



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2008

**ST. MARTIN'S HOSPITALITY CENTER
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FOR THE YEAR ENDED JUNE 30, 2008**

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**ST. MARTIN'S HOSPITALITY CENTER
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2008**

BOARD OF DIRECTORS

Monica Hussey	Chair Person
Dana Skaar	Vice-Chair
Tracy Quevedo	Treasurer
Ron Raburn	Secretary
Valerie Armendariz	Director
Lucy Barela	Director
David Bruner	Director
Barbara Dodge	Director
Donna Halthom	Director
Cathy Newby	Director
Peggy Roberts	Director

ADMINISTRATIVE STAFF

Lee G. Pattison	Executive Director
Kathy Westby	Chief Financial Officer

O.D. WATERS, PC
CERTIFIED PUBLIC ACCOUNTANT

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To the Board of Directors of
St. Martin's Hospitality Center
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of St. Martin's Hospitality Center, a nonprofit organization, as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of St. Martin'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 St. Martin's 2007 financial statements and, in the report dated November 16, 2007; an unqualified opinion was expressed 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 from 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 St. Martin's Hospitality Center as of June 30, 2008, 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 our report dated March 10, 2009 on our consideration of St. Martin's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of St. Martin's Hospitality Center 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 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Ollie D. Waters, CPA
O.D. Waters, PC
Albuquerque, New Mexico
March 10, 2009

ST. MARTIN'S HOSPITALITY CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007)

ASSETS:

	2008	<u>2007</u>
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 20,295	\$ 45,713
Short Term Investments (Note 3)	213,855	295,015
Pledges Receivable (Note 4)	91,500	144,000
Grant Receivables (Note 5)	389,485	277,019
Program Receivables, net of allowance of \$8,768 (Note 6)	56,519	54,157
Related Party Receivable (Note 7)	408	17,800
Other Receivable (Note 8)	607	23,697
Prepaid Expenses (Note 9)	<u>35,757</u>	<u>42,568</u>
Total Current Assets	<u>808,426</u>	<u>899,969</u>
Property & Equipment		
Property & Equipment (Note 10)	1,161,865	1,002,512
Less Accumulated Depreciation (Note 10)	<u>(671,041)</u>	<u>(618,802)</u>
Net Property & Equipment	<u>490,824</u>	<u>383,710</u>
Other Assets		
Investments Restricted to Meet Client Custodial Liabilities	<u>-</u>	<u>55,515</u>
Total Other Assets	<u>-</u>	<u>55,515</u>
Total Assets	<u><u>\$ 1,299,250</u></u>	<u><u>\$ 1,339,194</u></u>

LIABILITIES:

Current Liabilities		
Accounts Payable	\$ 156,462	\$ 121,229
Accrued Wages & Benefits (Note 11)	112,139	91,979
Payroll Tax Liabilities	9,385	11,295
Client Custodial Accounts (Note 12)	192	55,513
Accrued Interest	1,068	1,160
Line of Credit (Note 13)	10,000	97,185
Current Portion of Capital Lease (Note 14)	3,633	-
Current Portion of Note Payable	-	2,447
Current Portion of Mortgage Payable (Note 15)	<u>26,244</u>	<u>26,460</u>
Total Current Liabilities	319,123	407,268
Long Term Liabilities		
Capital Lease-net of current portion (Note 14)	16,354	-
Mortgage Payable-net of current portion (Note 15)	<u>198,239</u>	<u>224,621</u>
Total Liabilities	<u>533,716</u>	<u>631,889</u>

NET ASSETS:

Unrestricted (Note 16)	592,701	517,348
Temporarily Restricted (Note 16)	<u>172,833</u>	<u>189,957</u>
Total Net Assets	<u>765,534</u>	<u>707,305</u>
Total Liabilities & Net Assets	<u><u>\$ 1,299,250</u></u>	<u><u>\$ 1,339,194</u></u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

**ST. MARTIN'S HOSPITALITY CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
REVENUE:				
Grants	2,503,323	12,655	2,515,978	2,068,108
Contributions and Support	75,314	53,340	128,654	140,457
Medicaid Fees	521,820	-	521,820	517,095
Program Income	174,839	-	174,839	172,392
United Way Allocations	-	91,500	91,500	144,000
Event Income	13,423	-	13,423	-
Administrative Income (Note 21)	56,870	-	56,870	12,431
Investment Income (Loss) (Note 3)	(80,166)	-	(80,166)	53,642
In-Kind Income (Note 17)	244,912	-	244,912	248,430
Net Assets released from restrictions:				
Restrictions satisfied by program payments	174,619	(174,619)		
Total Revenue	<u>3,684,954</u>	<u>(17,124)</u>	<u>3,667,830</u>	<u>3,356,555</u>
EXPENSES:				
Program	3,130,897	-	3,130,897	2,932,801
General & Administrative	347,582	-	347,582	312,505
Fundraising (Note 20)	78,884	-	78,884	59,191
Total Expenses before Depreciation	<u>3,557,363</u>	<u>-</u>	<u>3,557,363</u>	<u>3,304,497</u>
Change in Net Assets before Depreciation	127,591	(17,124)	110,467	52,058
Depreciation Expense (Note 10)	<u>52,238</u>	<u>-</u>	<u>52,238</u>	<u>57,028</u>
Increase (Decrease) in Net Assets	75,353	(17,124)	58,229	(4,970)
Net Assets at Beginning of Year	517,348	189,957	707,305	712,275
Net Assets at End of Year:	<u>\$ 592,701</u>	<u>\$ 172,833</u>	<u>\$ 765,534</u>	<u>\$ 707,305</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

**ST. MARTIN'S HOSPITALITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007)**

	PROGRAM SERVICES					TOTAL
	BEHAVIORAL	HOUSING	EMPLOYMENT	SHELTER	ACT	PROGRAM
	HEALTH					SERVICES
Salaries & Wages	887,238	29,576	321,438	160,330	5,630	1,404,212
Payroll Taxes	71,300	2,479	27,754	13,413	428	115,374
Benefits (Note 18)	123,016	5,672	15,408	11,617	527	156,240
Asst to Beneficiaries	122,531	745,625	-	329,132	4,420	1,201,708
Professional Services	31,587	785	-	19,111	-	51,483
Rents & Leases	19,320	220	-	2,782	-	22,322
Utilities	14,364	-	-	13,809	-	28,173
Communications	21,626	-	-	8,484	-	30,110
Interest Expense	4,111	-	-	1,087	-	5,198
Insurance	11,501	-	-	7,098	2,520	21,119
Travel & Transportation	22,185	504	-	3,130	38	25,857
Repairs & Maintenance	7,135	-	-	9,776	-	16,911
Equipment Non-Capital	18,665	-	-	1,633	7,819	28,117
Office Supplies	6,191	196	-	1,944	-	8,331
Operating Supplies	10,255	117	-	411	-	10,783
Conferences & Meetings	355	-	-	-	-	355
Dues & Subscriptions	968	-	-	622	-	1,590
Community Relations	1,258	-	-	458	-	1,716
Postage	-	292	-	11	-	303
Printing & Reproduction	387	-	-	-	-	387
Advertising (Note 19)	-	-	-	-	582	582
Fundraising	-	-	-	-	-	-
Miscellaneous	26	-	-	-	-	26
Expenses Before Depreciation	1,374,019	785,466	364,600	584,848	21,964	3,130,897
Depreciation Expense (Note 10)	-	-	-	-	-	-
Total Expenses	1,374,019	785,466	364,600	584,848	21,964	3,130,897

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

**ST. MARTIN'S HOSPITALITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007)**

	SUPPORTING SERVICES			2008	2007
	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
Salaries & Wages	212,387	56,944	269,331	1,673,543	1,572,123
Payroll Taxes	16,540	4,491	21,031	136,405	124,912
Benefits (Note 18)	15,577	4,923	20,500	176,740	161,852
Asst to Beneficiaries	4	-	4	1,201,712	1,137,723
Professional Services	20,823	1,201	22,024	73,507	64,085
Rents & Leases	7,632	-	7,632	29,954	41,248
Utilities	5,123	-	5,123	33,296	28,135
Communications	5,128	208	5,336	35,446	35,130
Interest Expense	14,670	-	14,670	19,868	20,764
Insurance	10,204	-	10,204	31,323	26,514
Travel & Transportation	414	867	1,281	27,138	18,680
Repairs & Maintenance	7,203	-	7,203	24,114	13,381
Equipment Non-Capital	3,847	565	4,412	32,529	6,470
Office Supplies	5,371	164	5,535	13,866	12,786
Operating Supplies	1,187	18	1,205	11,988	16,303
Conferences & Meetings	8,587	2,039	10,626	10,981	7,435
Dues & Subscriptions	5,111	1,299	6,410	8,000	6,563
Community Relations	92	-	92	1,808	1,973
Postage	2,781	1,380	4,161	4,464	1,475
Printing & Reproduction	37	1,330	1,367	1,754	2,327
Advertising (Note 19)	4,864	-	4,864	5,446	1,540
Fundraising	-	3,455	3,455	3,455	1,872
Miscellaneous	-	-	-	26	1,206
Expenses Before Depreciation	347,582	78,884	426,466	3,557,363	3,304,497
Depreciation Expense (Note 10)	52,238	-	52,238	52,238	57,028
Total Expenses	399,820	78,884	478,704	3,609,601	3,361,525

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

ST. MARTIN'S HOSPITALITY CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grantors	\$ 2,403,512	\$ 2,010,476
Cash received from contributions and support	128,654	140,457
Cash received from Medicaid fees	521,820	517,095
Cash received from program fees	172,477	205,011
Cash received from United Way allocations	144,000	125,000
Cash received from related party receivable	17,392	-
Cash received from other receivables	23,090	-
Cash received from the closing of custodial accounts	56,870	-
Proceeds from fundraising event	13,423	-
Cash received from interest income	13,318	12,400
Cash paid to and on behalf of employees	(1,968,438)	(1,864,263)
Cash paid for assistance to beneficiaries	(1,201,712)	(1,137,723)
Cash paid to related party	-	(8,454)
Cash paid for operating expenses	(117,461)	(41,821)
Cash paid for interest	(19,958)	(20,944)
Net cash provided by operating activities	<u>186,987</u>	<u>(62,766)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from sale of investment	55,628	-
Cash reinvested in investments	(12,437)	(14,557)
Cash paid for investment in equipment	(159,353)	(1,153)
Net cash provided by investing activities	<u>(116,162)</u>	<u>(15,710)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital lease	22,677	-
Proceeds from line of credit	592,000	464,337
Principal payments on debt	(710,920)	(394,255)
Net cash provided by financing activities	<u>(96,243)</u>	<u>70,082</u>
Net increase (decrease) in cash and cash equivalents	(25,418)	(8,394)
Cash and cash equivalents at beginning of year	<u>45,713</u>	<u>54,107</u>
Cash and cash equivalents at end of year	<u>\$ 20,295</u>	<u>\$ 45,713</u>
Cash displayed on Statement of Position as:		
Cash & Cash Equivalents	<u>20,295</u>	<u>45,713</u>
	<u>\$ 20,295</u>	<u>\$ 45,713</u>

**ST. MARTIN'S HOSPITALITY CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007)**

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in Net Assets	\$ 58,229	\$ (4,966)
Adjustments to reconcile increases in net assets to cash provided by operating activities:		
Depreciation	52,238	57,028
Unrealized Investment (Gain) Loss	93,485	(41,242)
(Increases) Decreases in Operating Assets:		
(Increase)Decrease in Grant Receivable	(112,466)	(57,632)
(Increase) Decrease in Program Receivables	(2,362)	32,619
(Increase) Decrease in Other Receivables	23,090	(28,045)
(Increase) Decrease in Related Party Receivables	17,392	-
(Increase) Decrease in Prepaid Expenses	6,811	9,141
(Increase)Decrease in Promises to Give	52,500	(19,000)
Increases (Decreases) in Operating Liabilities:		
Increase (Decrease) in Accrued Wages & Benefits	20,160	(9,881)
Increase (Decrease) in Custodial Liability	(55,323)	(2,160)
Increase (Decrease) in Accounts Payable	35,233	(2,953)
Increase (Decrease) in Related Party Payable	-	-
Increase (Decrease) in Other Payable	-	-
Increase (Decrease) in Payroll Liabilities	(1,910)	4,505
Increase (Decrease) in Accrued Interest	(90)	(180)
Net cash provided by operating activities	<u>\$ 186,987</u>	<u>\$ (62,766)</u>
SIGNIFICANT NON CASH ACTIVITIES		
In-Kind Donation of Materials	<u>244,912</u>	<u>248,430</u>
Total non-cash activities	<u>244,912</u>	<u>248,430</u>

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1. Summary of significant accounting policies

A. Function of Entity

St. Martin's Hospitality Center, a nonprofit organization, was incorporated under the laws of the State of New Mexico on October 30th, 1985. The stated mission of St. Martin's is to assist people living in conditions of extreme poverty to live independently by providing resources, services, and options.

St. Martin's major funding is provided by the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services, the Federal Emergency Management Agency, the New Mexico Department of Health, the City of Albuquerque, the New Mexico Mortgage Finance Authority, the United Way of Central New Mexico, with additional support from various private foundations, and individual and corporate contributions. Programs supported by these funding sources are as follows:

Shelter Services

- The Shelter Services program is designed to meet the most basic needs of persons living on the street. This program also serves as an entryway for other program services and assistance. This program provides individuals and families with a morning meal, shower and hygiene facilities, ID services, traveler's aid, storage, mail & telephone service, and advocacy services.

Behavioral Health Services

- The Behavioral Health program provides a continuum of behavioral health services including: psycho-social assessments, counseling and therapy, psych-social rehab groups and therapy groups, case management services including intensive case management for clients who have severe mental illness and/or co-occurring disorders, social work, and individual and group recovery services.

Housing

- St. Martin's operates two housing programs; the Shelter plus Care program and the Supportive Housing program. The Shelter plus Care program provides assistance with temporary emergency shelter and long term housing such as apartments and group homes. The Supportive Housing program is designed to support residents while they get stabilized in employment, school, and eventually permanent housing. Participants in these programs who have income are required to pay a portion of their income toward rent each month.

Employment

- St. Martin's provides pre-employment services, job placement services and other employment related options for clients who are willing and able to work.

Assertive Community Treatment

- The Assertive Community Treatment program (ACT) is an outreach oriented, service delivery model for people with severe persistent mental illness. It is designed to provide comprehensive treatment, rehabilitation, and support services within the community on a seven day a week, 24 hour basis.

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1. Summary of significant accounting policies-continued

St. Martin's Hospitality Center is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Organization. The Board is limited to a minimum of five members and a maximum of twenty-four members. Board members represent government, healthcare, business, public sector, private individuals and organizations that serve the community. The term served by a Board member is three years.

B. Tax Exempt Status

St. Martin's Hospitality Center is exempt from Federal Income taxes under section 501C(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509 (A) of the Code.

C. Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

D. Financial Statement Presentation

The accompanying financial statements have been prepared following the guidance required under Financial Accounting Standards (SFAS) #116 "*Accounting for Contributions Received and Contributions Made*" and (SFAS) #117, "*Financial Statements of Not-for-Profit Organizations.*" Under guidance expressed in these statements, "An organization's net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted by donors. Amounts for each of these three classes of net assets; permanently restricted, temporarily restricted, and unrestricted, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the statement of activities".

Amounts for St. Martin's total assets, liabilities and net assets are to be reported in a statement of financial position; the change in St. Martin's net assets is reported in a statement of activities; and the change in its cash and cash equivalents is reported in a statement of cash flows.

E. Statement of Cash Flows

For purposes of the statement of cash flows, St. Martin's considers all highly liquid investments with an original maturity of three months or less as cash equivalents. At June 30, 2008, St. Martin's did not own any cash equivalents. Cash includes amounts held in checking accounts at local banking institutions.

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1. Summary of significant accounting policies-continued

F. Grant Receivables

Grant receivables represent the amount expended during the grant period but reimbursed by the grantor after year-end. When revenues are received in the next year, the receivable will then be reduced.

G. Fixed Assets

Fixed assets are stated at cost. St. Martin's capitalizes all acquisitions at cost in excess of \$1,000 with a useful life of more than one year. Depreciation, which includes the assets recorded under capital leases, is computed principally using the straight-line method over the estimated useful lives of individual assets. Asset lives range from three to forty years.

H. Contribution of Services

Contributions of services are recognized in the financial statements of St. Martin's only if the services received (a) create or enhance nonfinancial assets of (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

I. 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 specified 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, St. Martin's reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. St. Martin's reclassifies temporarily restricted net assets to unrestricted net assets at that time.

J. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in 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.

K. Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1. Summary of significant accounting policies-continued

L. Allowance for Doubtful Accounts

St. Martin's uses the allowance method to account for uncollectible client receivables. St. Martin's provides an allowance for uncollectible accounts equal to the estimated uncollectible portion of a client receivable. Managements estimate is based on historical experience and its evaluation of the current status of the client receivable.

M. Expense Allocation

The costs of providing various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

N. Estimates

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

P. Reclassifications

Certain 2007 amounts may have been reclassified in order to conform with the 2008 financial statement presentation.

O. Prior –Year Comparative Information

The financial statements include 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 financial statements for the year ended June 30, 2007 from which the summarized information was derived.

Note 2. Cash Balances

St. Martin's cash balance on the Statement of Financial Position consists of the following at June 30, 2008:

<u>Account</u>	<u>Balance</u>
Operating Account	17,995
Petty Cash	<u>2,300</u>
Total	<u>\$20,295</u>

All deposits with financial institutions are fully insured with the Federal Deposit Insurance Corporation.

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 3. Short – Term Investments

St. Martin's carries investments in mutual funds with readily determinable fair values. Market value at June 30, 2008 is as follows:

Short – term investments:	
Mutual Funds	<u>\$213,855</u>
Investment return is summarized as follows:	
Unrealized Loss	(91,843)
Investment Fees	(761)
Interest Income	<u>12,438</u>
Total Investment return	<u>(80,166)</u>
Average Investments	282,192
Net Investment Return	(80,166)
Average Return on Investments	-29%

Note 4. Pledges Receivable

Pledges receivable at June 30, 2008 are as follows:

Unconditional promises expected to be collected in less than one year:

<u>Foundation / Grant</u>	<u>Amount</u>
United Way	<u>\$91,500</u>

Note 5. Grant Receivable

Grant receivables represent the following amounts due to St. Martin's at June 30, 2008:

City of Albuquerque	279,989
Presbyterian Medical Services	60,510
Dept. of Health & Human Svc	11,980
Dept. of Housing & Urban Development	17,346
NM Mortgage Finance Authority	6,053
State Metro Specialty Court	3,662
State of NM Food Services	9,534
ATR State Program	411
Total	<u>\$389,485</u>

Note 6. Program Receivable

Program receivables at June 30, 2008 are as follows:

<u>Program</u>	<u>Amount</u>
Value Options	\$47,794
Shelter plus Care	11,963
Supportive Housing	3,020
Other	<u>2,510</u>
Total Program Receivable	65,287
Less Allowances	<u>(8,768)</u>
Net Program Receivables	<u>\$56,519</u>

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 7. Related Party & Related Party Receivables

In 2005 St. Martin's Hospitality Center organized their rental real estate properties as a separate and distinct non-profit organization known as Community Housing Resources. Community Housing Resources and St. Martin's have separate Boards of Directors, however they shared the services of Lee Pattison as Executive Director through December of 2007. St. Martin's provided the administrative support services for Community Housing Resources and processed the CHR employee payroll with the St. Martin's payroll. Payroll reporting and tax deposits were performed as a single entity. In addition Community Housing Resources is the landlord for properties rented under the Supportive Housing and Shelter plus Care programs. St. Martin's charged Community Housing an administrative fee and requested reimbursement for all direct costs. At June 30, 2008, billed but unreimbursed costs incurred as a result of this relationship totaled \$408.

Note 8. Other Receivables

Other receivables represent amounts due from a variety of one time service recipients.

Note 9. Prepaid Expense

Prepaid expense represents amounts paid in advance for the following:

Prepaid Insurance	\$33,068
Software Support	<u>2,689</u>
Total	<u>\$35,757</u>

Note 10. Property, Equipment

The components of property and equipment at June 30, 2008 are as follows:

Building	716,313
Capital Improvements	92,296
Land	73,951
Automobiles	75,462
Computer Equipment & Software	7,091
Furniture & Equipment	<u>196,752</u>
Total Property & Equipment	\$1,161,865
Accumulated Depreciation	<u>(671,041)</u>
Net Property & Equipment	<u>\$490,824</u>

Depreciation expense for the year ended June 30, 2008 was \$52,238.

Note 11. Accrued Wages & Benefits

Employees of St. Martin's Hospitality Center earn wages and annual leave based on stated policies. Earned but unpaid wages and annual leave are payable to the employee upon termination. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense in the year of change.

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 12. Client Custodial Accounts

St. Martin's offers a service whereby they would hold in trust, funds provided by the families of homeless individuals, for the benefit and support of their loved ones. As of June 30, 2008, \$192 was held in trust for the purchase of medications..

Note 13. Line of Credit

St. Martin's Hospitality Center maintains a \$100,000 revolving line of credit from First Community Bank to help finance its short-term capital needs. The line is secured by receivables with interest payable monthly on outstanding balances at an interest rate based on the "Wall Street Journal" Prime Rate. Borrowings of \$592,000 occurred during the year with repayments of \$679,185 occurring during the year. There was a balance due of \$10,000 at June 30, 2008.

Note 14. Capital Lease Payable

St. Martin's Hospitality Center has a lease obligation to Graybar Financial Services bearing an interest rate of 15.80%. The lease is payable in monthly installments of \$549, including interest and principal. The lease is collateralized by a Panasonic phone system.

Minimum lease payments for each of the five years subsequent to June 30, 2008 are as follows:

2009	6,588
2010	6,588
2011	6,588
2012	6,588
2013	<u>1,647</u>
Total minimum payments	27,999
Less interest	<u>8,012</u>
Remaining principal balance	<u>\$19,987</u>

Interest expense for the year ended June 30, 2008 is \$1,579

Note 15. Mortgage Payable

St. Martin's Hospitality Center has three obligations to the Bank of America bearing interest rates of 7.50%, 7.50% and 6.25%. These loans are payable in monthly installments of \$921, \$2,033, and \$783 respectively, including interest and principal. Each loan is collateralized by real estate.

Loan maturities for each of the five years subsequent to June 30, 2008 are as follows:

2009	26,244
2010	28,687
2011	31,362
2012	34,293
2013	37,502
Thereafter	<u>66,395</u>
Total	<u>\$224,483</u>

Interest expense for the year ended June 30, 2008 is \$18,289

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 16. Net Assets

St. Martins classifies its net assets into the following categories:

Unrestricted – net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for grants, endowments and other purposes.

Temporarily Restricted – net assets subject to donor-imposed stipulations that may or will be met either by actions of St. Martin's and/or the passage of time.

Temporarily restricted net assets at June 30, 2008 consisted of:

United Way	\$91,500
Albuquerque Community Foundation	8,605
Daniels Fund	25,000
FEMA	8,632
Garden Grant	7,699
ID Program	2,529
McCune foundation	10,000
NMPI	7,032
PATH Training	5,340
Red Rock Foundation	1,778
Rotary Club	<u>4,718</u>
Total Temporarily Restricted Net Assets	<u>\$172,833</u>

Permanently Restricted – net assets subject to donor imposed restrictions that St. Martin's permanently maintain them.

Note 17. In-Kind Donations

St. Martin's received in-kind contributions of materials with a market value of \$244,912. In addition St Martin's received over 7,000 hours of donated services that did not meet the criteria for inclusion in the financial statements.

Note 18. Retirement Plans

St. Martin's participates in a defined contribution retirement plan administered by American Funds. This plan is for the benefit of all eligible professional and support staff of St. Martin's who qualify under applicable participation requirements. Under the terms of the plan, contributions are made under Section 403(b) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The plan currently provides for St. Martin's to make matching contributions up to 1% of eligible employee salary. Retirement expense for the year ended June 30, 2008 totaled \$5,139

Note 19. Advertising

St. Martin's expenses advertising costs as incurred. Advertising costs are incurred primarily for the recruitment of professional staff.

Note 20. Fundraising

For the year ended June 30, 2008, fund raising expense was \$78,884. Funds raised as a result of these expenses were approximately \$478,489. This resulted in a fundraising ratio of 16% (\$78,884 in expenses divided by \$478,489 in revenue)

**ST. MARTIN'S HOSPITALITY CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 21. Administrative Income

In July of 2007, Management as directed by the Board, determined that investments restricted to meet client custodial liabilities were no longer valid. As a result the investments were redeemed and the accounts were closed. The redeemed investment proceeds were transferred to the general operating account to support Center operations.

Note 22. Concentrations of Risk

Funding from government agencies constitute 69% St. Martin's support. This funding is vulnerable to changes in the legislative priorities of the federal, state and local governments. The management of St. Martin's does not expect that the support from these sources will be lost in the near term.

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**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
St. Martin's Hospitality Center
Albuquerque, New Mexico

We have audited the financial statements of St. Martin's Hospitality Center as of and for the year ended June 30, 2008, and have issued our report thereon dated March 10, 2009. 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 St. Martin'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 to for the purpose of expressing an opinion on the effectiveness of St. Martin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Martin's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects St. Martin's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of St. Martin's financial statements that is more than inconsequential will not be prevented or detected by St. Martin's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by St. Martin's internal control.

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

Compliance

As part of obtaining reasonable assurance about whether St. Martin's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However providing an opinion on compliance with those 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 that are required to be reported under *Government Auditing Standards*.

**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*-continued**

This report is intended solely for the information and use of the Board of Directors, management, and by the applicable funding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Ollie D. Waters, CPA
OD Waters PC
Albuquerque, NM
March 10, 2009

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Directors
St. Martin's Hospitality Center
Albuquerque, New Mexico

Compliance

We have audited the compliance of St. Martin's Hospitality Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. St. Martin'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 programs is the responsibility of St. Martin's management. Our responsibility is to express an opinion on St. Martin'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 St. Martin'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 St. Martin's compliance with those requirements.

In our opinion, St. Martin's Hospitality Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of St. Martin's Hospitality Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contract, and grants applicable to federal programs. In planning and performing our audit, we considered St. Martin's internal control over compliance with the requirements that could have a direct material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 St. Martin's internal control over compliance.

**Report on Compliance with Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance With OMB Circular A-133-
continued**

A *control deficiency* in St. Martin's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 and use of management, the Board of Directors, the applicable funding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Ollie D. Waters, CPA
O.D. Waters PC
Albuquerque, New Mexico
March 10, 2009

**ST. MARTIN'S HOSPITALITY CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
Department of Health and Human Services			
Projects for Assistance in Transition from Homelessness	93.150	08-630-7903-0024	156,727
<i>Total Department of Health and Human Services</i>			<u>\$ 156,727</u>
Department of Homeland Security			
Disaster Grants-Public Assistance	97.024	Phase 26	5,802
<i>Total Department of Homeland Security</i>			<u>5,802</u>
Department of Housing and Urban Development			
Supportive Housing Program	14.235	698312	176,155
Supportive Housing Program	14.235	Catholic Charities	49,947
Supportive Housing Program	14.235	Dual Diagnosis	115,000
Emergency Shelter Grants	14.231	689489	40,000
Emergency Shelter Grants	14.231		144,301
Emergency Shelter Grants	14.231	07-02-SMH-HMP-002	25,000
Emergency Shelter Grants	14.231	07-02-SMH-ESO-003	28,445
Emergency Shelter Grants	14.231	07-02-SMH-COC-002	11,620
Shelter Plus Care	14.238	689242	416,753
<i>Total Department of Housing and Urban Development</i>			<u>\$ 1,007,221</u>
 <i>Total Expenditures of Federal Awards</i>			 <u>\$ 1,169,750</u>

ST. MARTIN'S HOSPITALITY CENTER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of St. Martin's Hospitality Center and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Loans Outstanding

St. Martin's Hospitality Center had no loan balances outstanding at June 30, 2008.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, St. Martin's Hospitality Center provided no federal awards to subrecipients.

**ST. MARTIN'S HOSPITALITY CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditors' report issued Unqualified

Internal control over financial reporting:

1. Significant deficiency(ies) identified? No

2. Reportable condition (s) identified that are not considered to be significant deficiency(ies)? No

3. Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

1. Significant deficiency(ies) identified? No

2. Reportable condition (s) identified that are not considered to be significant deficiency(ies)? No

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

CFDA Number
14.235
14.238

Name of Federal Program or Cluster
Supportive Housing
Shelter plus Care

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk Auditee Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS:

No matters were noted

CURRENT YEAR FINDINGS:

No matters were noted

SECTION III – FEDERAL AWARDS FINDINGS

No matters were noted

**ST. MARTIN'S HOSPITALITY CENTER
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2008**

On March 30, 2009 an exit conference was held at the offices of St. Martin's Hospitality Center. In attendance were the following:

Representing St. Martin's Hospitality Center:

Monica Hussey	Chair Person
Dana Skaar	Vice-Chair
Ron Raburn	Secretary
Valerie Armendariz	Director
Lucy Barela	Director
David Bruner	Director
Barbara Dodge	Director
Donna Halthom	Director
Peggy Roberts	Director
Lee G. Pattison	Executive Director
Kathy Westby	Chief Financial Officer

Representing the City of Albuquerque

Linda Cutler-Padilla	Fiscal Manager
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Representing the Auditors

Ollie D. Waters, CPA	Auditor
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