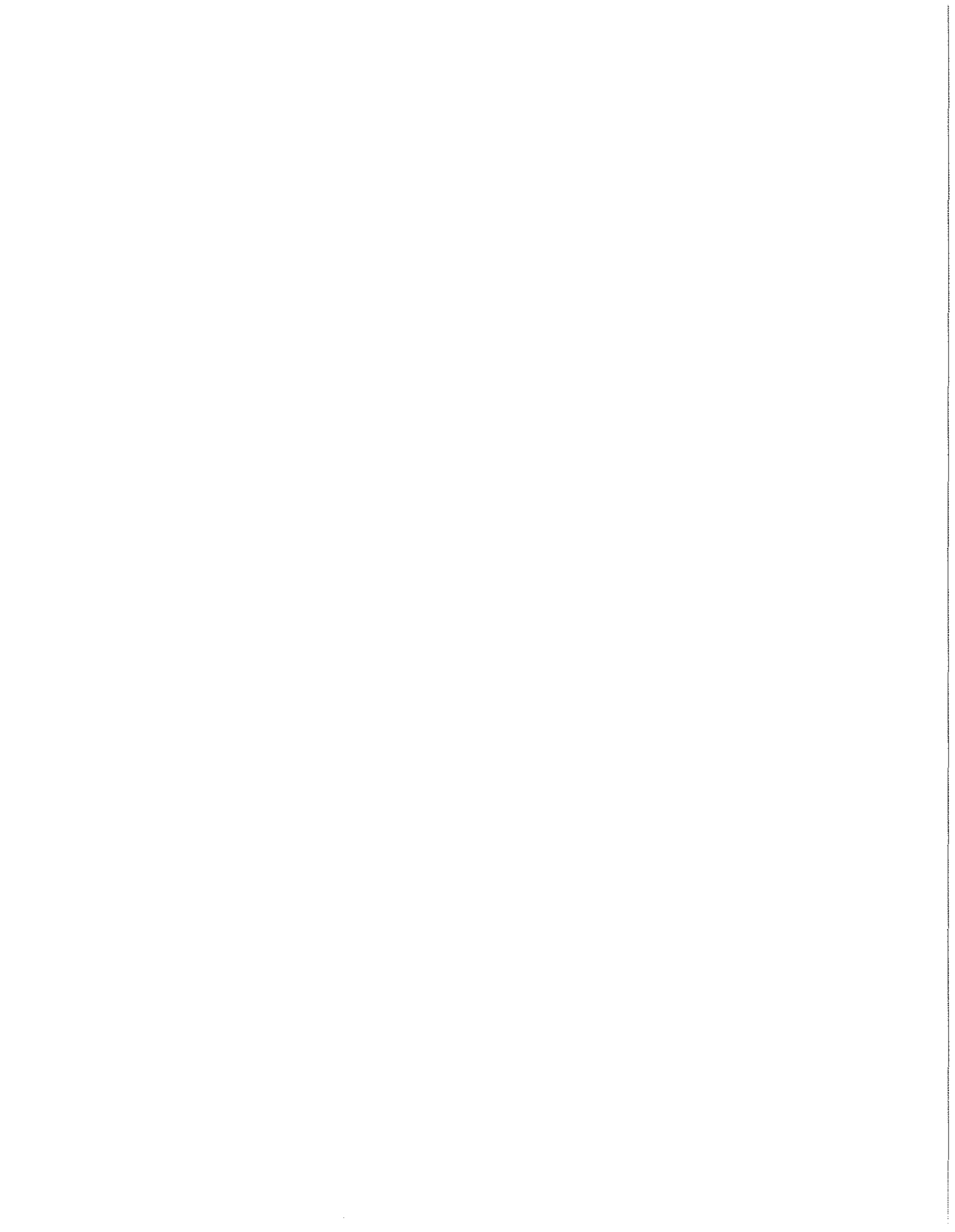
As part of obtaining reasonable assurance about whether Joseph House, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rudler & Associates, Inc.

Fort Wright, Kentucky
August 31, 2009

SUPPLEMENTARY INFORMATION



JOSEPH HOUSE, INC.
STATEMENT OF ACTIVITIES BY PROGRAM
For the Year Ended June 30, 2009

	Joseph House Ready and Forward Program	Halfway House and Transitional Housing Program (HUD & VA Programs)	Total
REVENUES			
Fees			
Residents not on VA	\$ 57,257	\$ 0	\$ 57,257
Residents on VA	0	75,899	75,899
VA per diem	0	594,481	594,481
Total fees	<u>57,257</u>	<u>670,380</u>	<u>727,637</u>
Grants			
Grants	30,000	0	30,000
HUD	0	191,164	191,164
Total grants	<u>30,000</u>	<u>191,164</u>	<u>221,164</u>
Individual contributions	61,691	0	61,691
Foundations and organizations contributions	75,149	0	75,149
Interest income and other	1	0	1
Total revenue	<u>\$ 224,098</u>	<u>\$ 861,544</u>	<u>\$ 1,085,642</u>
EXPENSES			
Program Service			
Insurance			
Auto insurance	\$ 0	\$ 10,288	\$ 10,288
Professional liability	1,087	9,779	10,866
Property insurance	2,130	4,970	7,100
Insurance-other	757	1,765	2,522
Total insurance	<u>3,974</u>	<u>26,802</u>	<u>30,776</u>
Salaries, benefits and payroll taxes	48,662	437,960	486,622
Utilities	23,324	95,684	119,008
Depreciation	27,216	53,168	80,384
Food and supplies	0	62,440	62,440
Psychological consulting	0	30,000	30,000
Program materials	2,130	19,166	21,296
Repairs and maintenance-building	28,100	65,567	93,667
Safety and security	1,318	11,860	13,178
Office supplies	0	27,517	27,517
Auto expense	0	27,342	27,342
Rent	2,224	7,189	9,413
HUD grant administration	0	16,693	16,693
Training and morale	0	3,979	3,979
Miscellaneous	68	611	679

(Forward)

JOSEPH HOUSE, INC.
STATEMENT OF ACTIVITIES BY PROGRAM
For the Year Ended June 30, 2009

	Joseph House Ready and Forward Program	Halfway House and Transitional Housing Program (HUD & VA Programs)	Total
EXPENSES(CONTINUED)			
Program Service(continued)			
Casual labor	262	2,361	2,623
Total program service	<u>137,276</u>	<u>888,339</u>	<u>1,025,617</u>
Management and General			
Salaries, benefits and payroll taxes	20,627	48,129	68,756
Food and supplies	2,658	6,204	8,862
Interest expense	5,842	13,633	19,475
Professional fees	5,630	13,136	18,766
Insurance	2,918	6,807	9,725
Rent	1,163	2,712	3,875
Property taxes	14	33	47
Training and morale	2,642	0	2,642
Auto expense	412	962	1,374
Utilities	180	419	599
Miscellaneous	613	1,430	2,043
Depreciation	1,147	0	1,147
Bank service charge	30	70	100
Total management and general	<u>43,876</u>	<u>93,535</u>	<u>137,411</u>
Fundraising			
Fundraising and public relations	15,680	0	15,680
Food and supplies	2,747	0	2,747
Total fundraising	<u>18,427</u>	<u>0</u>	<u>18,427</u>
 Total expenses	 <u>199,580</u>	 <u>981,875</u>	 <u>1,181,455</u>
 CHANGE IN NET ASSETS	 <u>\$ 24,517</u>	 <u>\$ (120,330)</u>	 <u>\$ (95,813)</u>