

Metropolitan Inter-Faith Association

**Audited Financial Statements
and Supplemental Information**

June 30, 2010 and 2009

Metropolitan Inter-Faith Association

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

Independent Auditors' Report

The Board of Directors
Metropolitan Inter-Faith Association
and Related Companies

We have audited the accompanying statement of financial position of Metropolitan Inter-Faith Association (the "Association") as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. We have also audited the accompanying combined statements of financial position of the Association as of June 20, 2009, and the related combined statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Independent Apartments, Incorporated, a wholly-owned subsidiary of the Association for the year ended June 30, 2009, which statements reflect total assets constituting approximately 6% of combined total assets of the Association as of June 30, 2009, and total support and revenue constituting approximately 2% of the Association's combined total support and revenue for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Independent Apartments, Incorporated for the years ended June 30, 2009, is based solely on the report of the other auditors.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the 2009 report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2010 and the combined financial position as of June 30, 2009, and the changes in their net assets, their functional expenses and their cash flows for the years 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 October 4, 2010, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 read in conjunction with this report in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The accompanying schedule of expenditures of federal awards on page 23 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 4, 2010

Dixon Hughes PLLC

Metropolitan Inter-Faith Association

Statements of Financial Position

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 548,005	\$ 585,441
Certificates of deposit	255,074	753,685
Accounts receivable	161,159	246,285
Grants receivable	1,146,798	883,705
Pledges receivable, net	161,080	261,679
Prepaid expenses and other	50,359	17,565
Investments	1,018,941	234,677
Land, buildings, and equipment, net	4,887,970	5,725,596
	<u>\$ 8,229,386</u>	<u>\$ 8,708,633</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 268,757	\$ 268,791
Tenant savings payable	-	11,213
Accrued expenses	378,382	391,780
Unearned revenue	102,656	306,797
Debt	-	752,395
	<u>749,795</u>	<u>1,730,976</u>
 Unrestricted net assets		
Board designated	5,906,911	5,701,188
Other	1,572,680	1,276,469
	<u>7,479,591</u>	<u>6,977,657</u>
	<u>\$ 8,229,386</u>	<u>\$ 8,708,633</u>

See accompanying notes to financial statements.

Metropolitan Inter-Faith Association

Statements of Activities

For the Years Ended June 30, 2010 and 2009

	2010	2009
Support and Revenue		
Support		
Government grants	\$ 5,712,168	\$ 4,726,255
Contributions	3,396,730	3,683,708
In-kind	634,738	656,722
Total support	9,743,636	9,066,685
Revenue		
Program income	1,186,012	1,328,891
Investment income (loss)	36,816	(210,497)
Rental and other income	160,295	301,493
Total revenue	1,383,123	1,419,887
Total support and revenue	11,126,759	10,486,572
Expenses		
Program services		
Seniors	4,820,043	4,752,955
Families in Crisis	3,218,534	2,491,615
Urban Teens	306,599	321,516
Community	882,624	1,343,827
Total program services	9,227,800	8,909,913
Supporting services		
Management and general	700,794	738,510
Fundraising and public affairs	932,755	996,833
Total supporting services	1,633,549	1,735,343
Total expenses	10,861,349	10,645,256
Change in unrestricted net assets	265,410	(158,684)
Gain on decombination of related Company	236,524	-
Unrestricted net assets, beginning of year	6,977,657	7,136,341
Unrestricted net assets, end of year	\$ 7,479,591	\$ 6,977,657

See accompanying notes to financial statements.

Metropolitan Inter-Faith Association

Statement of Functional Expenses

For the Year Ended June 30, 2010

	Program Services				Supporting Services			
	Seniors	Families in Crisis	Urban Teens	Community	Total	Management and General	Fundraising and Public Affairs	Total
Salaries	\$ 1,661,547	\$ 814,383	\$ 131,140	\$ 190,908	\$ 2,797,978	\$ 447,104	\$ 629,055	\$ 3,874,137
Fringe benefits	334,738	147,596	24,923	45,567	552,824	76,873	104,628	734,325
Temporary agency services	578	252	24	4,894	5,748	3,186	6,167	15,101
Food cost	1,311,796	1,573	3,324	13,488	1,330,181	558	1,399	1,332,138
Travel and training	70,547	10,874	7,785	8,079	97,285	8,519	6,570	112,374
Space	-	1,274	-	-	1,274	-	-	1,274
Vehicle and equipment rental	3,900	-	-	2,755	6,655	-	321	6,976
Utilities	39,670	40,740	3,052	28,476	111,938	7,012	3,365	122,315
Security	172	117	2	137	428	44	41	513
Building and office maintenance	11,092	37,694	112	4,335	53,233	963	1,292	55,488
Vehicle maintenance	61,119	498	-	271	61,888	645	-	62,533
Vehicle fuel	111,076	-	-	551	111,627	-	-	111,627
Taxes and licenses	8,651	309	11	77	9,048	1,415	36	10,499
Interest	109	73	7	20	209	919	21	1,149
Contract services	70,825	155,640	4,358	33,852	264,675	28,752	29,494	322,921
Professional services	5,263	15,577	320	931	22,091	42,859	10,152	75,102
Stipend	251,846	-	-	-	251,846	-	-	251,846
Insurance	97,669	76,308	6,803	17,470	198,250	1,545	687	200,482
Dues and membership	742	264	11	27	1,044	1,467	3,818	6,329
Telephone	22,011	13,989	2,449	1,662	40,111	3,571	4,358	48,040
Postage	2,633	1,418	291	312	4,654	760	21,086	26,500
Advertising	475	284	28	4,779	5,566	3,586	7,092	16,244
Printing and duplication	12,702	13,417	150	1,706	27,975	4,569	50,027	82,571
Supplies	48,505	31,791	6,068	10,761	97,125	8,410	4,090	109,625
Direct client support	362,917	1,479,356	112,988	-	1,955,261	-	50	1,955,311
Equipment	6,507	810	-	-	7,317	-	1,072	8,389
Recognition	9,962	4,094	23	302	14,381	2,520	12,011	28,912
Bad debts	32,727	-	-	6,171	38,898	8,515	-	47,413
Miscellaneous	2,144	1,497	306	1,623	5,570	17,931	7,655	31,156
Total before depreciation and in-kind goods and services	4,541,923	2,849,828	304,175	379,154	8,075,080	671,723	904,487	9,651,290
Depreciation	168,378	321,334	1,812	48,948	540,472	26,161	8,688	575,321
In-kind goods and services	109,742	47,372	612	454,522	612,248	2,910	19,580	634,738
Total	\$ 4,820,043	\$ 3,218,534	\$ 306,599	\$ 882,624	\$ 9,227,800	\$ 700,794	\$ 932,755	\$ 10,861,349

See accompanying notes to financial statements.

Metropolitan Inter-Faith Association and Related Companies

Statement of Functional Expenses

For the Year Ended June 30, 2009

	Program Services				Supporting Services		Total
	Seniors	Families in Crisis	Urban Teens	Community	Management and General	Fundraising and Public Affairs	
Salaries	\$ 1,732,439	626,411	\$ 219,032	\$ 288,643	\$ 436,512	\$ 652,583	\$ 3,955,620
Fringe benefits	330,694	143,405	30,640	63,565	72,505	112,239	753,048
Temporary agency services	431	-	29	106	3,532	91	4,189
Food cost	1,265,926	1,899	9,335	9,415	328	3,243	1,290,146
Travel and training	87,070	11,347	15,363	15,114	12,790	5,003	146,687
Space	-	10,665	-	10,006	2,370	2,370	25,411
Vehicle and equipment rental	-	-	-	8,295	-	-	8,295
Utilities	40,298	44,607	2,380	77,329	8,808	7,307	180,729
Security	29	487	2	50	15	13	596
Building and office maintenance	26,388	62,702	391	27,823	(5,811)	6,344	117,837
Vehicle maintenance	73,002	-	-	1,834	74,836	-	80,579
Vehicle fuel	111,442	-	-	4,596	-	-	116,038
Taxes and licenses	10,003	152	8	10,766	857	25	21,811
Interest	634	332	43	70,360	5,192	133	76,694
Contract services	63,471	148,837	2,549	32,160	45,313	39,132	331,462
Professional services	5,287	28,259	358	13,269	43,320	11,396	101,889
Stipend	255,668	-	-	-	-	-	255,668
Insurance	118,536	68,724	2,638	12,097	5,004	1,230	208,229
Dues and membership	1,586	150	13	47	1,796	2,284	5,639
Telephone	24,220	15,580	2,174	2,574	4,664	4,943	54,155
Postage	2,150	1,318	504	429	4,401	21,262	31,105
Advertising	242	101	13	6,126	1,573	15,046	23,101
Printing and duplication	11,882	8,451	949	1,105	4,371	57,064	83,822
Supplies	54,777	26,683	6,538	14,352	9,707	12,411	124,468
Direct client support	305,918	966,116	21,378	-	-	1,903	1,295,315
Equipment	2,690	1,407	-	-	4,097	2,899	8,676
Recognition	10,344	1,013	37	440	2,126	11,385	25,345
Bad debts	2,405	65	2,285	-	46,485	-	51,240
Miscellaneous	4,045	2,021	607	16,733	3,473	11,652	38,531
Total before depreciation and in-kind goods and services	4,541,577	2,170,732	317,266	687,234	717,558	981,958	9,416,325
Depreciation	163,942	298,714	4,103	73,568	18,420	13,462	572,209
In-kind goods and services	47,436	22,169	147	583,025	2,532	1,413	656,722
Total	\$ 4,752,955	\$ 2,491,615	\$ 321,516	\$ 1,343,827	\$ 738,510	\$ 996,833	\$ 10,645,256

See accompanying notes to financial statements.

Metropolitan Inter-Faith Association

Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	\$ 265,410	\$ (158,684)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	575,321	572,209
Gain on sale of assets	-	(24,469)
Net realized and unrealized (gains) losses on investments	(36,816)	210,497
Decrease in allowance for uncollectible pledges	(4,768)	(19,756)
Change in assets and liabilities:		
Accounts receivable	96,797	(80,761)
Grants receivable	(263,093)	198,389
Pledges receivable	105,367	133,442
Prepaid expenses and other	(34,552)	(11,491)
Accounts payable	3,892	(126,367)
Tenant savings payable	(11,213)	496
Accrued expenses	(7,598)	31,070
Unearned revenue	(199,774)	(120,327)
Net cash provided by operating activities	488,973	604,248
Cash Flows from Investing Activities		
Purchase of investments	(747,448)	(740,687)
Sale of investments and certificates of deposit	498,611	500,000
Proceeds from sale of land, building and equipment	-	110,000
Capital expenditures	(174,833)	(234,994)
Decombination of related Company (Note 1)	(102,739)	-
Net cash used in investing activities	(526,409)	(365,681)
Cash Flows from Financing Activities		
Payments on debt	-	(14,046)
Net cash used in financing activities	-	(14,046)
Net increase (decrease) in cash and cash equivalents	(37,436)	224,521
Cash and cash equivalents, beginning of year	585,441	360,920
Cash and cash equivalents, end of year	\$ 548,005	\$ 585,441
Supplemental disclosure of cash flow information -		
Interest paid	\$ 1,149	\$ 76,694

See accompanying notes to financial statements.

Metropolitan Inter-Faith Association

Notes to Financial Statements

June 30, 2010 and 2009

1. Summary of Significant Accounting Policies

Description of Business

Metropolitan Inter-Faith Association ("MIFA" or the "Association") is an interfaith nonprofit social service agency operating in Memphis, Tennessee, and surrounding areas. MIFA's nine programs help change lives by sustaining independence of seniors, stabilizing and transforming families in crisis and equipping urban teens for success. Operations are funded through a broad base of individuals, corporations, foundations, congregations, and civic organizations. Federal, state, and local government grants are also an important source of support. Metropolitan Inter-Faith Association Foundation, Inc. ("MIFA Foundation") was the custodian of MIFA's endowment during the year ended June 30, 2009. MIFA Foundation existed exclusively for the benefit of MIFA.

Principles of Combination

As of June 30, 2010, MIFA Foundation, a previously combined organization, was dissolved and the MIFA Foundation's assets were contributed to MIFA. Also, as of July 1, 2009 Independent Apartments, Inc., was decombined as MIFA no longer had controlling rights to the organization. Therefore, the 2010 financial statements of the Association are not considered combined. Assets of \$542,322 and liabilities of \$778,846 were removed from the financial statements and MIFA recognized a gain of \$236,524 in the statement of activities due to Independent Apartments no longer being combined.

The 2009 combined financial statements include the accounts of MIFA, Independent Apartments, Inc., and the MIFA Foundation (collectively, the "Association"). All material inter-company accounts and transactions have been eliminated in combination.

Financial Statement Presentation

The accompanying financial statements reflect the results of activities of the Association on the accrual basis and are prepared in accordance with the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Organizations*, which is in accordance with accounting principles generally accepted in the United States of America.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Association records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Contributed materials, space and food (presented as in-kind support) are recorded at their estimated fair values on the date of receipt, consumption, or performance. Contributed services of volunteers are not reflected in the financial statements of the Association.

Support that is restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the restriction expires. 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional Expenses

Expenses are charged to each program based upon direct expenditures incurred. Any expenditures not specifically identifiable by program are allocated based upon the relative direct cost method.

Endowment Fund

The Endowment Fund was established to provide a permanent source of supplemental funding to enhance development and growth of Association programs. Donor contributions to the Endowment Fund are held by an investment manager in a segregated account and are reflected as Board designated unrestricted net assets in the Association's financial statements. The Association is authorized by the Board to use investment earnings equivalent to 5% of the five-year moving average ending fund balance to fund current operations. Investment earnings, not utilized to fund current operations, are added to the principal balance of the Endowment Fund. Under the terms of the Endowment Fund Agreement, the MIFA Board has the right to invade the principal amount of the Endowment Fund upon ratification by a majority vote.

Rental Income

Rental income is generated from housing rentals from tenants and rental assistance payments from the U.S. Department of Housing and Urban Development ("HUD").

1. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The estimated discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The Association allows for uncollectible pledges based on historical experience in collecting pledges.

Cash Equivalents

Cash equivalents consist of highly liquid investments, generally with original maturity dates less than three months. Investments represent financial instruments with longer maturity dates and instruments that the Association intends to hold in excess of three months. Investments are reported at fair value with gains and losses included in the statements of activities.

Included in cash and cash equivalents at June 30, 2010 and 2009, are tenant security deposits of \$800 and \$2,633, respectively, and reserve funds of \$24,445 and \$23,685, respectively. Use of these funds is restricted by HUD.

At June 30, 2010 and 2009, the Association had bank deposits in excess of FDIC insurance limits.

Land, Buildings, and Equipment

Purchased fixed assets are stated at cost and assets donated are recorded at estimated fair values. Depreciation is computed over the estimated useful lives of the assets ranging from 3 to 20 years using the straight-line method.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset.

If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Internal Revenue Service has determined that the Association is not a private foundation and is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code ("IRC"). The Association is required to operate in conformity with the IRC in order to maintain its tax-exempt status. The Association has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2010, and there are no interests and penalties related to income tax assessments.

Fair Value Measurements

Fair value as defined under accounting principles generally accepted in the United States of America is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association utilizes market data or assumptions that market participants would use in pricing the asset or liability under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Subsequent Events

The Association evaluated the effect subsequent events would have on the financial statements through October 4, 2010, which is the date the financial statements were available to be issued.

2. Investments

Investments of \$1,018,941 and \$234,677 as of June 30, 2010 and 2009, respectively, are with the Community Foundation of Greater Memphis ("CFGM"). These investments are governed by an agreement between the Association and CFGM. Under the Agreement, the MIFA Endowment Special Fund (the "Fund") of CFGM was established to benefit the current and future operations of the Association. The Association may, at any time, without premium or penalty, request that all or part of the assets constituting the Fund be granted to the Association. The investment in the Fund represents a pooled investment fund with an investment mix of approximately 75% equities and 25% fixed income investments.

3. Fair Value Measurements

Prices for money market mutual funds are determined based on transacted amounts, and the resulting fair values are categorized as Level 1.

There is limited or no observable market data for the prices of the pooled fund investments that are held by the Association at CFGM, and the resulting fair values of these securities are categorized as Level 3. Pooled fund investments as of June 30, 2010 and 2009, include the Association's investments of \$1,018,941 and \$234,677, respectively, in funds which invest in publicly traded securities and fixed income investments. The fair value of the pooled funds as of June 30, 2010 and 2009, was estimated based primarily on the fair market value at June 30, 2010 and 2009, of the underlying investments.

There were no changes during the years ended June 30, 2010 and 2009, to the Association's valuation techniques used to measure fair values on a recurring basis.

The following table sets forth by level within the fair value hierarchy the Association's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2010 and 2009. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels.

	Assets at Fair Value as of June 30, 2010		
	(Level 1)	(Level 2)	(Level 3)
Money Market Mutual Fund	\$ 416,932	\$ -	\$ -
CFGM Balanced Pool	-	-	\$ 7,949
CFGM Fixed Income Pool	-	-	363,231
CFGM Equity Pool	-	-	647,761
	<u>\$ 416,932</u>	<u>\$ -</u>	<u>\$ 1,018,941</u>
	Assets at Fair Value as of June 30, 2009		
	(Level 1)	(Level 2)	(Level 3)
Money Market Mutual Fund	\$ 74,125	\$ -	\$ -
CFGM Balanced Pool	-	-	7,110
CFGM Fixed Income Pool	-	-	57,045
CFGM Equity Pool	-	-	170,522
	<u>\$ 74,125</u>	<u>\$ -</u>	<u>\$ 234,677</u>

Money market mutual funds are included in cash and cash equivalents on the statements of financial position.

3. Fair Value Measurements (continued)

The following table illustrates the activity of Level 3 assets from June 30, 2008 to June 30, 2010:

Fair value at June 30, 2008	\$ 958,172
Realized and unrealized losses	(223,495)
Withdrawals	<u>(500,000)</u>
Fair value at July 1, 2009	234,677
Realized and unrealized gains	36,816
Purchases	<u>747,448</u>
Fair value at June 30, 2010	<u>\$ 1,018,941</u>

The realized and unrealized gains and losses in the above table are included in investment income (loss) on the statement of activities.

4. Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 381,673	\$ 506,158
Buildings and improvements	9,435,141	10,121,169
Office furniture and equipment	1,173,147	1,186,605
Motor vehicles	<u>949,236</u>	<u>951,116</u>
	11,939,197	12,765,048
Less accumulated depreciation	<u>(7,051,227)</u>	<u>(7,039,452)</u>
	<u>\$ 4,887,970</u>	<u>\$ 5,725,596</u>

5. Grants Receivable and Unearned Revenue

Government grants are recognized as revenue when related expenses are incurred. Grants receivable represent program expenditures in excess of grant funds received under specific grants. Unearned grant funds represent funds received in excess of qualifying expenditures. Grants receivable and unearned revenue consisted of the following as of June 30, 2010 and 2009:

	<u>2010</u>		
	<u>Receivable</u>	<u>Unearned Revenue</u>	<u>Net</u>
City of Memphis	\$ 712,437	\$ -	\$ 712,437
Corporation of National and Community Service	66,354	-	66,354
Aging Commission of the MidSouth	267,125	-	267,125
Housing and Urban Development	45,793	-	45,793
Federal Emergency Management Agency	-	(32,736)	(32,736)
Memphis Light Gas & Water	-	(69,920)	(69,920)
Other	<u>55,089</u>	<u>-</u>	<u>55,089</u>
	<u>\$ 1,146,798</u>	<u>\$ (102,656)</u>	<u>\$ 1,044,142</u>

5. Grants Receivable and Unearned Revenue (continued)

	2009		
	<u>Receivable</u>	<u>Unearned Revenue</u>	<u>Net</u>
City of Memphis	\$ 218,762	\$ -	\$ 218,762
Corporation of National and Community Service	66,899	-	66,899
Aging Commission of the MidSouth	496,506	-	496,506
Housing and Urban Development	72,112	-	72,112
Federal Emergency Management Agency	-	(42,559)	(42,559)
Plough Foundation	-	(85,000)	(85,000)
Lansky Foundation	-	(35,767)	(35,767)
Memphis Light Gas & Water	-	(58,724)	(58,724)
Other	29,426	(84,747)	(55,321)
	<u>\$ 883,705</u>	<u>\$ (306,797)</u>	<u>\$ 576,908</u>

6. Pledges Receivable

Pledges receivable relate to ongoing fundraising efforts to fund current, on-going programs. Pledges receivable consisted of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Due in:		
Less than one year	\$ 123,925	\$ 131,120
One to five years	41,475	139,555
	<u>165,400</u>	<u>270,675</u>
Present value discount of pledges	(4,320)	(8,996)
	<u>\$ 161,080</u>	<u>\$ 261,679</u>

Pledges receivable are discounted at a rate of approximately 2% as of June 30, 2010 and 2009, which approximates the risk-free rate of return in the year the pledges were made.

7. Debt

Debt consists of a mortgage note insured by and payable to HUD with final payment due in 2028, collateralized by a deed of trust on the real estate and all buildings, improvements, and personal property thereon of Independent Apartments, Inc. (with a carrying value of \$437,138), interest at 9.25%, and with principal and interest payable in monthly installments. The balance as of June 30, 2009 was \$752,395. Upon violation of any of the terms of the HUD Regulatory Agreement, HUD may declare the note due and payable. The bylaws of Independent Apartments, Inc. require that in the event of dissolution of Independent Apartments, Inc., residual assets will be turned over to a nonprofit organization (exempt under Internal Revenue Code Section 501(c)(3) and 170(c)(2)) or may be conveyed to HUD.

8. Outstanding Borrowings Under Revolving Line of Credit Agreement

The Association entered into a revolving line of credit agreement ("LOC") with a bank beginning on June 23, 2009, and maturing on January 5, 2011. Funds available under the LOC are \$500,000, and there were no outstanding borrowings at June 30, 2010 and 2009.

Outstanding borrowings, if any, bear interest based at the one month LIBOR rate plus 2.25%. The debt is secured by a certificate of deposit for \$250,000 and the money market mutual funds. This agreement also requires the Association to maintain certain financial covenants. At June 30, 2010 the Association was in compliance with all financial debt covenants.

9. Net Assets

At its discretion, the Board may designate funds for specific purposes. As of June 30, 2010 and 2009, the Board has designated unrestricted net assets as follows:

	<u>2010</u>	<u>2009</u>
Invested in land, buildings and equipment	\$ 4,887,970	\$ 4,960,853
Endowment	<u>1,018,941</u>	<u>740,345</u>
	<u>\$ 5,906,911</u>	<u>\$ 5,701,188</u>

10. Employee Retirement Plan

The Association participates in a 401(k) deferred compensation plan (the "Plan"), which permits employees to elect to defer up to the maximum amount allowable by law until their retirement. The retirement benefit to be provided is based upon the amount of compensation deferred and a discretionary amount determined each year by the Association, based upon the employee's compensation and years of service with the Association. An individual generally vests immediately upon their entry date into the Plan. Deferred compensation expense was \$559 and \$28,156 for the years ended June 30, 2010 and 2009, respectively.

11. Related Party Transactions

The Association utilized the services of organizations which employ certain members of the board of directors. A description of each of these arrangements and the related expenditures follows:

	<u>2010</u>	<u>2009</u>
Banks providing certain financing to the Association, resulting in fees and interest expense	\$ 23,384	\$ 18,601

The amounts on deposit with the banks as of June 30, 2010 and 2009 were \$625,299 and \$523,736, respectively.



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

**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***

The Board of Directors
Metropolitan Inter-Faith Association

We have audited the financial statements of Metropolitan Inter-Faith Association (the "Association"), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 4, 2010. 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 the Association'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 the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, 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*.

This report is intended solely for the information and use 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.

October 4, 2010

Dixon Hughes PLLC



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

The Board of Directors
Metropolitan Inter-Faith Association

We have audited the compliance of Metropolitan Inter-Faith Association (the "Association") (a non-profit organization) 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 its major federal programs for the year ended June 30, 2010. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association'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 Association'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 on the Association's compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with requirements that could have a direct and 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 the Association's internal control over compliance.

A deficiency 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 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 would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses in internal control over compliance. 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 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.

October 4, 2010

Dixon Hughes PLLC

Metropolitan Inter-Faith Association

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

Program Name	CFDA#	Grantor Agency	Grant Number	(Unearned Revenue) Receivable at June 30, 2009	Grant Receipts	Matching Receipts	Program Expenditures	(Unearned Revenue) Receivable at June 30, 2010
Supportive Housing:								
Estival Place	14.235	Housing and Urban Development	TN 37B201004	\$ 11	\$ 1	\$ -	\$ -	\$ 10
Estival Place	14.235	Housing and Urban Development	TN 37B701011	15,222	42,482	-	27,260	-
Estival Place	14.235	Housing and Urban Development	TN 37B701014	56,891	56,891	-	-	-
Estival Place	14.235	Housing and Urban Development	TN 37B601014	(1)	-	-	1	-
Estival Place	14.235	Housing and Urban Development	TN 0028B4010801	-	107,356	4,506	115,628	3,766
Estival Place	14.235	Housing and Urban Development	TN 0027B4010801	-	455,658	22,985	520,660	42,017
Estival Place	14.235	City of Memphis	25067	3,000	139,905	40	159,407	22,462
Estival Place	14.235	City of Memphis	24666	1,803	1,803	-	-	-
Subtotal (14.235)				76,926	804,096	27,531	822,956	68,255
Homelessness Prevention and Rapid Re-Housing:								
Housing Opportunity	14.257	City of Memphis	26060	-	445,170	972	534,232	88,090
Housing Opportunity	14.257	State of Tennessee	N/A	-	34,628	1,702	41,413	5,083
Subtotal (14.257)				-	479,798	2,674	575,645	93,173
Aging Program Cluster:								
Handyman	93.044	Aging Commission of the Mid-South	2005-DCA9-215	12,679	31,776	105,858	138,616	13,661
Senior Transportation	93.044	Aging Commission of the Mid-South	2006-DCA9-215	13,199	220,294	127,691	352,691	17,905
Meals Dis Prev Hlth Prom	93.044	Aging Commission of the Mid-South	2006-DCA-9-215	2,970	24,949	399,258	424,207	2,970
Congregate Meals	93.045	Aging Commission of the Mid-South	2006-DCA-9-215	107,853	926,073	182,435	1,083,080	82,425
Home Delivered Meals	93.045	Aging Commission of the Mid-South	2006-DCA-9-215	339,107	1,326,003	102,379	1,217,185	127,910
Ombudsman Program	93.044	Aging Commission of the Mid-South	2006-DCA9-104	12,113	103,985	11,746	118,910	15,292
Subtotal (93.044 and 93.045)				487,921	2,633,080	929,367	3,334,689	260,163
Senior Companion	94.016	Aging Commission of the Mid-South	2006-DCA9-117	8,585	26,623	6,626	31,626	6,962
Senior Companion	94.016	City of Memphis	25736	-	25,233	-	32,840	7,607
Senior Companion	94.016	Corporation for National and Community Service	03SCSTN002	66,899	314,061	17,780	331,295	66,353
Subtotal (94.016)				75,484	365,917	24,406	395,761	80,922
Child and Adult Care Food Program	10.558	Shelby County Government	CA096450	-	-	-	50,000	50,000
Community Block Development Block Grants	14.218	City of Memphis	25961	-	38,835	-	250,000	211,165
Community Block Development Block Grants	14.218	City of Memphis	25136	68,315	68,315	-	-	-
Subtotal (14.218)				68,315	107,150	-	250,000	211,165
Transit	20.513	Department of Transportation	Z-07-038226-00	-	-	-	-	-
Subtotal (20.513)				-	-	-	-	-
Emergency Food and Shelter National Board	83.523	Emergency Food and Shelter National Board	N/A	-	92,778	-	60,042	(32,736)
Emergency Food and Shelter National Board	83.523	Emergency Food and Shelter National Board	23-7782-00	(42,559)	44,690	-	87,249	-
Subtotal (83.523)				(42,559)	137,468	-	147,291	(32,736)
Total Federal Assistance				\$ 666,087	\$ 4,047,711	\$ 981,304	\$ 5,000,697	\$ 637,769

See accompanying notes to schedule of expenditures of federal awards.

Metropolitan Inter-Faith Association

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Metropolitan Inter-Faith Association and is presented on the accrual basis of accounting. The information in the 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 presentation of, the basic financial statements.

Metropolitan Inter-Faith Association

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

Part I – Summary of Audit Results

1. The independent auditors' report on the financial statements of Metropolitan Inter-Faith Association (the "Association") expressed an unqualified opinion.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No material weaknesses relating to the audit of major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The independent auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 expressed an unqualified opinion.
6. There were no audit findings relative to the major federal awards programs.
7. The Association's major programs were Supportive Housing (CFDA 14.235), Homelessness Prevention and Rapid Re-Housing (14.257), and Senior Companions (94.016).
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Association qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II – Findings – Financial Statements Audit

None

Part III – Finds and Questioned Costs – Major Federal Awards

None

Metropolitan Inter-Faith Association
Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2009

Financial Statement Findings

None noted.

Federal Award Findings and Questioned Costs

None noted.