

Maitri Compassionate Care

Financial Statements &
Independent Auditor's Report
for the year ended
June 30, 2012





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Maitri Compassionate Care
San Francisco, California

We have audited the accompanying statement of financial position of Maitri Compassionate Care (a nonprofit organization) as of June 30, 2012, 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. 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 Maitri Compassionate Care as of June 30, 2012, 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.

A handwritten signature in blue ink that reads "Cook & Company". The signature is written in a cursive, flowing style.

Cook & Company
Certified Public Accountant
San Francisco, California
December 21, 2012

Maitri Compassionate Care

Statement of Financial Position June 30, 2012

ASSETS

Current Assets:

Cash & equivalents	\$37,510
Grants & contracts receivable	113,646
Other receivables	8,644
Prepaid expenses	37,797
Total current assets	<u>197,597</u>

Operating reserve (Note 3)	247,120
Replacement reserve (Note 3)	211,240
Deposits	600
Property & equipment, net (Note 4)	<u>1,822,328</u>

TOTAL ASSETS \$2,478,885

LIABILITIES & NET ASSETS

Current Liabilities:

Accounts payable	\$15,240
Accrued wages & payroll taxes	37,241
Accrued vacation pay	90,496
Current portion of long-term debt (Note 5)	4,728
Total current liabilities	<u>147,705</u>

Lease deposit	13,000
Long-term debt (Note 5)	<u>292,544</u>

TOTAL LIABILITIES 453,249

Net Assets

Unrestricted	701,525
Temporarily restricted (Note 6)	<u>1,324,111</u>

TOTAL NET ASSETS 2,025,636

TOTAL LIABILITIES & NET ASSETS \$2,478,885

See accompanying notes to financial statements
and independent auditor's report.

Maitri Compassionate Care

Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue & Support			
Government grants & contracts	\$1,606,162		\$1,606,162
Foundation & corporate grants	132,650	\$75,750	208,400
Contributions	182,440	1,825	184,265
Net assets released from restriction:			
Satisfaction of donor requirements	155,615	(155,615)	0
Fundraising event, net of direct donor benefits of \$23,588	99,357	1,500	100,857
Commercial rental income, net of direct expenses of \$29,107	190,992		190,992
Resident fees	58,552		58,552
Miscellaneous	14,695		14,695
	2,440,463	(76,540)	2,363,923
Expenses:			
Program services	1,926,544		1,926,544
General & administrative	264,871		264,871
Fundraising	196,621		196,621
	2,388,036	0	2,388,036
CHANGE IN NET ASSETS	52,427	(76,540)	(24,113)
NET ASSETS, July 1, 2011	649,098	1,400,651	2,049,749
NET ASSETS, June 30, 2012	\$701,525	\$1,324,111	\$2,025,636

See accompanying notes to financial statements
and independent auditor's report.

Maitri Compassionate Care

Statement of Functional Expenses for the Year Ended June 30, 2012

	Program Services	General & Administrative	Fundraising	Common Costs	Total
Salaries & wages	\$1,244,596	\$139,675	\$91,451	\$81,759	\$1,557,481
Payroll taxes	108,298	12,097	8,700	7,041	136,136
Employee benefits	197,697	12,934	3,946	12,307	226,884
Professional services	12,250	54,260	16,570		83,080
Utilities	14,628	17	17	52,249	66,911
Building maintenance & repair	3,260		90	27,921	31,271
Telephone	1,690	50		17,882	19,622
Insurance	0	2,732		8,039	10,771
Supplies	27,189	362	7,969	19,962	55,482
Food	55,895		2,320		58,215
Equipment rental & maintenance	8,374		6,945	6,568	21,887
Printing & mailhouse	148	236	24,351		24,735
Postage & shipping	154	56	5,141	1,843	7,194
Travel & transportation	4,009	91	1,164	825	6,089
Advertising & public relations	95		6,103		6,198
Mortgage interest	0	19,585			19,585
Depreciation	0			46,616	46,616
Miscellaneous	4,924	2,498	2,457		9,879
Common cost allocation	243,337	20,278	19,397	(283,012)	0
Total Expenses	\$1,926,544	\$264,871	\$196,621	\$0	\$2,388,036

See accompanying notes to financial statements
and independent auditor's report.

Maitri Compassionate Care

Statement of Cash Flows for the Year Ended June 30, 2012

Cash flows from operating activities:

Change in net assets	(\$24,113)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	69,925
Changes in assets and liabilities:	
(Increase) decrease in grants & contracts receivable	28,371
(Increase) decrease in other receivables	10,412
(Increase) decrease in operating reserve	(205,752)
(Increase) decrease in prepaid expenses & deposits	(23,797)
Increase (decrease) in accounts payable	(28,693)
Increase (decrease) in accrued payroll liabilities	9,558
	<hr/>
Cash provided (used) by operating activities:	(164,089)

Cash flows from financing activities:

Funds drawn from long-term replacement reserve	198,737
Principal payments on long-term debt	<u>(4,460)</u>
Cash provided (used) by financing activities:	194,277

Cash provided (used) during year **30,188**

Cash & equivalents balance:

Beginning of year, July 1, 2011	<u>7,322</u>
End of year, June 30, 2012	<u><u>\$37,510</u></u>

Additional Disclosure

Interest paid during the year \$19,585

See accompanying notes to financial statements
and independent auditor's report.

Maitri Compassionate Care

Notes to Financial Statements June 30, 2012

1. The Organization

Nature of activities

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 / disabled. In collaboration with home health agencies and hospice organizations, Maitri provides skilled nursing and end-of-life care.

Exempt from income taxes by I.R.S. code section 501(c)(3), Maitri is governed by a board of directors.

Funding

Maitri receives the majority of its funding from contracts with government agencies. Revenue and support are also received through foundation and corporate grants, donations from the general public, program service fees, and special events. In addition, Maitri receives rent from leasing a portion of its building to another nonprofit organization operating a thrift store.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets, which includes resources not subject to donor-imposed restrictions.

Temporarily restricted net assets, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Accounting for Restricted Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

(continued)

Maitri Compassionate Care

Notes to Financial Statements June 30, 2012

(continued)

The Organization reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Cash & Cash Equivalents

Cash & cash equivalents include funds in a bank checking account.

Grants & Contracts Receivable

Receivables from program service contracts with government agencies are reported at the amount management expects to collect on balances outstanding at year-end. As all amounts are deemed fully collectible within 90 days of the balance sheet date, there is no allowance for doubtful accounts.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Property & Equipment

Property and equipment purchases of \$1,000 and higher are capitalized at their initial cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which ranges from three to five years for furnishings and equipment, and 37.5 years for real property.

Functional Expenses

Maitri allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Facility-related expenses that are common to several functions are allocated according to a formula based on each function's proportionate share of building square footage. Other common costs are allocated according to the relative amount of staff time spent on each function.

Advertising

The Organization conducts advertising to promote its activities. All advertising costs are expensed as incurred.

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.

Maitri Compassionate Care

Notes to Financial Statements June 30, 2012

3. Reserve Accounts

In accordance with the terms of funding received from the San Francisco Redevelopment Agency, funded by the Department of Housing and Urban Development, Maitri must maintain reserve accounts. Funds are invested in bank money market accounts. Details of these accounts are as follows:

Operating Reserve

Maitri is required to make monthly deposits of 5% of project income. Once a balance equal to three months of project operating expenses is achieved, no additional deposits are required, but this balance must be maintained. Funds may be disbursed from the account to alleviate cash shortfalls resulting from unanticipated and unusually high maintenance expenses, seasonal fluctuations in utility costs, abnormally high vacancy rates, and other expenses that vary seasonally or from month-to-month. Prior written approval must be obtained from the S.F. Redevelopment Agency to disburse funds. The account balance at June 30, 2012 is \$247,120.

Replacement Reserve

Quarterly deposits of 3% of project income are required. Withdrawals from the reserve account may be made only for capital improvements, furniture, fixtures, or equipment as may be reasonably required to preserve the value of the building owned by Maitri. The account balance at June 30, 2012 is \$211,240.

4. Property & Equipment

As of June 30, 2012, fixed assets consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$205,000		\$205,000
Building & improvements*	2,661,439	\$1,044,111	1,617,328
Machinery & equipment	151,706	151,706	0
Furniture & fixtures	110,109	110,109	0
Computers	<u>50,500</u>	<u>50,500</u>	<u>0</u>
Total	\$3,178,754	\$1,356,426	\$1,822,328

*As a condition of the original funding used to purchase the building, use of the building & improvements are restricted for use as a residence for persons living with AIDS until 2045. As such, this portion of fixed assets has been classified as temporarily restricted.

Maitri Compassionate Care

Notes to Financial Statements June 30, 2012

5. Note Payable

In April 1997, Maitri received a loan from the San Francisco Redevelopment Agency under HOPWA (Housing Opportunities for Persons with AIDS) Program, which is a program of H.U.D. The amount of the loan was \$833,000 and is payable in annual installments of \$24,045. As the loan is non-interest bearing, it was reduced to its present value at the time of the loan, using an interest rate of 6.49%, which was the estimated prevailing interest rate for such a loan.

Note payable	620,975
Less: discount to present value	<u>(323,703)</u>
Present value of loan at June 30, 2012	\$297,272

Annual maturities (principal payments) on the note are as follows:

<u>Fiscal-year ending</u>	<u>Principal payments</u>
June 30, 2013	\$4,728
June 30, 2014	4,992
June 30, 2015	5,316
June 30, 2016	5,661
June 30, 2017	6,029
Thereafter	<u>270,546</u>
Present value of loan at June 30, 2012	\$297,272
Less: current maturity	<u>(4,728)</u>
Amount classified as long-term debt	\$292,544

6. Temporarily Restricted Net Assets

Temporarily restricted net assets represent donations, grants, and gifts to Maitri, which have been restricted for a specific purpose or time period. Details are as follows:

Building & improvements, at net book value	\$1,617,328
Less amount financed by debt per Note 5	<u>(297,272)</u>
Portion of building & improvements restricted for use as a residence for people with AIDS until 2045, or if need ceases for that purpose, for low-income housing	1,320,056
Pledges restricted for future operations	<u>4,055</u>
Total temporarily restricted net assets at June 30, 2012	\$1,324,111

Maitri Compassionate Care

Notes to Financial Statements June 30, 2012

7. Operating Lease

Maitri rents a portion of its building to another nonprofit organization to operate a thrift store under a five-year operating lease expiring in October 2013. The tenant has an option to renew the lease for an additional five years at the prevailing market value. Monthly rent was \$13,283 during the 2011-2012 fiscal year. The lease calls for annual increases, which are tied to the Consumer Price Index.

Future minimum rental receipts under this lease are anticipated as follows:

<u>Fiscal year ending:</u>	
June 30, 2013	\$159,396
June 30, 2014	<u>39,849</u>
Total	\$199,245

8. Concentrations

Revenue

Maitri received approximately 68% of its revenue and support during the fiscal year from three program service contracts through the City & County of San Francisco. Should funding under these contracts decrease, Maitri could experience a contraction in its services.

Bank Deposits

As of June 30, 2012, Maitri had a total of \$458,360 on deposit in one bank, exceeding FDIC insurance limits by \$208,360.

9. Contingencies – Funding Source Requirements

Under the terms of a 1995 HOPWA grant in the amount of \$1,622,401 received from the San Francisco Redevelopment Agency, Maitri must make monthly deposits into its operating reserve until an amount equal to three months of project operating expenses is achieved. The current balance in this account is \$247,120. The grant also requires that Maitri's building be used as a residence for persons with AIDS until 2045. If the need to house persons with AIDS ceases within this time frame, the property may be used for low-income housing. If Maitri does not comply with the provisions of the grant, it may be required to repay the grant plus accrued interest of 10% per year. Based on correspondence received from the Mayor's Office on Housing (which now administers the HOPWA program following the closure of the San Francisco Redevelopment Agency), the likelihood of the City issuing a letter of default appears remote at this time.

10. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through December 21, 2012, the date the financial statements were available to be issued.