

**EMMA NORTON SERVICES AND
AFFILIATE (EMMA'S PLACE)**

St. Paul, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2012 and 2011

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Emma Norton Services and Affiliate (Emma's Place)
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Emma Norton Services and Affiliate (Emma's Place) (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

John P. Kelly, CPA

Minneapolis, Minnesota
June 24, 2013

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2012 and 2011

ASSETS		
	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 361,862	\$ 408,473
Accounts receivable, net of allowance	5,668	2,660
Prepaid expenses	6,661	7,118
Inventories	2,000	2,053
Grants receivable	101,267	60,222
Total Current Assets	477,458	480,526
DEPOSITS HELD IN TRUST		
Tenant security deposits - Emma's Place	9,542	11,236
PROPERTY AND EQUIPMENT		
Land	294,674	294,674
Building	3,094,960	3,025,721
Furniture	28,175	28,175
Equipment	267,867	291,812
Leasehold improvements	419,973	438,374
	4,105,649	4,078,756
Less: accumulated depreciation	(1,121,023)	(1,107,488)
Total Property and Equipment	2,984,626	2,971,268
OTHER ASSETS		
Investments - Endowments	520,528	23,266
TOTAL ASSETS	\$ 3,992,154	\$ 3,486,296
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 27,429	\$ 29,455
Deferred revenues	-	408
Accrued expenses	51,395	50,714
Total Current Liabilities	78,824	80,577
DEPOSITS HELD IN TRUST		
Tenant security deposits - Emma's Place	9,542	11,236
Tenant security deposits - Emma Norton Services	45	435
LONG-TERM LIABILITIES		
Deferred loans	1,655,796	1,604,453
Total Liabilities	1,744,207	1,696,701
NET ASSETS		
Unrestricted	266,490	197,342
Temporarily restricted	1,355,674	1,462,213
Permanently restricted	625,783	130,040
Total Net Assets	2,247,947	1,789,595
TOTAL LIABILITIES AND NET ASSETS	\$ 3,992,154	\$ 3,486,296

See accompanying notes to consolidated financial statements.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2012 and 2011

	2012			2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contracts and grants	\$ 280,452	\$ -	\$ -	\$ 280,452	\$ 397,280	\$ -	\$ -	\$ 397,280
Contributions	242,830	126,320	495,743	864,893	225,884	117,158	20,275	363,317
United Methodist Women	230,921	-	-	230,921	86,718	-	-	86,718
In-kind contributions	263,664	-	-	263,664	241,988	-	-	241,988
Special events, net of expenses	22,035	-	-	22,035	10,446	-	-	10,446
Investment income	503	1,518	-	2,021	324	695	-	1,019
Loss on disposal of fixed assets	(52,772)	-	-	(52,772)	-	-	-	-
Rental and related revenue	681,511	-	-	681,511	676,493	-	-	676,493
Other	25,209	-	-	25,209	2,224	-	-	2,224
	<u>1,694,353</u>	<u>127,838</u>	<u>495,743</u>	<u>2,317,934</u>	<u>1,641,357</u>	<u>117,853</u>	<u>20,275</u>	<u>1,779,485</u>
Net assets released from restrictions	<u>234,377</u>	<u>(234,377)</u>	-	-	<u>138,305</u>	<u>(138,305)</u>	-	-
Total Support and Revenue	<u>1,928,730</u>	<u>(106,539)</u>	<u>495,743</u>	<u>2,317,934</u>	<u>1,779,662</u>	<u>(20,452)</u>	<u>20,275</u>	<u>1,779,485</u>
EXPENSES								
Program	1,623,391	-	-	1,623,391	1,592,701	-	-	1,592,701
Management and general	107,522	-	-	107,522	84,077	-	-	84,077
Fundraising	128,669	-	-	128,669	125,709	-	-	125,709
Total Expenses	<u>1,859,582</u>	<u>-</u>	<u>-</u>	<u>1,859,582</u>	<u>1,802,487</u>	<u>-</u>	<u>-</u>	<u>1,802,487</u>
CHANGE IN NET ASSETS								
	69,148	(106,539)	495,743	458,352	(22,825)	(20,452)	20,275	(23,002)
NET ASSETS - Beginning of Year	<u>197,342</u>	<u>1,462,213</u>	<u>130,040</u>	<u>1,789,595</u>	<u>220,167</u>	<u>1,482,665</u>	<u>109,765</u>	<u>1,812,597</u>
NET ASSETS - END OF YEAR	<u>\$ 266,490</u>	<u>\$ 1,355,674</u>	<u>\$ 625,783</u>	<u>\$ 2,247,947</u>	<u>\$ 197,342</u>	<u>\$ 1,462,213</u>	<u>\$ 130,040</u>	<u>\$ 1,789,595</u>

See accompanying notes to consolidated financial statements.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

With Comparative Totals for 2011

	Program Expenses						Supporting Services			Total Expenses	
	Transitional Housing	Dual Diagnosis	Group Residential Housing	SOAR	Emma's Place	Total Program	Management and General	Fundraising	2012	2011	
Salaries and wages	\$ 160,220	\$ 108,262	\$ 87,562	\$ 108,067	\$ 194,372	\$ 658,483	\$ 31,942	\$ 70,735	\$ 761,160	\$ 773,755	
Payroll taxes expense	12,585	8,543	6,810	8,174	14,472	50,584	2,308	5,312	58,204	59,199	
Employee benefits	16,674	11,493	9,984	6,785	23,783	68,719	28,869	6,930	104,518	104,516	
Total Salaries and Related Expenses	189,479	128,298	104,356	123,026	232,627	777,786	63,119	82,977	923,882	937,470	
Conference and education	395	293	254	798	415	2,155	217	-	2,372	620	
Employee mileage	331	153	162	-	837	1,483	34	3	1,520	790	
Professional fees	1,821	912	9,305	8,297	3,198	23,533	16,875	-	40,408	44,195	
Personnel expense	159	81	81	4	147	472	101	8	581	388	
Office supplies	1,989	1,101	1,046	29	1,708	5,873	1,744	210	7,827	10,039	
Equipment maintenance, supplies and rental	80,176	39,827	39,887	8	47,678	207,576	1,462	2,798	211,836	150,126	
Utilities	23,241	11,727	11,985	-	25,187	72,140	1,425	945	74,510	88,038	
In-kind occupancy	72,000	36,000	36,000	-	18,000	162,000	4,500	1,500	168,000	168,000	
Kitchen supplies/food	62,542	31,302	31,195	-	273	125,312	101	-	125,413	106,320	
Program expenses	8,771	3,361	2,651	-	18,551	33,334	-	-	33,334	44,973	
Insurance	458	288	224	153	628	1,751	2,300	112	4,163	3,521	
Telephone	3,915	1,996	1,996	-	4,858	12,765	230	153	13,314	11,467	
Public relations	2,323	2,323	2,322	-	2,323	9,291	-	-	9,291	11,467	
Fundraising	-	-	-	-	-	-	-	39,292	39,292	30,868	
Real estate taxes	-	-	-	-	18,546	18,546	-	-	18,546	17,349	
Bad debts	4,514	185	-	-	-	4,699	1,200	-	5,899	3,642	
Miscellaneous	-	-	-	-	2,374	2,374	13,096	-	15,470	16,124	
Total Expenses Before Depreciation and Amortization	452,114	257,847	241,464	132,315	377,350	1,461,090	106,404	127,998	1,695,492	1,647,244	
Depreciation	18,866	9,433	9,433	5,196	68,030	110,958	1,118	671	112,747	105,493	
Amortization of loan	-	-	-	-	51,343	51,343	-	-	51,343	49,750	
Total Expenses	\$ 470,980	\$ 267,280	\$ 250,897	\$ 137,511	\$ 496,723	\$ 1,623,391	\$ 107,522	\$ 128,669	\$ 1,859,582	\$ 1,802,487	

See accompanying notes to consolidated financial statements.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2011

	Program Expenses					Supporting Services			
	Transitional Housing	Dual Diagnosis	Residential Housing	SOAR	Emma's Place	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 173,796	\$ 111,813	\$ 86,137	\$ 56,400	\$ 236,981	\$ 665,127	\$ 32,537	\$ 76,091	\$ 773,755
Payroll taxes expense	13,483	8,687	6,720	4,048	17,813	50,751	2,508	5,940	59,199
Employee benefits	28,890	20,436	10,778	3,537	28,138	91,779	5,865	6,872	104,516
Total Salaries and Related Expenses	216,169	140,936	103,635	63,985	282,932	807,657	40,910	88,903	937,470
Conference and education	126	64	64	40	256	550	58	12	620
Employee mileage	147	75	75	-	432	729	16	45	790
Professional fees	2,490	1,259	9,658	9,025	9,244	31,676	12,509	10	44,195
Personnel expense	11	6	6	-	7	30	358	-	388
Office supplies	1,997	1,170	1,008	-	1,883	6,058	3,603	378	10,039
Equipment maintenance, supplies and rental	49,458	25,081	25,403	-	42,553	142,495	5,642	1,989	150,126
Utilities	28,870	14,939	14,945	-	26,308	85,062	1,738	1,238	88,038
In-kind occupancy	72,000	36,000	36,000	-	18,000	162,000	4,500	1,500	168,000
Kitchen supplies/food	53,023	26,488	26,465	-	344	106,320	-	-	106,320
Program expenses	11,380	6,395	4,724	150	22,324	44,973	-	-	44,973
Insurance	382	222	186	-	453	1,243	2,142	136	3,521
Telephone	3,671	1,872	1,872	-	5,538	12,953	217	144	13,314
Public relations	2,867	2,867	2,867	-	2,867	11,468	(1)	-	11,467
Fundraising	-	-	-	-	-	-	-	30,868	30,868
Real estate taxes	-	-	-	-	17,349	17,349	-	-	17,349
Bad debts	1,963	1,073	606	-	-	3,642	-	-	3,642
Miscellaneous	-	-	-	-	4,599	4,599	11,525	-	16,124
Total Expenses before Depreciation and Amortization	444,554	258,447	227,514	73,200	435,089	1,438,804	83,217	125,223	1,647,244
Depreciation	17,891	8,871	8,871	484	68,030	104,147	860	486	105,493
Amortization of loan	-	-	-	-	49,750	49,750	-	-	49,750
Total Expenses	\$ 462,445	\$ 267,318	\$ 236,385	\$ 73,684	\$ 552,869	\$ 1,592,701	\$ 84,077	\$ 125,709	\$ 1,802,487

See accompanying notes to consolidated financial statements.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

CONSOLIDATED STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 458,352	\$ (23,002)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	112,747	105,493
Investment gains	(972)	(78)
Investment income added to investments - endowments	(546)	-
Amortization of debt present value discount	51,343	49,750
Loss on disposal of fixed assets	52,772	-
Changes in assets and liabilities		
Accounts receivable	(3,008)	1,360
Prepaid expenses	457	(521)
Inventories	53	740
Grants receivable	(41,045)	(14,172)
Accounts payable	(2,027)	13,963
Deferred revenues	(408)	(522)
Accrued expenses	681	6,086
Security deposits	(390)	245
Contributions restricted for long-term investment	(495,743)	(20,275)
Net Cash Flows from Operating Activities	132,266	119,067
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment	(178,877)	(114,781)
Purchases of investments	(495,743)	(20,275)
Net Cash Flows from Investing Activities	(674,620)	(135,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for long-term investment	495,743	20,275
Net Cash Flows from Financing Activities	495,743	20,275
Net Change in Cash and Cash Equivalents	(46,611)	4,286
CASH AND CASH EQUIVALENTS - Beginning of Year	408,473	404,187
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 361,862	\$ 408,473

See accompanying notes to consolidated financial statements.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Emma Norton Services, (ENS) an operating activity of the National United Methodist Women of the United Methodist Church (formerly the Women's Division of the General Board of Global Ministries of the United Methodist Church), is a nonprofit housing facility located in St. Paul, Minnesota and services the surrounding communities. Emma Norton Services' mission is to serve women and families in need of a supportive community by providing affordable, secure housing and services in a Christian atmosphere in order to foster stability and encourage personal growth.

The programs through which Emma Norton Services provides services are as follows:

Transitional Housing - provides safe secure housing for women who are homeless that are seeking stability and self-sufficiency. Support services are provided to assist residents as they shape and reach their goals.

Dual Diagnosis - a program of services designed for women that are struggling with both chemical dependency and mental health issues. The women participate in daily groups and activities focused on recovery, stability and achieving self-sufficiency.

Group Residential Housing - is unique in that it supports women in transition from treatment programs to independent living. Services include meals, relapse prevention strategies, independent living skills, and programming that assists in achieving stability and self-sufficiency.

Strategic Optimal Alignment of Resources (SOAR) - is a comprehensive organizational effectiveness plan to realign the organization's infrastructure for three related purposes: provide robust services to meet the complex needs of the women served; reduce the organization's dependence on grant funding for program services; develop the capacity to access self-sustaining funding sources, such as fee-for-service Medicaid, to ensure adequate funding for program services. SOAR activities include significant upgrades to management information systems; human resources, administrative, and financial systems infrastructure. As a result of the SOAR Project, ENS was certified in 2012 to provide services and bill Medicaid for Adult Rehabilitative Mental Health Services (ARMHS).

Emma's Place is a nonprofit supportive housing facility located in Maplewood, Minnesota and services the east metro area. The purpose of Emma's Place is to provide thirteen multi-bedroom low income housing units for single parents with three or more children that are coming from a homeless situation. Support services are provided to enable these families to improve parenting and job skills while benefiting from the stability of permanent housing. The goal is achieving self-sufficiency and stable, healthy family life.

Emma's Place has a contract with the Metropolitan Council Housing and Redevelopment Authority for subsidized rents pursuant to Section 8 of Title II of the United States Housing Act of 1937, as amended. The contract expires May 31, 2017. Housing assistance payments received totaled \$175,518 and \$174,291 for the years ended December 31, 2012 and 2011, respectively.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 1 - Summary of Significant Accounting Policies (continued)

Reporting Consolidation

The consolidated financial statements are comprised of the accounts and records of Emma Norton Services and Emma's Place (the Organization). Emma's Place is governed by a local Board of Directors with members representing Emma Norton Services with majority voting rights and has contracted with Emma Norton Services for management and support services. All intercompany balances have been eliminated in the consolidated financial statements.

Financial Statement Presentation

These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole. For purposes of financial reporting, the Organization classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the Organization are classified in the accompanying financial statements in the categories that follow:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations or state law that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Income earned on permanently restricted net assets is temporarily restricted until appropriated for expenditure.

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. The Organization recognizes revenues from rental when services are provided. Revenue is reported at the amounts due from clients and third-party payors for services rendered. The Organization receives subsidy grants from the U.S. Department of Housing and Urban Development Department.

Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers highly liquid investments, except those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents. Cash on deposit in excess of federally insured limits are subject to the usual banking risks of funds in excess of those limits.

Accounts Receivable

Accounts receivable are stated at net realizable value. The allowance for doubtful accounts was \$1,200 at December 31, 2012. There was no allowance for doubtful accounts at December 31, 2011. Bad debts are provided on the reserve method based on specific accounts and management's evaluation at the end of each year. The Organization does not charge interest on accounts receivable balances that are past due. Receivables are generally unsecured.

Inventories

Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out basis.

Grants Receivable

Grant receivables are principally from state agencies and are unsecured. An allowance for uncollectible receivables is determined based on experience. There was no allowance for uncollectible grants receivable at December 31, 2012 and 2011.

Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at date of the gift if donated. Acquisitions of property and equipment in excess of \$1,000 with a useful life greater than one year and expenditures for improvements and betterments in excess of \$1,000 that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation is charged as an expense using the straight-line method over the estimated useful lives of the assets, generally three to five years for furniture and equipment and five to forty-five years for building and leasehold improvements.

Deferred Loans

Deferred loans are debts which are payable at the end of their term but at a low or no interest rate. The indebtedness is discounted to reflect the market interest rate and present value of the debt. The effective interest rate at the date of the loan is used to discount the debt.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 1 - Summary of Significant Accounting Policies (continued)

Tax-Exempt Status

Both Emma Norton Services and Emma's Place have received notification that they qualify as tax-exempt organizations under Section 501 (c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, are not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

Accounting principles generally accepted in the United States of America require the Organization to evaluate positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by applicable tax authorities. Management has analyzed tax positions taken by the Organization, and has concluded that as of December 31, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2009.

Functional Allocation of Expenses

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

Estimates and Assumptions

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.

Reclassification

For comparability, certain 2011 amounts have been reclassified to conform with classifications in 2012. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Unemployment Compensation

The Organization has elected to pay unemployment compensation claims as they arise.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 1 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts reflected on the consolidated statements of financial position for cash and cash equivalents, accounts receivable, deposits held in trust and accounts payable are carried at cost which approximates fair value due to the short term maturity of these financial instruments.

The endowment investments of \$24,614 held for Emma's Legacy at the Minnesota United Methodist Foundation are recorded at fair value based on quoted market prices made on a recurring basis. Endowment investments held by the Organization in savings accounts of \$495,914 are carried at cost.

NOTE 2 - Deposits Held in Trust

Tenant security deposits for Emma's Place are required by The Minnesota Housing and Finance Agency (MHFA) Regulatory Agreement to be maintained in an interest bearing savings account separate from the operating account of the Organization. The account is required to be maintained at a balance that is equal to or exceeds the aggregate amount of all outstanding obligations with respect to security deposits. Withdrawals are restricted to reimbursements of tenants' security deposits. At December 31, 2012 and 2011, the account was funded in full.

NOTE 3 - Grants Receivable

Grants receivable as of December 31, 2012 and 2011 consist of grants due in less than one year.

NOTE 4 - Restricted Net Assets

Temporarily restricted net assets at December 31 consist of:

	<u>2012</u>	<u>2011</u>
Debt present value discount	\$ 1,317,404	\$ 1,368,747
Other program activities	<u>38,270</u>	<u>93,466</u>
	<u>\$ 1,355,674</u>	<u>\$ 1,462,213</u>

Permanently restricted net assets at December 31 consist of:

Emma's Legacy	<u>\$ 625,783</u>	<u>\$ 130,040</u>
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EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 5 - Net Assets Released from Donor Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	<u>2012</u>	<u>2011</u>
Time and purpose program restrictions	\$ 181,516	\$ 87,860
Amortization of debt present value discount	51,343	49,750
Endowment appropriation	<u>1,518</u>	<u>695</u>
	<u>\$ 234,377</u>	<u>\$ 138,305</u>

NOTE 6 - In-Kind Contributions

In-kind contributions and the related expenses consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Occupancy (space)	\$ 168,000	\$ 168,000
Supplies	<u>95,664</u>	<u>73,988</u>
	<u>\$ 263,664</u>	<u>\$ 241,988</u>

In-kind contributions are recorded at fair market value at the time of donation. The Organization utilizes and relies upon the services of volunteers, however the volunteer services provided generally do not meet the requirements of current accounting standards to be recorded in the financial statements. Therefore, no income or expense for volunteer services have been recorded on the financial statements for the years ended December 31, 2012 and 2011. Approximately 3,500 and 4,800 hours are volunteered for the years ended December 31, 2012 and 2011, respectively.

NOTE 7 - Related Party Transactions

The Organizations are governed by local Boards of Directors and are charitable projects related to the National United Methodist Women of the United Methodist Church. They operate under the policies and administration of the National United Methodist Women of the United Methodist Church which is responsible to the United Methodist Church. Contributions and grants received from related parties are as follows:

	<u>2012</u>	<u>2011</u>
National United Methodist Women of the United Methodist Church:		
Tech grant	\$ 25,000	\$ 88,797
United Methodist Women	<u>230,921</u>	<u>86,718</u>
	<u>\$ 255,921</u>	<u>\$ 175,515</u>

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 7 - Related Party Transactions (continued)

The property occupied by Emma Norton Services is owned by the National United Methodist Women of the United Methodist Church and is leased to Emma Norton Services. The lease is cancelable by either party by giving a ninety day notice. The lease has been renewed through March 31, 2013. The lease calls for no lease payments to be made by the Organization. The National United Methodist Women of the United Methodist Church has estimated the fair value of the annual rental at approximately \$168,000 for the years ended December 31, 2012 and 2011, which is included in both in-kind contributions and expenses in the statements of activities. Subsequent to year end the lease was extended through December 31, 2027.

NOTE 8 - Deferred Loans

Deferred loans consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Mortgage loan payable to Minnesota Housing Finance Agency (MHFA), face value of \$2,258,200, the loan is subject to various covenants and if no events of default occur is due November 6, 2031.	\$ 1,241,218	\$ 1,202,731
Loan payable to Ramsey County Housing and Redevelopment Authority, face value of \$500,000, the loan is subject to various covenants and if no events of default occur is due November 15, 2031.	274,825	266,303
Loan payable to Family Housing Fund, face value of \$150,000, the loan is subject to various covenants and if no events of default occur is due November 6, 2031.	82,448	79,891
Loan payable to Federal Home Loan Bank of Des Moines, face value of \$65,000, the loan is forgiven as of May 30, 2017 if not in default.	<u>57,305</u>	<u>55,528</u>
Total	<u>\$ 1,655,796</u>	<u>\$ 1,604,453</u>

NOTE 9 - Endowments

The Organization's endowment consists of two individual funds established for a variety of purposes. Its endowment includes only donor-restricted funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2012 the Organization's endowment fund received a contribution of approximately \$496,000 creating the need for additional disclosures. As of December 31, 2012, the Organization's board is in the process of setting up the policies and procedures relating to the investment and administration of their endowment fund.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 9 - Endowment (continued)

Endowment net assets consist of the following as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 625,783	\$ 625,783
Total endowment net assets	\$ -	\$ -	\$ 625,783	\$ 625,783

Endowment net assets consist of the following as of December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 130,040	\$ 130,040
Total endowment net assets	\$ -	\$ -	\$ 130,040	\$ 130,040

Changes in endowment net assets for the year ended December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 130,040	\$ 130,040
Investment return				
Investment income	-	776	-	776
Net appreciation - realized and unrealized	-	742	-	742
Total investment return	-	1,518	-	1,518
Contributions	-	-	495,743	495,743
Appropriation of endowment assets for expenditure	-	(1,518)	-	(1,518)
Endowment net assets, end of year	-	-	625,783	625,783
Less outstanding borrowing for operations	-	-	(105,255)	(105,255)
Endowment assets, end of year	\$ -	\$ -	\$ 520,528	\$ 520,528

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2012 and 2011

NOTE 9 - Endowment (continued)

Changes in endowment net assets for the year ended December 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 109,765	\$ 109,765
Investment return				
Investment income	-	695	-	695
Net depreciation - realized and unrealized	-	-	-	-
Total investment return	-	695	-	695
Contributions	-	-	20,275	20,275
Appropriation of endowment assets for expenditure	-	(695)	-	(695)
Endowment net assets, end of year	-	-	130,040	130,040
Less outstanding borrowing for operations	-	-	(106,774)	(106,774)
Endowment assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,266</u>	<u>\$ 23,266</u>

Borrowings - As of December 31, 2012 and 2011, the Organization has borrowed approximately \$105,000 and \$107,000, respectively, from the endowment fund for operations.

NOTE 10 - Operating Leases

The Organization leases office copiers and a telephone system. The leases are accounted for as operating leases. On December 6, 2011, the Organization entered into a 60 month lease for office copiers and on July 24, 2012, the Organization entered into a 60 month lease for a telephone system.

Future minimum lease payments as of December 31, 2012 are as follows:

2013	\$ 9,455
2014	9,455
2015	9,455
2016	9,166
2017	3,991
	<u>\$ 41,522</u>

Rent expense on the operating leases was \$7,975 and \$2,232 for December 31, 2012 and 2011, respectively.

NOTE 11 - Retirement Plan

The Organization has a retirement plan covering all eligible employees. The Organization can make discretionary contributions to the plan. No contributions were made to the plan for the years ended December 31, 2012 and 2011.

EMMA NORTON SERVICES AND AFFILIATE (EMMA'S PLACE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2012 and 2011

NOTE 12 - Commitments and Contingencies

Financial Awards from Grantors

Financial awards from federal, state and local governments in the form of grants may be subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

The Organization has signed a rental restriction agreement with MHFA as a condition of receiving an allocation of low-income housing funding from MHFA. Under this agreement, the Organization must continuously comply with Section 42 and other applicable sections of the Internal Revenue Code (IRC). The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the Organization fails to comply with this agreement or with the IRC, it may be ineligible for future funding.

NOTE 13 - Concentrations

The Organization contracts with the U.S. Department of Housing and Urban Development Department to provide room and board services. Revenue from these activities are recognized as the services are provided. A significant concentration of operating revenue is received or receivable from U.S. Department of Housing and Urban Development Department. A reduction in the level of support, if this were to occur, could have a significant effect on Emma Norton Services' programs and activities.

NOTE 14 - Subsequent Events

The Organization has evaluated subsequent events through June 24, 2013 which is the date the financial statements were approved and available to be issued.