



**AT JACOB'S WELL, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2011 AND 2010**

**WITH INDEPENDENT AUDITORS' REPORT THEREON**

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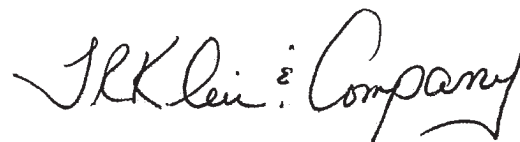
**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
At Jacob's Well, Inc.  
Baltimore, Maryland

We have audited the accompanying statements of financial position of At Jacob's Well, Inc., as of June 30, 2011 and 2010, and the related statements of unrestricted revenues and expenses and change in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 At Jacob's Well, Inc., as of June 30, 2011 and 2010, and change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "T.R. Klein & Company".

November 15, 2011

**AT JACOB'S WELL, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Unrestricted Revenues and Expenses and Change in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 - 14

**AT JACOB'S WELL, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 80,528	\$ 135,158
Investments	177,319	137,289
Accounts receivable	5,403	8,332
Prepaid expenses	23,511	22,861
Property and equipment, net	<u>623,659</u>	<u>660,899</u>
Total assets	<u>910,420</u>	<u>964,539</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	6,057	11,309
Grant advance	200,000	200,000
Mortgages payable	<u>159,223</u>	<u>168,275</u>
Total liabilities	<u>365,280</u>	<u>379,584</u>
Net assets -		
Unrestricted -		
Available for general activities	<u>545,140</u>	<u>584,955</u>
Total net assets	<u>545,140</u>	<u>584,955</u>
Total liabilities and net assets	<u>\$ 910,420</u>	<u>\$ 964,539</u>

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

**AT JACOB'S WELL, INC.**

**STATEMENTS OF UNRESTRICTED REVENUES AND  
EXPENSES AND CHANGE IN NET ASSETS**

**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Revenues, gains, and other support:		
Public support -		
Contributions and grants	<u>\$ 52,762</u>	<u>\$ 48,818</u>
Grants and fees from governmental agencies	<u>334,249</u>	<u>335,372</u>
Other revenue:		
Program service fees	27,926	34,152
Miscellaneous, including interest	1,319	926
Unrealized gain (loss) on investments	<u>15,030</u>	<u>(31)</u>
	<u>44,275</u>	<u>35,047</u>
Total revenues, gains, and other support	<u>431,286</u>	<u>419,237</u>
Expenses:		
Program services	<u>389,063</u>	<u>396,215</u>
Supporting services:		
Management and general	70,762	73,183
Fund raising	<u>11,276</u>	<u>12,158</u>
	<u>82,038</u>	<u>85,341</u>
Total expenses	<u>471,101</u>	<u>481,556</u>
Change in net assets	(39,815)	(62,319)
Net assets - beginning of year	<u>584,955</u>	<u>647,274</u>
Net assets - end of year	<u><u>\$ 545,140</u></u>	<u><u>\$ 584,955</u></u>

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

# AT JACOB'S WELL, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ (39,815)	\$ (62,319)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	37,240	37,377
Amortization of loan discount	1,210	1,210
Unrealized (gain) loss on investments	(15,030)	31
(Increase) decrease in:		
Accounts receivable	2,929	(115)
Prepaid expenses	(650)	(11,116)
Increase (decrease) in -		
Accounts payable and accrued expenses	(5,252)	(12,108)
Net cash used in operating activities	(19,368)	(47,040)
Cash flows from investing activities:		
Capital expenditures	-	(13,531)
Purchase of investments	(25,000)	-
Net cash used in investing activities	(25,000)	(13,531)
Cash flows from financing activities -		
Principal payments on notes payable	(10,262)	(10,034)
Net cash used in financing activities	(10,262)	(10,034)
Net decrease in cash and cash equivalents	(54,630)	(70,605)
Cash and cash equivalents - beginning of year	135,158	205,763
Cash and cash equivalents - end of year	80,528	135,158
Supplemental cash flow information -		
Cash paid for interest	\$ 2,155	\$ 2,385

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

**AT JACOB'S WELL, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	YEAR ENDED JUNE 30, 2011			YEAR ENDED JUNE 30, 2010				
	Program Service	Supporting Services Management and General	Fund Raising	Total	Program Service	Supporting Services Management and General	Fund Raising	Total
Payroll and payroll related expenses	\$ 164,949	\$ 43,861	\$ 10,965	\$ 219,775	\$ 177,786	\$ 47,410	\$ 11,852	\$ 237,048
Professional fees	-	19,450	-	19,450	-	17,750	-	17,750
Food and supplies	1,082	2,088	3	3,173	2,423	2,970	7	5,400
Telephone	4,298	482	121	4,901	4,541	479	120	5,140
Occupancy	146,428	60	8	146,496	142,562	117	15	142,694
Repairs and maintenance	9,141	239	30	9,410	9,361	245	31	9,637
Printing and postage	815	815	-	1,630	553	553	-	1,106
Interest	3,365	-	-	3,365	3,596	-	-	3,596
Insurance	19,613	1,720	71	21,404	16,572	1,587	55	18,214
Miscellaneous	2,829	1,428	-	4,257	2,145	1,449	-	3,594
Depreciation	36,543	619	78	37,240	36,676	623	78	37,377
	<u>\$ 389,063</u>	<u>\$ 70,762</u>	<u>\$ 11,276</u>	<u>\$ 471,101</u>	<u>\$ 396,215</u>	<u>\$ 73,183</u>	<u>\$ 12,158</u>	<u>\$ 481,556</u>

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

# AT JACOB'S WELL, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1 - Summary of Significant Accounting Policies

#### Nature of Organization

At Jacob's Well, Inc. (Organization) is a Maryland not-for-profit corporation. The Organization's mission is to serve the homeless and poor of Baltimore City who suffer from mental illness. Its primary program services are the provision of housing, advocacy, and food for the mentally ill homeless.

#### Contributions and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/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 unrestricted revenues and expenses and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

#### Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization did not have a measurable amount of donated services for the years ended June 30, 2011 and 2010, respectively.

#### Investments

Investments consist of securities with readily determinable fair values and are carried at those values based on quoted prices in active markets for identical assets (Level 1). Realized and unrealized gains or losses on investments are recorded in the period in which the gains or losses occur.

# AT JACOB'S WELL, INC.

## NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

### **1 - Summary of Significant Accounting Policies (continued)**

#### **Accounts Receivable**

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the differences between the two methods is immaterial.

#### **Property and Equipment**

The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) - twenty-seven and one-half (27.5) years using the straight-line method. The Organization uses the direct expensing method to account for planned major maintenance activities.

#### **Promises to Give**

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 discounts on those amounts are computed using rates applicable to the facts and circumstances to each of the promises to give. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

#### **Cash Equivalents**

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents.

#### **Impairment of Long-Lived Assets**

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2011 and 2010.

(continued)

## AT JACOB'S WELL, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 2 - Mortgages Payable

The Organization has the following mortgages:

	<u>2011</u>	<u>2010</u>
Mortgage payable, 4%, secured by land and building. Principal and interest payments are due monthly in the amount of \$ 195 through April, 2019.	\$ 5,147	\$ 7,238
Mortgage payable, 3%, secured by land and building. Principal and interest payments are due monthly in the amount of \$ 213 through August, 2019.	8,260	10,540
Mortgage payable, 2%, secured by land and building. Principal and interest payments are due monthly in the amount of \$ 74 through September, 2019.	7,231	7,966
Mortgage payable, 2%, secured by land and building. Principal and interest payments are due monthly in the amount of \$ 162 through August, 2020.	17,140	18,723
Mortgage payable, 1%, secured by land and building. Principal and interest payments are due monthly in the amount of \$ 391 through August, 2037.	<u>109,850</u>	<u>113,424</u>
Total mortgages payable	147,628	157,891
<p>There are equity participation agreements with the lender for five of the properties. In the event of default, prepayment or maturity of the loan, or sale or transfer of the property, 50% of any equity in the property will be refunded.</p>		
Liability related to these agreements	22,538	22,538
Less the unamortized loan discount	<u>(10,943)</u>	<u>(12,154)</u>
	<u>\$ 159,223</u>	<u>\$ 168,275</u>

(continued)

# AT JACOB'S WELL, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2 - Mortgages Payable (continued)

Current maturities for the next five years and thereafter on the above notes are as follows:

2012	\$ 10,486
2013	10,729
2014	9,212
2015	7,079
2016	6,293
Thereafter	\$ 103,829

Interest expense was \$ 2,155 and \$ 2,385 for the years ended June 30, 2011 and 2010, respectively.

Amortization of the loan discount related to the equity participation agreements is included in interest expense and amounted to \$ 1,211 and \$ 1,210 for the years ended June 30, 2011 and 2010, respectively.

The equity participation rights have been valued at fair value on a recurring basis at June 30, 2011 and 2010, using significant unobservable inputs (Level 3). There was no change in fair value for the years ended June 30, 2011 and 2010. There have been no changes in valuation techniques and related inputs.

### 3 - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Internal Revenue Service has not examined (audited) any income tax returns of the Organization thus the previous three (3) years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

### 4 - Concentration

The Organization received approximately 38% and 37% of its income from the State of Maryland Office of Homeless Services for the years ended June 30, 2011 and 2010, respectively.

# AT JACOB'S WELL, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5 - Investments

Investments consisted of the following as of June 30,:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Certificate of deposit	\$ 25,000	\$ 25,000	\$ -	\$ -
Treasury bill	99,500	99,500	99,500	99,500
Common stock	52,819	68,151	37,789	68,151
	\$ 177,319	192,651	137,289	\$ 167,651

### 6 - Commitments

The Organization leases sixteen (16) buildings for clients in its Shelter Plus Care program. Monthly rentals are approximately \$ 12,000 per month. Rent expense was \$ 116,884 and \$ 112,071 for the years ended June 30, 2011 and 2010, respectively. Future minimum lease commitments are as follows for the years ended June 30,:

2012	\$ 68,195
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### 7 - Grant Advance

Grant advance at June 30, 2011 and 2010 consisted of grants received from the Community Development Bond Funds program. All grants are secured by a second lien on the real estate. \$ 200,000 of these advances at June 30, 2011 will be forgiven in the year 2021 if certain conditions are met.

### 8 - Property and Equipment

Property and equipment consisted of the following at June 30,:

	2011	2010
Land	46,928	46,928
Building and improvements	993,782	993,782
Furniture and equipment	73,468	73,468
	1,114,178	1,114,178
Less accumulated depreciation	490,519	453,279
	\$ 623,659	\$ 660,899

(Continued)

# AT JACOB'S WELL, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9 - Fair Value Measurements

The accounting codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liabilities.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

# AT JACOB'S WELL, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9 - Fair Value Measurements (continued)

Fair values for investments in common stocks, treasury bills and certificates of deposit are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the equity participation liability is determined using the cost approach based on the cost to a market participant to acquire similar participation rights. The Organization recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2011 and 2010.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2011 and 2010 are as follows:

June 30, 2011	Fair Value	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices</u> in Active Markets for Identical Assets (Level 1)	<u>Significant</u> Other Observable Inputs (Level 2)	<u>Significant</u> Unobservable Inputs (Level 3)
Certificates of deposit	\$ 25,000	\$ 25,000	\$ -	\$ -
Treasury bills	99,500	99,500	-	-
Common stock	52,819	52,819	-	-
Equity participation liability	<u>(22,538)</u>	<u>-</u>	<u>-</u>	<u>(22,538)</u>
Total	<u>\$ 154,781</u>	<u>\$ 177,319</u>	<u>\$ -</u>	<u>\$ (22,538)</u>

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## AT JACOB'S WELL, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 9 - Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

June 30, 2010	Fair Value	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices</u> in Active Markets for Identical Assets (Level 1)	<u>Significant</u> Other Observable Inputs (Level 2)	<u>Significant</u> Unobservable Inputs (Level 3)
Treasury bills	\$ 99,500	\$ 99,500	\$ -	\$ -
Common stock	37,789	37,789	-	-
Corporate bonds	174,804	174,804		
Equity participation liability	<u>(22,538)</u>	<u>-</u>	<u>-</u>	<u>(22,538)</u>
Total	<u>\$ 289,555</u>	<u>312,093</u>	<u>\$ -</u>	<u>\$ (22,538)</u>

#### Equity Participation Liability

July 1, 2009	(22,538)
Total gains or losses (realized/unrealized)	-
Purchases, issuance, and settlements	-
Transfers in and/or out of Level 3	-
June 30, 2010	<u>(22,538)</u>
Total gains or losses (realized/unrealized)	-
Purchases, issuance, and settlements	-
Transfers in and/or out of Level 3	-
June 30, 2011	<u><u>\$ (22,538)</u></u>

(Continued)

## **AT JACOB'S WELL, INC.**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

#### **10 - Use of Estimates in Financial Statements**

The preparation of financial statements in conformity with GAAP 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.

#### **11 - Subsequent Events**

GAAP require organizations to evaluate events and transactions that occur after the statement of financial position date but before the date the financial statements are available to be issued. GAAP requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the statement of financial position date, including the estimates inherent in the financial preparation process. Subsequent events that provide evidence about conditions that arose after the statement of financial position date should be disclosed if the financial statements would otherwise be misleading. The Organization has evaluated subsequent events through the date the financial statements were available to be issued on November 15, 2011, and determined there are no material transactions to disclose.