

HOMESTART, INC.

Financial Statements

Year ended September 30, 2012

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Financial Statements

Year ended September 30, 2012

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
HomeStart, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of HomeStart, Inc. (a Massachusetts not-for-profit corporation) (the "Organization") as of September 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. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated February 6, 2012, we expressed an unqualified opinion on those financial statements.

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 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 the Organization as of September 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.

Leonard, Mulherin & Greene, P.C.

LEONARD, MULHERIN & GREENE, P.C.
Braintree, Massachusetts

January 28, 2013

HOMESTART, INC.

Statement of Financial Position

September 30, 2012

(with comparative totals for 2011)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 462,216	\$ 187,479
Accounts receivable	601,082	643,553
Prepaid expenses	52,484	65,217
Pledges receivable	53,830	15,000
Total current assets	1,169,612	911,249
PROPERTY AND EQUIPMENT, net of accumulated depreciation	26,166	28,002
OTHER ASSETS		
Deposits	1,920	1,920
Total assets	\$ 1,197,698	\$ 941,171
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 419,036	\$ 568,457
Deferred revenue	64,203	64,076
Line of credit	-	100,000
Total liabilities	483,239	732,533
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	463,694	25,382
Temporarily restricted	250,765	183,256
Total net assets	714,459	208,638
Total liabilities and net assets	\$ 1,197,698	\$ 941,171

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

HOMESTART, INC.

Statement of Activities

Year ended September 30, 2012

(with comparative totals for 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Program service fees	\$ 6,199,460	\$ -	\$ 6,199,460	\$ 6,450,080
Contributions	938,699	-	938,699	710,439
In-kind contribution	84,854	-	84,854	30,244
Grants	152,388	350,620	503,008	481,078
Other income	101,214	-	101,214	84,989
Net assets released from restrictions				
Satisfaction of program restrictions	283,111	(283,111)	-	-
Total support and revenue	7,759,726	67,509	7,827,235	7,756,830
EXPENSES				
Program Services				
Housing stabilization	1,029,439	-	1,029,439	1,006,745
Housing resources	4,178,476	-	4,178,476	3,897,421
Housing search	773,787	-	773,787	983,350
Homeless prevention	747,065	-	747,065	1,132,798
Total program services	6,728,767	-	6,728,767	7,020,314
Supporting Services				
General and administrative	259,742	-	259,742	237,995
Fundraising	332,905	-	332,905	234,128
Total supporting services	592,647	-	592,647	472,123
Total expenses	7,321,414	-	7,321,414	7,492,437
CHANGE IN NET ASSETS	438,312	67,509	505,821	264,393
NET ASSETS, beginning of year	25,382	183,256	208,638	(55,755)
NET ASSETS, end of year	\$ 463,694	\$ 250,765	\$ 714,459	\$ 208,638

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

HOMESTART, INC.

Statement of Functional Expenses

Year ended September 30, 2012

(with comparative totals for 2011)

	2012					2011	
	Employee Compensation and Related	Occupancy	Other Program/ Operating	Administrative	Depreciation	Total	Total
Program Services							
Housing stabilization	\$ 531,590	\$ 53,762	\$ 413,368	\$ 30,719	\$ -	\$ 1,029,439	\$ 1,006,745
Housing resources	640,441	124,359	3,386,142	27,534	-	4,178,476	3,897,421
Housing search	710,532	46,712	7,160	9,383	-	773,787	983,350
Homeless prevention	465,923	17,194	251,379	12,569	-	747,065	1,132,798
Total program services	2,348,486	242,027	4,058,049	80,205	-	6,728,767	7,020,314
Supporting Services							
General and administrative	66,036	4,469	20,404	153,818	15,015	259,742	237,995
Fundraising	163,994	-	3,182	165,729	-	332,905	234,128
Total supporting services	230,030	4,469	23,586	319,547	15,015	592,647	472,123
Total expenses - 2012	\$ 2,578,516	\$ 246,496	\$ 4,081,635	\$ 399,752	\$ 15,015	\$ 7,321,414	
Total expenses - 2011	\$ 2,555,887	\$ 248,351	\$ 4,356,385	\$ 310,700	\$ 21,114		\$ 7,492,437

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

HOMESTART, INC.**Statement of Cash Flows**

Year ended September 30, 2012

(with comparative totals for 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 505,821	\$ 264,393
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	15,015	21,114
(Increase) decrease in asset accounts		
Accounts receivable	42,471	104,122
Prepaid expenses	12,733	(55,598)
Pledges receivable	(38,830)	26,480
Increase (decrease) in liability accounts		
Accounts payable and accrued expenses	(149,421)	(213,004)
Deferred revenue	127	644
Net cash provided by operating activities	387,916	148,151
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	2,520
Purchase of property and equipment	(13,179)	(18,317)
Net cash used in investing activities	(13,179)	(15,797)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from line of credit	344,800	-
Payments on line of credit	(444,800)	(150,000)
Net cash used in financing activities	(100,000)	(150,000)
Net increase (decrease) in cash and cash equivalents	274,737	(17,646)
Cash and cash equivalents, beginning of year	187,479	205,125
Cash and cash equivalents, end of year	\$ 462,216	\$ 187,479
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 5,667	\$ 12,925

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

HOMESTART, INC.

Notes to Financial Statements
September 30, 2012

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

HomeStart, Inc. (the "Organization") is a Massachusetts nonprofit organization that was incorporated in April 1996. The purpose of the Organization is to provide housing search services, supportive services and financial resources to homeless and other indigent people in order to help such persons secure and maintain housing and achieve successful, independent living in the general community.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Pursuant to accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets represent the portion of the net assets of the Organization that is neither permanently nor temporarily restricted by donor-imposed stipulations. Included in the unrestricted net assets is the activity of the Cambridge Housing Assistance Fund, which provides financial assistance to homeless and near homeless individuals and families.

Temporarily restricted net assets represent those assets whose use has been limited by donors to a specific time period or purpose. At September 30, 2012, temporarily restricted net assets totaled \$250,765 and are available for the homeless prevention program.

Permanently restricted net assets consist of endowment funds that have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted or temporarily restricted based on donor stipulations. The Organization had no permanently restricted net assets at September 30, 2012 or 2011.

Estimates

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

HOMESTART, INC.

Notes to Financial Statements
September 30, 2012

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers all accounts receivable at September 30, 2012 and 2011 to be fully collectible. Accordingly, no allowances for doubtful accounts have been recorded.

Property and Equipment

Property and equipment are recorded at cost on the date of acquisition or at fair market value on the date of donation, if donated. The Organization capitalizes significant additions to property and equipment, while expenditures for repairs and maintenance are expensed as incurred. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, which range from 3-5 years.

Fair Value Measurements

The Organization applies the provisions of accounting principles generally accepted in the United States of America for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. These provisions define fair value as the price that would be received in selling an asset or paid in transferring a liability in an orderly transaction between market participants at the measurement date. These provisions also establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Application of these provisions had no effect on the carrying value of any of the Organization's financial assets or liabilities.

Revenue Recognition

The majority of the Organization's clients are supported by federal funds passed through the City of Boston and City of Cambridge. Revenue is recorded as determined by the contracts with these government entities. Revenues are recognized as earned over the period services are performed. Revenue received in advance is recorded as deferred revenue until earned.

Contributions

Contributions are recognized at the earlier of when received or when a donor declares an unconditional intent to contribute cash or other assets to the Organization. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction has been satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Comparative Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2011 from which the summarized information was derived.

HOMESTART, INC.

Notes to Financial Statements
September 30, 2012

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind Contributions

Contributed services are recorded at fair market value on the date the services are provided if the services create or enhance non-financial assets or the services are provided by persons possessing certain skills that would typically need to be purchased if not provided by donation. In-kind contributions recorded for donated legal services totaled \$84,854 and \$30,244 during the years ended September 30, 2012 and 2011, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by various methods.

Tax Status

The Organization qualifies under Section 501(c)(3) of the Internal Revenue Code (the "Code") as exempt from federal and state income taxes. The Organization is not a private foundation within the meaning of Section 509(a) of the Code.

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken and concluded that, as of September 30, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2009.

Subsequent Events

The Organization evaluated events that occurred after September 30, 2012, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, January 28, 2013, for potential recognition or disclosure in the financial statements. The Organization did not identify any subsequent events that had a material effect on the accompanying financial statements.

2 – PLEDGES RECEIVABLE

All of the Organization's pledges receivable at September 30, 2012 are due in less than one year and are considered fully collectible by the Organization. Accordingly, no allowance for uncollectible pledges was recorded at September 30, 2012.

Pledges receivable are expected to be collected as follows for the years ending September 30:

2013	\$53,830
Total pledges receivable	\$53,830

HOMESTART, INC.

Notes to Financial Statements
September 30, 2012

3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

	2012	2011
Furniture and equipment	\$ 113,058	\$ 99,879
Leasehold improvements	19,033	19,033
	132,091	118,912
Less accumulated depreciation	105,925	90,910
	\$ 26,166	\$ 28,002

Depreciation expense totaled \$15,015 and \$21,114 for the years ended September 30, 2012 and 2011, respectively.

4 – LINE OF CREDIT

The Organization maintains a line of credit agreement with a borrowing limit of \$400,000 with a commercial bank to fund short-term working capital needs. Payments of interest only are due monthly with outstanding principal payable on demand. Interest on outstanding principal accrues at the prime rate (3.25% at September 30, 2012 and 2011), but not less than 3.99%. Interest totaled \$5,667 and \$12,925 for the years ended September 30, 2012 and 2011, respectively. In addition, the agreement requires that the Organization have no amounts outstanding on the line of credit for 30 consecutive days during each year. The Organization was in compliance with this covenant for the year ended September 30, 2012. The line is secured by all assets of the Organization. There was no balance outstanding on the line of credit at September 30, 2012 and \$100,000 outstanding at September 30, 2011.

5 – LEASE COMMITMENTS

The Organization leases equipment and office space in Boston and Cambridge, Massachusetts under operating leases expiring through August 2017.

Minimum future rental payments under the Organization's operating leases are as follows for the years ending September 30:

2013	\$ 231,542
2014	231,507
2015	167,547
2016	167,547
2017	153,584
	\$ 951,727

Rent expense totaled \$224,458 and \$225,696 for the years ended September 30, 2012 and 2011, respectively.

6 – RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan covering all eligible employees, which are those employees who are 21 years of age with one year of service and who work at least 1,000 hours annually.

HOMESTART, INC.**Notes to Financial Statements**

September 30, 2012

6 – RETIREMENT PLAN (continued)

The Organization's contributions are discretionary and are allocated to individual employee accounts. The Organization incurred expenses of \$946 and \$1,048 related to the retirement plan for the years ended September 30, 2012 and 2011, respectively.

7 – CONCENTRATION OF CREDIT RISK***Concentration of Risk***

A significant portion of the Organization's revenue and receivables are derived from contracts with the City of Boston and City of Cambridge. Approximately 70% of the Organization's total revenue for the year ended September 30, 2012 was derived from contracts with these cities and approximately 90% of the accounts receivable balance at September 30, 2012 is due from these cities.

8 – RELATED PARTY TRANSACTION

Two members of the Organization's board of directors are employed by a law firm from which the Organization received donated services valued at \$84,854 and \$30,244 during the years ended September 30, 2012 and 2011, respectively. These services have been recorded as in-kind contributions in the accompanying Statement of Activities. Only one of these individuals remained on the board of directors as of September 30, 2012.