



(A Non-Profit Organization)

Annual Financial Report
Year ended March 31, 2010

Prepared By:

Lauka Associates | CERTIFIED PUBLIC ACCOUNTANTS

Our House of Portland (A Non-Profit Organization)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Our House of Portland
Portland, Oregon

We have audited the accompanying statement of financial position of Our House of Portland (a non-profit organization) as of March 31, 2010, and the related statement of activity, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Our House of Portland. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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 Our House of Portland as of March 31, 2010, 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.

Lauka Associates

Portland, Oregon
July 21, 2010

Our House of Portland (A Non-Profit Organization)

Statement of Financial Position

March 31, 2010, with comparative totals for 2009

(See Accompanying Notes and Accountant's Audit Report)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Current Assets				
Cash	\$ 86,416	\$ 45,687	\$ 132,103	\$ 127,939
Operating reserves (Notes 1,3)	916,181		916,181	621,356
Receivables, net (Note 4)	156,909		156,909	118,876
Pledges receivable, net (Note 5)	9,389	13,875	23,264	38,345
Deferred grants receivable (Note 10)	8,125	172,458	180,583	422,171
Other current assets and prepaids	21,906		21,906	33,763
	<u>1,198,926</u>	<u>232,020</u>	<u>1,430,946</u>	<u>1,362,450</u>
Property and Equipment				
Net of accumulated depreciation (Note 6)	3,044,737		3,044,737	3,123,849
Other Assets				
Pledges receivable, net (Note 5)	4,000	10,000	14,000	23,395
Deferred grants receivable (Note 10)			-	184,284
	<u>4,000</u>	<u>10,000</u>	<u>14,000</u>	<u>207,679</u>
Total assets	<u>\$ 4,247,663</u>	<u>\$ 242,020</u>	<u>\$ 4,489,683</u>	<u>\$ 4,693,978</u>
Current Liabilities				
Accounts payable	\$ 21,183		\$ 21,183	\$ 9,811
Accrued payroll and payroll liabilities	167,928		167,928	138,761
Deferred grant revenue (Note 10)		172,458	172,458	422,171
	<u>189,111</u>	<u>172,458</u>	<u>361,569</u>	<u>570,743</u>
Long Term Liabilities				
Equipment financing arrangement (Note 11)	7,629		7,629	
Deferred grant revenue (Note 10)		-	-	184,284
Net Assets				
Unrestricted	4,050,923		4,050,923	3,572,196
Temporarily restricted (Notes 1,9)		69,562	69,562	366,755
	<u>4,050,923</u>	<u>69,562</u>	<u>4,120,485</u>	<u>3,938,951</u>
Total liabilities and net assets	<u>\$ 4,247,663</u>	<u>\$ 242,020</u>	<u>\$ 4,489,683</u>	<u>\$ 4,693,978</u>

Our House of Portland (A Non-Profit Organization)

Statement of Activity

For the year ended March 31, 2010, with comparative totals for 2009

(See Accompanying Notes and Accountant's Audit Report)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Operating Revenues				
Our House net resident service revenue	\$ 1,095,172		\$ 1,095,172	\$ 1,049,153
Neighborhood Housing & Care Program	181,433		181,433	175,528
Community Services	-		-	-
Swan House net resident service revenue	173,686		173,686	194,146
Other revenue	8,096		8,096	7,079
	<u>1,458,387</u>	<u>-</u>	<u>1,458,387</u>	<u>1,425,906</u>
Operating Expenses				
Our House resident care	1,438,408		1,438,408	1,281,427
Neighborhood Housing & Care expenses	309,647		309,647	298,610
Community Services	146,153		146,153	129,393
Swan House resident care	269,607		269,607	254,558
Administrative	275,341		275,341	258,497
	<u>2,439,156</u>	<u>-</u>	<u>2,439,156</u>	<u>2,222,485</u>
Deficit from operations	(980,769)	-	(980,769)	(796,579)
Nonoperating Income and (Expenses)				
Contributions, grants & events	1,310,597	28,674	1,339,271	1,152,806
Fundraising expenses	(371,092)		(371,092)	(312,847)
Net assets released from restriction	325,867	(325,867)	-	-
Loss on disposal of assets	(745)		(745)	-
Investment income	194,869	-	194,869	(168,410)
	<u>1,459,496</u>	<u>(297,193)</u>	<u>1,162,303</u>	<u>671,549</u>
Change in net assets	478,727	(297,193)	181,534	(125,030)
Net Assets, Beginning	3,572,196	366,755	3,938,951	4,063,981
Net Assets, Ending	\$ 4,050,923	\$ 69,562	\$ 4,120,485	\$ 3,938,951

Our House of Portland (A Non-Profit Organization)

Statement of Functional Expenses

For the year ended March 31, 2010, with comparative totals for 2009

(See Accompanying Notes and Accountant's Audit Report)

	Program Services				Supporting Services		2010	2009	
	Neighborhood		Community Services	Swan House		Administrative	Fund-raising	Total	Total
	Our House Resident Care	Housing & Care		Adult Foster Care					
Compensation									
Nursing and related services	\$ 584,937	\$ 60,193		\$ 164,499			\$ 809,629	\$ 755,119	
Social worker & Occup. Therapy	119,949	103,938		14,370			238,257	221,428	
Housekeeping	37,567			1,640			39,207	32,593	
Kitchen manager	28,551						28,551	26,115	
Volunteer program	65,460						65,460	60,098	
Director	51,717				8,620	25,858	86,195	83,006	
Administrative		8,856		242	157,347		166,445	162,761	
Community Service			22,965				22,965	21,007	
Development						125,399	125,399	117,827	
Temporary Nursing	18,188						18,188	26,190	
Payroll taxes & workers comp	92,860	19,713	2,266	19,963	17,568	15,058	167,428	154,289	
Employee benefits, training & recog.	94,624	17,286	5,137	23,603	17,613	15,098	173,361	141,696	
Advertising for staff	101						101	1,295	
Total compensation	1,093,954	209,986	30,368	224,317	201,148	181,413	1,941,186	1,803,424	
Payroll fees					5,296		5,296	6,818	
Audit and accounting fees		1,200	320	800	8,280		10,600	9,600	
Bad debts	7,030						7,030	757	
Business consultants	49,275						49,275	2,500	
Clinical consultants	6,146	2,445		75			8,666	7,210	
Communications	16,232	2,720	1,474	3,104	4,058		27,588	32,537	
Credit card fees			12	132		2,263	2,407	2,743	
Depreciation	89,035	1,472		74	22,259		112,840	113,312	
Direct mail, marketing, community relations & donor cultivation	13,932	124	31	78		27,199	41,364	28,350	
Dues and subscriptions				235	1,959		2,194	2,490	
Event expenses						136,015	136,015	100,882	
Groceries	23,615			13,550			37,165	40,512	
Insurance	12,583	4,204	3,135	1,956	3,146		25,024	26,156	
Leases	2,465		51,504	12,420			66,389	65,571	
Maintenance	22,874			586	5,718		29,178	20,035	
Medical supplies	37,835	77		405			38,317	39,598	
Other expenses	204	3,792	1,358	821	4,132		10,307	8,928	
Postage				6	1,419	582	2,007	3,524	
Program expenses		17,360	57,243				74,603	58,709	
Publications and cable tv	4,172			1,077			5,249	4,994	
Occupational therapy & Quality of living program	10,709	3,271		1,247			15,227	13,790	
Rental assistance		62,857					62,857	47,959	
Security system	2,767			420	692		3,879	3,111	
Storage unit rental					3,420		3,420	3,322	
Supplies	9,459	139	248	2,806	5,396	3,220	21,268	24,904	
Utilities	33,674		411	5,473	8,418		47,976	44,455	
Volunteer program	2,447		49	25			2,521	2,907	
Grant-writing						20,400	20,400	16,000	
Interest							-	234	
	344,454	99,661	115,785	45,290	74,193	189,679	869,062	731,908	
Total expenses	\$ 1,438,408	\$ 309,647	\$ 146,153	\$ 269,607	\$ 275,341	\$ 371,092	\$ 2,810,248	\$ 2,535,332	

Our House of Portland (A Non-Profit Organization)

Statement of Cash Flows

For the year ended March 31, 2010, with comparative totals for 2009

(See Accompanying Notes and Accountant's Audit Report)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Cash Flows Related to Operating Activities				
Change in net assets	\$ 478,727	\$ (297,193)	\$ 181,534	\$ (125,030)
Adjustments to reconcile the change in net assets to cash provided (used) by operating activities:				
Depreciation	112,840		112,840	113,312
Loss on disposal of assets	745		745	0
Receivables	(38,033)		(38,033)	(34,071)
Deferred grants	(8,125)		(8,125)	(410)
Pledges receivable	3,126	21,350	24,476	36,425
Other assets	11,857		11,857	(900)
Accounts payable	11,372		11,372	(7,252)
Accrued liabilities and deposits	29,165		29,165	4,344
Assets released from restriction	(290,200)	290,200	-	-
Net cash provided (used) by operating activities	311,474	14,357	325,831	(13,582)
Cash Flows Related to Financing Activities				
Payments on equipment financing arrangement	(4,855)		(4,855)	
Proceeds from line of credit			-	134,101
Payments on line of credit			-	(134,101)
Net cash used by financing activities	(4,855)	-	(4,855)	-
Cash Flows Related to Investing Activities				
Investment activity	(294,825)	-	(294,825)	68,294
Purchase of equipment	(21,987)		(21,987)	(15,000)
Net cash provided (used) by investing activities	(316,812)	-	(316,812)	53,294
Change in cash	(10,192)	14,357	4,164	39,711
Cash, Beginning	96,608	31,330	127,939	88,227
Cash, Ending	<u>\$ 86,416</u>	<u>\$ 45,687</u>	<u>\$ 132,103</u>	<u>\$ 127,939</u>
NONCASH ACTIVITY				
Donated fixed assets capitalized			\$ 9,000	\$ 9,800
Donated supplies & services expensed			\$ 152,386	\$ 68,127
Donated value of lease for Community Service Program			\$ 51,504	\$ 51,504
Equipment purchased on financing arrangement			\$ 12,484	\$ -
Interest Paid			\$ -	\$ 234

Our House of Portland, (A Non-Profit Organization)

Notes to Financial Statements
March 31, 2010

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Our House

Our House of Portland (Our House) was established in 1988 as a non-profit residential care facility located in Portland, Oregon, providing facility-based 24-hour nursing care for up to fourteen individuals in the advanced stages of AIDS.

Swan House

Swan House is a large 6-bedroom home located in Milwaukie, Oregon and serves five adult low-income persons living with AIDS who need on-site supportive services for moderate physical and/or mental health challenges.

NHCP

The Neighborhood Housing and Care Program (NHCP) combines stable housing with in-home medical, occupational therapy and social work services for individuals in the community living with AIDS who can establish themselves in a more independent setting.

Community Services

Community Services is a program acquired from the Friends of PWA's (People With Aids) Foundation in June of 2007. The program consists of Tod's Corner and Esther's Pantry which provide financially challenged individuals living with HIV/AIDS access to food, personal care items, clothing, and pet supplies.

Revenues

The primary sources of revenues from all of the Our House programs consist of contributions, grants, and payments for community based care.

Financial statement presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board FASB ASC 958, *Presentation of Financial Statements of Not-for-Profit Organizations*. The Organization reports 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.

NOTE - 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)***

Comparative financial information and expense allocation

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2009, from which the summarized information was derived.

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include general checking account funds and cash on hand. Temporarily restricted cash includes contributions for the capital campaign.

Income taxes

The Organization is a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Organization qualifies for the charitable contribution deduction under 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

In-Kind donations and expenses

The Organization receives donations of supplies, medical supplies, printing and other costs that Our House would otherwise purchase. The value of these products is recorded as in-kind contribution revenue and expensed in the financial statements. The value of donated leased property used for the Community Service Program is recorded at fair market value as lease expense.

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Contributed services

Under Financial Accounting Standards Board FASB ASC 958-605-25, *Contributed Services*, if contributed services create or enhance non-financial assets, or require specialized skills that are performed by people with those skills, and would otherwise be purchased, those services would be recognized as contributions. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, fundraising, and various committee assignments that are not recorded in the financial statements. The Organization receives approximately 18,242 volunteer hours per year. Of these hours, 7,000 are required for daily operations and include services for the cook/dietician, maintenance, medical director and receptionists. Management estimates the value of the operational services is about \$145,950.

Contributions and pledges

Contributions and pledges are recognized when the donor makes a written promise to give that is, in substance, unconditional. Contributions that are restricted by the donor either by purpose and/or time are reported as increases in unrestricted net assets if the restrictions expire in the fiscal 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 and are reported in the statement of activities as a release from restriction.

Investments and investment income

Investments including operating reserves with readily determinable market values are stated at fair market value. Realized and unrealized gains are reported in the statement of activity when recognized. Since no restrictions exist on investment income, all income and gains or losses are recorded as non-operating unrestricted activity.

Property and equipment

Acquisitions of property and equipment in excess of \$500 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

Depreciation is computed using primarily the straight-line method with the following class lives:

Buildings	39 years
Furniture and equipment	3-7 years

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Receivables and Allowance for Doubtful Accounts

Accounts and pledges receivable are stated at cost and do not accrue interest on past due amounts over 30 days. An allowance for doubtful accounts is accrued for the portion of resident receivables over 90 days old. Receivables are charged off as uncollectible after management has made reasonable collection efforts. As of March 31, 2010, there was no accrual for the allowance. An allowance for uncollectible pledges has not been recorded in the financial statements as management estimates that most pledges are collectable and the un-collectable amount is immaterial.

NOTE - 2 STATE OF OREGON CONTRACTS

Our House has a personal/professional services contract with the State of Oregon to provide reimbursement for specialized residential care facility services. The current contract period expires June 30, 2010, and is subject to renewal. A service payment is paid for each eligible resident, per month, less any resident income available to apply to the cost. The rates are determined by the State of Oregon and payments are subject to the provisions of ORS 293.462 and shall not exceed the total maximum sum of \$2,054,304 for the period July 23, 2008 – June 30, 2010. The State contract was renewed for the period July 1, 2010 – June 30, 2012, for \$2,114,784. Net resident service revenue for the year ending March 31, 2010, includes \$978,311 of state funding.

Swan House has a personal/professional services contract with the State of Oregon to maintain a valid Adult Foster Care Home. The current contract period is for January 1 – December 31, 2010, and is subject to renewal. A service payment is paid for each eligible resident, per month, less any resident income available to apply to the cost. The rates are determined by the State of Oregon and payments are subject to the provision of ORS 293.462 and shall not exceed the total maximum sum of \$206,160. There are presently no factors that have come to our attention that would cause us to believe the state would not renew the contract. Net resident service revenue for the year ending March 31, 2010, includes \$137,995 of state funding.

Our House of Portland, (A Non-Profit Organization)

Notes to Financial Statements
March 31, 2010

NOTE - 3 OPERATING RESERVES

Investments are carried at market value. The following is a summary of the operating reserve asset mix and investment income at March 31, 2010:

Mutual Funds	
Equity	\$ 366,240
Fixed Income	334,464
9 month CD due 9/25/10	101,614
15 month CD due 6/18/11	100,065
Cash and equivalents	<u>13,798</u>
	\$ <u>916,181</u>

The investment income (loss) for the year consisted of the following activity:

Realized/Unrealized investment losses	\$ 178,159
Interest and dividends	21,027
Investment fees	<u>(4,317)</u>
Net Investment Income (loss)	\$ <u>194,869</u>

Mutual funds and other investment products are not insured by the FDIC or any other government agency, and are subject to investment risks, including possible loss of principal invested.

NOTE - 4 RECEIVABLES

Receivable balances at March 31, 2010, consisted of the following:

Trade receivables	\$ 95,034
Other receivables	<u>61,875</u>
	\$ <u>156,909</u>

Our House of Portland, (A Non-Profit Organization)

Notes to Financial Statements
March 31, 2010

NOTE - 5 PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give and may be restricted for uses as designated by the capital campaign.

Unconditional pledges receivable due in more than one year are required to be reflected at the present value of estimated future cash flows using a discount rate. However, the discounts on amounts due in one to five years are considered immaterial. The pledges are stated at the value expected to be received.

Amounts due in:

Less than one year	\$	23,264
One to five years		<u>14,000</u>
	\$	<u>37,264</u>

NOTE - 6 PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2010, consisted of the following:

Automobiles	\$	45,165
Furniture and fixtures		112,756
Equipment		135,599
Building and improvements		2,982,177
Land		<u>257,346</u>
		3,533,043
Accumulated depreciation		<u>(488,306)</u>
	\$	<u>3,044,737</u>

NOTE - 7 LINE OF CREDIT

Our House has a line of credit available effective October 2, 2006, for up to \$100,000 collateralized by personal property, equipment, inventory and receivables. The Interest rate is equal to the Wall Street Journal Prime Rate plus 2 percentage points and minimum payments are due monthly. There were no borrowings during the year and as of March 31, 2010, there was no balance due on the line.

Our House of Portland, (A Non-Profit Organization)

Notes to Financial Statements
March 31, 2010

NOTE - 8 CONCENTRATIONS

Receivables

Our House is located in Portland, Oregon. The facility grants credit without collateral to its residents, most of who are local residents and are insured under third-party payor agreements or meet the Medicaid eligibility criteria.

The composition of trade receivables and net resident services revenue at March 31, 2010, was as follows:

	Receivable Amount	Trade & Other Receivables	Net Resident Service Revenue
State of Oregon	\$ 87,642	56%	88%
Other	<u>69,267</u>	<u>44%</u>	<u>12%</u>
	<u>\$ 156,909</u>	<u>100%</u>	<u>100%</u>

Cash

Our House maintains three bank accounts at two institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at any one institution may occasionally during the year exceed federally insured limits.

Source of Revenue

Three donor/grantors combined accounted for 14.6% of total revenues for the year ended March 31, 2010.

NOTE - 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2010, were available for the following purposes:

Mental Health Counselor	\$ 10,996
Building Maintenance	23,875
Cultural Competency	9,053
Quilt Projects	1,789
Food, Volunteer Mgmt, NHCP	8,625
Community Services	<u>15,224</u>
	<u>\$ 69,562</u>

Our House of Portland, (A Non-Profit Organization)

Notes to Financial Statements
March 31, 2010

NOTE - 10 DEFERRED GRANTS

HUD grants are considered exchange transactions and accordingly are not recorded as income in the financial statements until services are performed and costs incurred. Certain other multi-year grants are restricted by time commitments. Multi-year grants are recorded as receivables when pledged, but the income is deferred until earned. Deferred grants consisted of the following activity for the year ended March 31, 2010:

HUD Renewal Grant	\$ 150,594
Other Grants	<u>29,989</u>
	\$ <u>180,583</u>
Current	\$ 180,583
Long-Term	-

NOTE - 11 COMMITMENTS AND CONTINGENCIES

Federal Programs

Federal grants received by Our House during the current and previous years since 2005 including, but not limited to, HUD, Oregon Housing and Community Services, and the City of Portland, Oregon, have ongoing monthly and/or annual reporting requirements, tenant income eligibility requirements, and period of use restrictions on the building. These requirements are primarily determined by the U.S. Department of Housing and Urban Development (HUD) and the Portland Development Commission (PDC) and are subject to federal regulation and any Handbooks HUD may issue governing the HOPWA or other federal programs. A three year HUD/HOPWA grant was renewed in June 2010 for \$1,016,934.

Equipment Financing Arrangement

Our House purchased computer equipment on a financing arrangement with the vendor payable over three years, no interest, monthly payment of \$346.79. The amounts will be paid as follows:

Year ending March 30, 2011	\$5,168
Year ending March 30, 2012	\$7,629

NOTE - 12 EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 21, 2010, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.