

MAITRI COMPASSIONATE CARE

Financial Statements

June 30, 2011

MAITRI COMPASSIONATE CARE

Financial Statements

June 30, 2011

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6

Certified Public Accountant

61 Prince Royal Drive
Corte Madera, CA 94925
agn.cpa@comcast.net
415-927-9475 voice
415-924-6960 fax

INDEPENDENT AUDITOR'S REPORT

Board of Directors

MAITRI COMPASSIONATE CARE

I have audited the accompanying statement of financial position of Maitri Compassionate Care (a nonprofit organization) as of June 30, 2011, 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. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Organization's financial statements for June 30, 2010 and, in my report dated January 28, 2011, I expressed an unqualified opinion on those financial statements.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maitri Compassionate Care as of June 30, 2011, 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*, I have also issued my report dated October 20, 2011, on my consideration of Maitri Compassionate Care's internal control over financial reporting and on my 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 my 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 important for assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Maitri Compassionate Care taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Antoinette G. Nies, CPA

October 20, 2011

MAITRI COMPASSIONATE CARE
Statement of Financial Position
June 30, 2011
(With Comparative Totals at June 30, 2010)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Equivalents	\$ 7,322	\$ 72,287
Operating Reserve	41,368	1,358
Grants and Contracts Receivable	142,018	28,370
Unconditional Promises to Give	15,150	14,090
Other Receivables	3,906	-
Prepaid Expenses	14,000	22,501
Total Current Assets	223,764	138,606
LONG-TERM ASSETS		
Cash - Replacement Reserve	409,977	407,032
Deposits	600	600
Property and Equipment - Net	1,892,252	1,962,914
Total Long-Term Assets	2,302,829	2,370,546
TOTAL ASSETS	\$ 2,526,593	\$ 2,509,152
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 43,933	\$ 56,235
Salaries Payable	23,603	88,075
Accrued Expenses	94,576	82,406
Current Portion of Long-term Debt	4,149	4,134
Total Current Liabilities	166,261	230,850
LONG-TERM LIABILITIES		
Lease Deposit	13,000	13,000
Note Payable	297,583	301,787
Total Long-Term Liabilities	310,583	314,787
Total Liabilities	476,844	545,637
NET ASSETS		
Unrestricted	649,098	511,762
Temporarily Restricted	1,400,651	1,451,753
Total Net Assets	2,049,749	1,963,515
TOTAL LIABILITIES AND NET ASSETS	\$ 2,526,593	\$ 2,509,152

MAITRI COMPASSIONATE CARE
Statement of Activities
For the Year Ended June 30, 2011
(With Comparative Totals at June 30, 2010)

	Unrestricted	Temporarily Restricted	2011	2010
REVENUES, GAINS, AND OTHER SUPPORT:				
Fees and Grants from Governmental Agencies	\$ 1,787,583		\$ 1,787,583	\$ 1,447,150
Contributions	189,937	15,150	205,087	240,660
Foundation and Corporate Grants	240,723	77,160	317,883	314,776
In-Kind Contributions	15,000		15,000	15,000
Fundraising Events	39,355		39,355	56,170
Rent - Net of expenses of \$27,049	183,288		183,288	189,648
Resident Fees	64,973		64,973	80,785
Interest	3,043		3,043	4,749
Other	13,214		13,214	8,860
Total Revenue, Gains and Other Support	<u>2,537,116</u>	<u>92,310</u>	<u>2,629,426</u>	<u>2,357,798</u>
NET ASSETS RESTRICTED OR RELEASED FROM RESTRICTIONS:				
Satisfaction of Program Requirements	77,160	(77,160)	-	-
Transactions Restricted under Grant				
Depreciation	70,441	(70,441)	-	-
Payment of Debt Secured by Property	(24,045)	24,045	-	-
Imputed Interest	19,856	(19,856)	-	-
Total Net Assets Restricted or Released from Restrictions	<u>143,412</u>	<u>(143,412)</u>	<u>-</u>	<u>-</u>
EXPENSES AND LOSSES				
Program Services	1,951,976		1,951,976	2,104,518
Support Services				
General and Administrative	331,227		331,227	291,651
Development	259,989		259,989	362,049
Total Expenses and Losses	<u>2,543,192</u>	<u>-</u>	<u>2,543,192</u>	<u>2,758,218</u>
Change in Net Assets	137,336	(51,102)	86,234	(400,420)
NET ASSETS, Beginning of Year	511,762	1,451,753	1,963,515	2,363,935
NET ASSETS, End of Year	<u>\$ 649,098</u>	<u>\$ 1,400,651</u>	<u>\$ 2,049,749</u>	<u>\$ 1,963,515</u>

MAITRI COMPASSIONATE CARE
Statement of Functional Expenses
For the Year Ended June 30, 2011
(With Comparative Totals at June 30, 2010)

	<u>Program</u>	<u>General and Administrative</u>	<u>Development</u>	<u>2011</u>	<u>2010</u>
Salaries	\$ 1,305,996	\$ 204,693	\$ 123,727	\$ 1,634,416	\$ 1,716,191
Payroll Taxes and Employee Benefits	351,024	32,676	12,743	396,443	439,726
	<u>1,657,020</u>	<u>237,369</u>	<u>136,470</u>	<u>2,030,859</u>	<u>2,155,917</u>
Occupancy	76,381	8,252	5,421	90,054	101,226
Professional Fees	8,480	45,665	24,130	78,275	85,012
Supplies	46,756	2,199	9,364	58,319	72,533
Food	51,508		737	52,245	59,436
Equipment Rent and Repairs	12,166	346	15,650	28,162	29,522
Printing and Reproduction	697	301	25,209	26,207	21,903
Medical Waste	21,637			21,637	21,827
Interest		20,110		20,110	20,110
Telephone	14,545	2,365	880	17,790	19,375
Other Expenses	4,244	4,860	4,958	14,062	22,158
Insurance	7,925	4,040	546	12,511	14,725
Mailhouse			12,306	12,306	6,848
Advertising and Public Relations	75	260	8,694	9,029	14,954
Travel and Transportation	7,776	190	898	8,864	20,716
Postage and Shipping	2,155	227	6,368	8,750	9,374
Meals and Entertainment	486	781	5,609	6,876	27,202
Gifts and Acknowledgement	197			197	6,597
	<u>1,912,048</u>	<u>326,965</u>	<u>257,240</u>	<u>2,496,253</u>	<u>2,709,435</u>
Total Expenses before Depreciation					
Depreciation and Amortization	39,928	4,262	2,749	46,939	48,783
Total Expenses	<u><u>1,951,976</u></u>	<u><u>331,227</u></u>	<u><u>259,989</u></u>	<u><u>2,543,192</u></u>	<u><u>2,758,218</u></u>

MAITRI COMPASSIONATE CARE
Statement of Cash Flows
For the Year Ended June 30, 2011
(With Comparative Totals at June 30, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 86,234	\$ (400,420)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	70,662	72,264
Imputed Interest	19,856	20,109
(Increases) Decreases in Operating Assets		
Operating Reserve	(40,010)	99,343
Grants and Contracts Receivable	(113,648)	241,134
Pledges Receivable	(1,060)	(3,861)
Other Receivables	(3,906)	
Prepaid Expenses and Deposits	8,501	2,756
Replacement Reserve	(2,945)	(4,054)
Increases (Decreases) in Operating Liabilities		
Accounts Payable	(12,302)	6,428
Salaries Payable	(64,472)	4,011
Accrued Expenses	12,170	(23,599)
Net Cash Provided (Used) by Operating Activities	(40,920)	14,111
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(24,045)	(24,045)
Net Cash (Used) by Financing Activities	(24,045)	(24,045)
 NET (DECREASE) IN CASH	(64,965)	(9,934)
 CASH, Beginning of Year	72,287	82,221
 CASH, End of Year	\$ 7,322	\$ 72,287
 SUPPLEMENTAL DISCLOSURES:		
Operating activities reflect interest paid of:	\$ 255	\$ -

MAITRI COMPASSIONATE CARE

Notes to Financial Statements

June 30, 2011

1. **Organization**

Maitri Compassionate Care (Maitri) was founded in 1987 as a residential hospice for people with AIDS. A state licensed 15-bed residence for low-income people with AIDS, Maitri provides a high level of medical supervision and support for people who are seriously ill or disabled. In collaboration with home health agencies and hospice organizations, Maitri provides skilled nursing and end-of-life care.

Maitri derives approximately 69% of its revenue from the Federal government by way of the City and County of San Francisco.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

Maitri 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.

Cash and Cash Equivalents

Cash equivalents held for investment and not used in operations are considered to be investments for the statement of cash flows.

Grants and Contracts Receivable

Grants and contracts receivable are stated at their unpaid balances. No allowance for doubtful accounts is considered necessary as the receivables relate primarily to governmental agencies.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, other assets, accounts payable and accrued expenses, none of which are held for trading purposes, approximate the fair value due to the short-term nature of these instruments.

Property and Equipment

Maitri capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

MAITRI COMPASSIONATE CARE

Notes to Financial Statements

June 30, 2011

(Continued)

2. Summary of Significant Accounting Policies – continued

Donated Assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Maitri reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Maitri reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

MAITRI COMPASSIONATE CARE

Notes to Financial Statements

June 30, 2011

(Continued)

2. Summary of Significant Accounting Policies – continued

Income Taxes

The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Maitri recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Maitri does not believe its financial statements include any uncertain tax positions.

3. Reserve Funds

Under the terms of grants and loans from the San Francisco Redevelopment Agency, funded by the Department of Housing and Urban Development, Maitri is required to maintain two reserve accounts:

Operating Reserve-Maitri is required to make monthly deposits of 5% of project income until a balance equal to three months of project operating expenses is achieved. Funds may be disbursed to alleviate certain cash shortfalls with prior written approval by the San Francisco Redevelopment Agency. At June 30, 2011, the balance of this account is \$41,368.

Replacement Reserve-Maitri is required to make quarterly deposits of 3% of project income and may make withdrawals only for property and equipment as may be reasonably required to preserve the value of the building. At June 30, 2011, the balance of this account is \$409,977.

4. Property and Equipment

Property and Equipment consist of the following:

Land	\$ 205,000
Building and Improvements	2,661,438
Furniture and Equipment	<u>312,315</u>
	3,178,753
Less: Accumulated Depreciation	<u>1,286,501</u>
Net Book Value	<u>\$ 1,892,252</u>

Property and Equipment includes a residence for persons with AIDS. Under the terms of a grant from the San Francisco Redevelopment Agency, the use of this property is restricted until 2045 (see also Notes 5 and 6).

MAITRI COMPASSIONATE CARE

Notes to Financial Statements

June 30, 2011

(Continued)

5. Note Payable

The note payable consists of the following:

Redevelopment Agency of the City and County of San Francisco under the Housing Opportunities for Persons with AIDS and the United States Department of Housing and Urban Development, non-interest bearing. Annual payments in the amount of \$24,045 may be deferred in the event cash flows do not permit payments. The note is secured by real property. The face value of the note is \$645,020, which has been reduced to its present value using a discount rate of 6.49%.

Maturities are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 4,149
2013	4,688
2014	4,992
2015	5,316
2016	5,661
Thereafter	<u>276,926</u>
	301,732
Less: Current Maturity	<u>4,149</u>
Amount Classified as Long-Term Debt	<u>\$ 297,583</u>

6. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are comprised of the following:

<u>Restriction</u>	<u>Amount</u>
Property Use*	\$ 1,042,213
Discounts on Interest Free Notes	343,288
Future year's operations	<u>15,150</u>
	<u>\$ 1,400,651</u>

* Property Use - Under the terms of a 1995 grant from the Redevelopment Agency, Maitri must use its real property as a residence for persons with AIDS or disabling HIV for 10 years. If the organization can demonstrate that there is no need for a residence for persons with AIDS after that time, it is required to use the property for housing for persons with limited income for an additional 40 years. The amount included in Temporarily Restricted Net Assets is calculated as follows:

Net book value of property	\$ 1,687,233
Less: Mortgages and notes payable at face value	<u>(645,020)</u>
Temporarily Restricted	<u>\$ 1,042,213</u>

MAITRI COMPASSIONATE CARE

Notes to Financial Statements

June 30, 2011

(continued)

7. Concentration of Credit Risk

Cash

Maitri maintains its cash in bank deposit accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2011, Maitri's uninsured cash balances total approximately \$201,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Revenue

Maitri received approximately 47% of its revenues from the United States Department of Health and Human Services through the HIV Emergency Relief Formula/Supplemental Grant to serve clients in San Francisco and 19% from the United States Department of Housing and Urban Development through the Housing Opportunities for Persons with AIDS program.

8. Contingencies

Operating Reserves

Under the terms of the note payable to the Redevelopment Agency of the City and County of San Francisco, Maitri must make monthly deposits into its operating reserve until an amount equal to three months of project operating expense, or approximately \$570,000 is achieved. The current balance in this account is \$41,368.

Restricted Grant

As discussed in Note 5, the terms of the grant from the Redevelopment Agency require that the properties purchased with proceeds be used for specified purposes for fifty years following disbursement of the funds. If Maitri is in noncompliance with these terms, the amount of the grant and accrued interest at 10% become due. The grant was made in 1995 and totaled \$1,622,301.

Contracts and Grants

The Agency's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Agency has no provision for the possible disallowance of program costs on their financial statements.

9. Subsequent Events

In preparing these financial statements, Management has evaluated events and transactions for potential recognition or disclosure through October 20, 2011, the date the financial statements were available to be issued, and does not believe there are any material subsequent events which would require further disclosure.