

JERUSALEM HOUSE, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2011

**with
Independent Auditors' Report**

JERUSALEM HOUSE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jerusalem House, Inc.
Atlanta, Georgia

We have audited the accompanying statement of financial position of Jerusalem House, Inc. (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. 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 June 30, 2010 financial statements, and in our report dated November 29, 2010 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 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 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 Jerusalem House, Inc. 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*, we have also issued reports dated November 18, 2011 on our consideration of Jerusalem House'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 these reports 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. Those reports are an integral part of an audit performed with *Government Auditing Standards* and should be considered in assessing the results of our audit.



GIFFORD, HILLEGASS & INGWERSEN, LLP

November 18, 2011
Atlanta, Georgia

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Six Concourse Parkway
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Atlanta, GA 30328-5351

JERUSALEM HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	ASSETS	
	2011	2010
Cash	\$ 32,778	\$ 23,876
Accounts receivable	15,491	8,303
Unconditional promises to give (Note B)	-	3,583
Grants receivable	354,590	251,128
Prepaid expenses	22,109	11,852
Property and equipment (Notes B, C and D)	2,278,894	2,276,082
TOTAL ASSETS	\$ 2,703,862	\$ 2,574,824
	LIABILITIES AND NET ASSETS	
Liabilities		
Accounts payable	\$ -	\$ 2,204
Deferred revenue (Note B)	2,019	7,425
Other liabilities	22,693	15,086
Line of credit (Note D)	70,000	15,000
Liability for conditional grant (Note F)	109,152	115,574
TOTAL LIABILITIES	203,864	155,289
Commitments (Note I)		
Net Assets (Note G)		
Unrestricted	2,383,272	2,305,657
Temporarily restricted	115,181	112,333
Permanently restricted	1,545	1,545
TOTAL NET ASSETS	2,499,998	2,419,535
TOTAL LIABILITIES AND NET ASSETS	\$ 2,703,862	\$ 2,574,824

See accompanying notes.

JERUSALEM HOUSE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

(with comparative totals for 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public Support and Revenue					
Federal financial assistance	\$ 3,210,788	\$ -	\$ -	\$ 3,210,788	\$ 2,632,812
Other governmental assistance	59,000	-	-	59,000	41,000
Foundations, businesses, and organizations	280,321	209,208	-	489,529	458,407
In kind contributions	165,000	-	-	165,000	170,039
Special events	146,605	-	-	146,605	123,567
Individuals, memorials, and bequests	61,480	-	-	61,480	56,251
Program service fees	386,090	-	-	386,090	322,948
Loss on disposal of assets	(15,859)	-	-	(15,859)	(9,288)
Other income	6,682	-	-	6,682	21,112
Net assets released from restrictions	206,360	(206,360)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	4,506,467	2,848	-	4,509,315	3,816,848
Expenses					
Program services					
The Program for Single Adults	797,689	-	-	797,689	734,947
The Family Program	735,463	-	-	735,463	715,291
Scattered Site Program I	690,636	-	-	690,636	634,861
Scattered Site Program II	1,834,248	-	-	1,834,248	1,254,040
Supporting services					
Management and general	198,193	-	-	198,193	179,634
Fundraising	172,623	-	-	172,623	145,891
TOTAL EXPENSES	4,428,852	-	-	4,428,852	3,664,664
CHANGE IN NET ASSETS	77,615	2,848	-	80,463	152,184
Net Assets at Beginning of Year	2,305,657	112,333	1,545	2,419,535	2,267,351
Net Assets at End of Year	\$ 2,383,272	\$ 115,181	\$ 1,545	\$ 2,499,998	\$ 2,419,535

See accompanying notes.

JERUSALEM HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011
(with comparative totals for 2010)

	2011						2010	
	Program Services				Supporting Services		Total	Total
	The Program for Single Adults	The Family Program	Scattered Site Program I	Scattered Site Program II	Management and General	Fund Raising		
Salaries and wages	\$ 217,822	\$ 251,278	\$ 161,322	\$ 440,301	\$ 87,565	\$ 91,774	\$ 1,250,062	\$ 1,111,780
Workers compensation insurance	4,188	5,084	3,295	2,384	-	-	14,951	14,536
Payroll taxes	16,640	19,164	12,239	33,377	9,441	6,959	97,820	89,228
Employee benefits	27,579	37,823	15,921	41,303	14,490	4,913	142,029	102,192
TOTAL SALARIES AND RELATED EXPENSES	266,229	313,349	192,777	517,365	111,496	103,646	1,504,862	1,317,736
Apartment leases	-	-	308,379	747,389	-	-	1,055,768	817,280
Contract personnel	160,679	142,059	-	-	-	-	302,738	283,435
Apartment utilities	55,599	47,962	74,939	207,190	-	-	385,690	288,190
Apartment supplies	11,855	11,419	27,970	150,559	-	-	201,803	104,048
Maintenance and repairs	36,087	31,835	12	15	-	-	67,949	83,911
Major repairs	11,621	28,395	-	-	-	-	40,016	73,770
Professional services	8,481	8,468	8,653	9,408	263	2,084	37,357	37,593
Insurance	17,768	21,710	6,255	7,065	-	-	52,798	49,751
Occupancy	-	-	-	-	50,451	-	50,451	36,328
Board development	6,998	7,010	6,998	-	3,767	-	24,773	12,046
Supportive services	6,509	18,839	42,844	134,018	-	94	202,304	133,755
Special events	-	-	-	-	175	50,081	50,256	29,346
Communications	16,052	18,015	8,273	39,060	9,918	934	92,252	80,256
In-kind rent	165,000	-	-	-	-	-	165,000	165,000
Other	17,374	16,067	9,759	22,179	19,398	15,784	100,561	65,296
TOTAL EXPENSES BEFORE DEPRECIATION	780,252	665,128	686,859	1,834,248	195,468	172,623	4,334,578	3,577,741
Depreciation	17,437	70,335	3,777	-	2,725	-	94,274	86,923
TOTAL EXPENSES	\$ 797,689	\$ 735,463	\$ 690,636	\$ 1,834,248	\$ 198,193	\$ 172,623	\$ 4,428,852	\$ 3,664,664

See accompanying notes.

JERUSALEM HOUSE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ 80,463	\$ 152,184
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,274	86,923
Loss on disposal of property	15,859	9,288
Conversion of conditional grant to support	(6,422)	(6,422)
Decrease (increase) in operating assets:		
Accounts receivable	(15,491)	(8,303)
Unconditional promises to give	11,886	18,314
Grants receivable	(103,462)	(13,908)
Prepaid expenses	(10,257)	(1,412)
Increase (decrease) in operating liabilities:		
Accounts payable	(2,204)	(11,036)
Deferred revenue	(5,406)	(7,925)
Other liabilities	7,607	(420)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>66,847</u>	<u>217,283</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(112,945)	(121,292)
NET CASH USED IN INVESTING ACTIVITIES	<u>(112,945)</u>	<u>(121,292)</u>
Cash Flows from Financing Activities		
Net line of credit advances (payments)	55,000	(85,277)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>55,000</u>	<u>(85,277)</u>
Net Increase in Cash	8,902	10,714
Cash at Beginning of Year	<u>23,876</u>	<u>13,162</u>
Cash at End of Year	<u>\$ 32,778</u>	<u>\$ 23,876</u>
Supplemental Cash Flow Disclosures		
Interest paid	<u>\$ 2,254</u>	<u>\$ 2,580</u>

See accompanying notes.

JERUSALEM HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A—ORGANIZATION

Jerusalem House, Inc. (the “Organization”) was incorporated in the state of Georgia on August 2, 1988 as a nonprofit organization. Through four programs, the Organization provides permanent housing and supportive services for homeless and low-income persons living with HIV/AIDS in the metropolitan Atlanta area. In 1989 the Organization established the Program for Adults, serving 23 homeless single men and women living with HIV/AIDS. During 1997 Jerusalem House added the Family Program, serving 12 homeless single mothers with HIV/AIDS and their children. In 2003 the Organization opened the Scattered Site I Program to provide homeless individuals and families independent permanent housing and supportive services in 32 apartment units scattered throughout Atlanta. In 2009 the Organization expanded again by adding the Scattered Site II Program to provide low-income individuals and families living with HIV/AIDS permanent independent housing in 101 apartment units with supportive services. As of June 30, 2011, Jerusalem House provides homeless or low income individuals and families living with HIV/AIDS access to 168 units of permanent supportive housing.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under FASB ASC 958, 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.

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 generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

JERUSALEM HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Contributions and Unconditional Promises to Give: Contributions are recorded and presented in accordance with FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded as the promise is received. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. Management estimated an allowance of \$3,155 at June 30, 2010.

Contributions that are restricted by the donor 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.

Donated Materials: Donated materials are reflected as contributions at their estimated value at date of receipt. During each of the years ended June 30, 2011 and 2010, approximately \$10,200 and \$14,400 of donated materials were recorded, respectively.

Contributed Services: Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services meeting these criteria for the years ended June 30, 2011 and 2010 were not significant.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization at the residents' facilities. The Organization received approximately 3,685 and 3,150 volunteer hours in the years ended June 30, 2011 and June 30, 2010, respectively, which are not valued in the financial statements.

Contributed Facility: As described in Note H, the Organization leases land and a building for \$1 per year. The estimated fair value of the annual rental of \$165,000 for the years ended June 30, 2011 and 2010 is included in support revenue and program expense in the accompanying financial statements.

Financial Instruments and Credit Risk: Financial instruments, principally cash, receivables, line of credit and accounts payable are reported at values which Jerusalem House believes are not significantly different from fair values. At times cash in the bank is in excess of the FDIC insured limits. Jerusalem House believes no significant credit risk exists with respect to any of its financial instruments.

JERUSALEM HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment: The Organization capitalizes all expenditures for property, furniture, fixtures, and equipment in excess of \$5,000. Property and equipment are recorded at cost or fair value, if donated, and are depreciated using straight line methods ranging from three to forty years based upon their estimated useful lives.

Program Service Fees: Program service fees represent rent paid by residents in accordance with Section 3(a)(1) of the U.S. Housing Act of 1937. The amount of rent charged to each resident is based on the family's monthly adjusted income. Adjusted income is determined in accordance with HUD guidelines, and is adjusted at least annually. Fees collected are required to be used to offset program expenses. Accounts receivable represent program service fees that are due from residents at year end. The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on historical experience and management's analysis of specific accounts. Accounts are considered past due after 30 days. It is management's policy to write off accounts receivable when management determines the receivable will not be collectible. Management did not believe that an allowance was necessary at June 30, 2011 or 2010.

Deferred Revenue: Deferred revenue at June 30, 2011 and 2010 represents special event sponsorships for an event in the subsequent year.

Special Events: Special events revenue is shown net of cost of direct benefit to donors which amounted to approximately \$20,000 and \$9,000 for the years ended June 30, 2011 and 2010, 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code. The Organization qualifies for the charitable contribution deduction.

Management does not believe there are any uncertain tax positions at June 30, 2011 as defined by FASB ASC 740, *Income Taxes*. The Organization could be subject to income tax examinations for its U.S. federal tax filings for the current tax year and previous filings for fiscal years ended in 2010, 2009 and 2008 still open under the statute of limitations.

JERUSALEM HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Events Occurring After Report Date: The Board has evaluated events and transactions that occurred between June 30, 2011 and November 18, 2011 which is the date that the financial statements were available to be issued for possible recognition or disclosure in the financial statements.

NOTE C—PROPERTY AND EQUIPMENT

As of June 30, 2011 and 2010, property and equipment consisted of:

	<u>2011</u>	<u>2010</u>
Land	\$ 482,202	\$ 482,202
Buildings and land improvements	2,250,795	2,250,795
Leasehold improvements	166,557	130,436
Furniture, fixtures, and equipment	<u>233,533</u>	<u>217,726</u>
	3,133,087	3,081,159
Less accumulated depreciation	<u>(854,193)</u>	<u>(805,077)</u>
	<u>\$ 2,278,894</u>	<u>\$ 2,276,082</u>

NOTE D—LINE OF CREDIT

The Organization has a \$1,000,000 line of credit with a bank. The line accrues interest monthly at prime plus 0.5% with a floor of 4.5% (4.5% at June 30, 2011) and is secured by property. The credit line matures in March 2013. The Organization had an outstanding balance of \$70,000 and \$15,000 at June 30 2011 and 2010, respectively.

NOTE E—GRANTS FROM GOVERNMENT AGENCIES

The Organization is the recipient of federal financial assistance under Department of Housing and Urban Development programs. The balances of these grants and awards as of June 30, 2011 are as follows:

Cumulative Awards	\$ 3,364,665
Cumulative Expenditures	<u>(1,226,299)</u>
Unexpended Funds on Grants	<u>\$ 2,138,366</u>

JERUSALEM HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE E—GRANTS FROM GOVERNMENT AGENCIES—Continued

Funds are received on a cost reimbursement basis. Revenue with respect to the awards is recognized to the extent of costs incurred under the award terms.

Grants receivable on the Statements of Financial Position are receivable within one year.

NOTE F—LIABILITY FOR CONDITIONAL GRANT

During 1994 the Organization purchased property to implement a new program to provide a facility to house homeless women who have AIDS or symptomatic HIV disease and their children. Renovation of the facility began in January 1997. The facility was completed and opened in October 1997. During the year ended June 30, 1998, Federal Home Loan Bank granted Jerusalem House a \$192,633 forgivable loan for construction of the property. As long as the property is used for housing income eligible residents, the Bank will forgive a portion of the loan on an annual basis over thirty years. Consequently, during each of the years ended June 30, 2011 and 2010, \$6,422 of the loan was converted to support. This conditional grant is recorded as a liability on the financial statements.

NOTE G—RESTRICTED AND DESIGNATED NET ASSETS

Temporarily restricted net assets are contributions that are available for use for specific programs. At June 30, 2011 and 2010 temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Maintenance and repairs	\$ 61,084	\$ 39,854
Facilities Manager Position	-	40,547
The Family Program	-	12,646
Learning Center	23,000	5,000
Client Support	<u>31,097</u>	<u>14,286</u>
	<u>\$ 115,181</u>	<u>\$ 112,333</u>

Total board designated net assets as of June 30, 2011 and 2010 were \$30,000 and \$20,000, respectively and are included as unrestricted net assets. The amounts are designated for programs.

Permanently restricted net assets are endowment funds to be held indefinitely, the income from which is expendable to support program services.

JERUSALEM HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE H—CONTRIBUTION OF LAND AND BUILDING

During 1990 the Organization purchased land and a building for its operations. Title to the land and building was subsequently transferred to Metropolitan Atlanta Community Foundation. The Organization now leases the land and building for \$1 per year. During the year ended June 30, 1992, leasehold improvements and capitalized construction costs related to the 1992 renovation of and addition to the building were contributed to Metropolitan Atlanta Community Foundation. The Organization has made cumulative contributions of \$2,100,976 to Metropolitan Atlanta Community Foundation. The contributions were made to enhance fund raising as well as to ensure that the property will consistently be used for the community good.

NOTE I—LEASE COMMITMENTS

The Organization leases its administrative offices and certain office equipment under noncancelable operating leases. Office rent and office equipment rental expense for the years ended June 30, 2011 and 2010 amounted to approximately \$62,000 and \$47,000, respectively. Future minimum lease payments are as follows:

Year ending June 30:		
2012	\$	63,298
2013		64,349
2014		45,947

In addition, Jerusalem House leases apartments for its scattered site program under annual renewable leases. Related rent expense amounted to approximately \$1,056,000 and \$817,000 in the years ended June 30, 2011 and 2010, respectively.

NOTE J—EMPLOYEE BENEFIT PLAN

Effective July 2010 the Organization adopted a 403(b) plan for those employees who meet the eligibility requirements set forth in the Plan. All plan participants are allowed to contribute any amount up to the legal maximum allowed. The Organization matches 100% of the first 3% of a participants compensation deferred to the Plan. Employer contributions amounted to \$20,690 for the year ended June 30, 2011.

Single Audit Section

**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors
Jerusalem House, Inc.
Atlanta, Georgia

We have audited the financial statements of the Jerusalem House, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011, which contained an unqualified opinion on those financial statements and appears on page one. Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



GIFFORD, HILLEGASS & INGWERSEN, LLP

November 18, 2011
Atlanta, Georgia

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JERUSALEM HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

<u>Pass-Through Grantor/ Program Title</u>	<u>Date of Service</u>	<u>Grant Award #</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
Major Programs					
U.S. Department of Housing and Urban Development: Passed through					
City of Atlanta – Housing Opportunities for People with AIDS – Single Adults	7/1/09-6/30/11	Proj.# 04210440/ 3412-3415 / 250131767	14.241	\$ 975,109	\$ 492,391
City of Atlanta – Housing Opportunities for People with AIDS – Women & Children	7/1/09-6/30/11	Proj.# 04210439 3419-3422 / 250131767	14.241	736,220	372,413
City of Atlanta – Housing Opportunities for People with AIDS – Scattered Site II	4/1/09-6/30/11	Proj # 04210316/ 3366-69/250130381	14.241	2,977,257	1,551,565
City of Atlanta – Housing Opportunities for People with AIDS – Scattered Site	7/1/09-6/30/11	Proj.# 04210438 3416-3418 / 250131767	14.241	521,391	272,781
		Subtotal 14.241			<u>2,689,150</u>
U.S. Department of Housing and Urban Development: Passed through					
Georgia Department of Community Affairs – Shelter Plus Care	3/28/10-3/27/11	2009 09S SPC 09C267 GA0022C4B000802	14.238	314,839	213,278
Georgia Department of Community Affairs – Housing Trust Fund	7/1/10-6/30/11	2010 10S SPC 10C328 GA0022C4B001003	14.238	21,287	18,165
Georgia Department of Community Affairs – Shelter Plus Care	3/28/11-3/27/12	2010 10S SPC 10C328 GA0022C4B001003	14.238	304,097	<u>70,310</u>
		Subtotal 14.238			<u>301,753</u>

See accompanying note.

JERUSALEM HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued

For the Year Ended June 30, 2011

<u>Pass-Through Grantor/ Program Title</u>	<u>Date of Service</u>	<u>Grant Award #</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
<u>Non-Major Programs</u>					
U.S. Department of Housing and Urban Development Supportive Housing Program Grant	10/01/09-9/30/10	GA0021B4B000801	14.235	\$ 193,704	\$ 66,258
U.S. Department of Housing and Urban Development Supportive Housing Program Grant	10/01/10-9/30/11	GA0021B4B000802	14.235	193,704	<u>123,627</u>
		Subtotal 14.235			<u>189,885</u>
U.S. Department of Housing and Urban Development: Passed through					
Dekalb County – Community Development Block Grant	7/01/10-6/30/11	10-901952	14.218	30,000	<u>30,000</u>
TOTAL FEDERAL AWARDS					<u>\$ 3,210,788</u>

See accompanying note.

JERUSALEM HOUSE, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

NOTE A—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Jerusalem House, Inc. under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of Jerusalem House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Jerusalem House, Inc.

**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**

To the Board of Directors
Jerusalem House, Inc.
Atlanta, Georgia

We have audited the financial statements of Jerusalem House, Inc. (a not-for-profit organization), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. 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 Jerusalem House, Inc.'s 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 their 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 the Board of Directors, management, others within the organization, 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.

A handwritten signature in black ink, appearing to read "Gifford, Hillegass & Ingwersen, LLP". The signature is written in a cursive, flowing style.

GIFFORD, HILLEGASS & INGWERSEN, LLP

November 18, 2011
Atlanta, Georgia

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

To the Board of Directors
Jerusalem House, Inc.
Atlanta, Georgia

Compliance

We have audited Jerusalem House, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of their major federal programs for the year ended June 30, 2011. Jerusalem House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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Internal Control over Compliance

Management of Jerusalem House, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jerusalem House, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jerusalem House, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information of the Board of Directors, management, 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.

GIFFORD, HILLEGASS & INGWERSEN, LLP

November 18, 2011
Atlanta, Georgia

JERUSALEM HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Jerusalem House, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the financial statements of Jerusalem House, Inc.
3. No instances of noncompliance material to the financial statements of Jerusalem House, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit are reported in the financial statements of Jerusalem House, Inc.
5. The auditor's report on compliance for the major federal awards programs expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:
 - 14.241 Housing Opportunities for People with Aids
 - 14.238 Shelter Plus Care
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Jerusalem House, Inc. was determined to be a low risk auditee.

Findings – Financial Statements Audit

None.

Finding and Questioned Costs – Major Federal Award Programs Audit

None.