

**SIENA/FRANCIS HOUSE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 AND 2009**  
**(WITH INDEPENDENT AUDITOR'S REPORT)**

INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Siena/Francis House  
Omaha, Nebraska

We audited the accompanying statements of financial position of the Siena/Francis House (Siena) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Siena'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 U.S.A. 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 audits 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 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 the Siena/Francis House as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the U.S.A.

In accordance with *Government Auditing Standards*, we also issued our report dated November 29, 2011, on our consideration of Siena's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 considered in assessing the results of our audit.

*Frankel Zacharia LLC*

November 29, 2011

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SIENA/FRANCIS HOUSE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31	2010	2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 1.D.)	\$ 2,448,532	2,209,409
Grants receivable	291,530	146,170
Other receivables	24,249	19,256
Prepaid expenses and other	16,500	26,374
<b>Total current assets</b>	<b>2,780,811</b>	<b>2,401,209</b>
<b>Noncurrent assets</b>		
Net property and equipment (Note 2)	4,209,362	4,386,053
<b>TOTAL ASSETS</b>	<b>\$ 6,990,173</b>	<b>6,787,262</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	127,722	123,912
Note payable	---	31,468
<b>Total current liabilities</b>	<b>127,722</b>	<b>155,380</b>
<b>Net assets (Note 3)</b>		
Unrestricted	6,054,131	6,196,959
Temporarily restricted	799,987	426,590
Permanently restricted	8,333	8,333
<b>Total net assets</b>	<b>6,862,451</b>	<b>6,631,882</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,990,173</b>	<b>6,787,262</b>

See accompanying notes to financial statements

**STATEMENTS OF ACTIVITIES**

SIENA/FRANCIS HOUSE

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31

2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Contributions and other grants	\$ 1,585,694	627,312	---	2,213,006
Government grants	330,948	100,000	---	430,948
EFSP grant (LRO ID 572200-013)	53,920	---	---	53,920
Donations of food, clothing, and supplies (Note 1.H.)	4,392,355	---	---	4,392,355
Donations of property and equipment	---	---	---	---
Special events	61,335	---	---	61,335
Investment income	3,481	---	---	3,481
Other revenue	32,580	---	---	32,580
Net assets released from restrictions	353,915	( 353,915)	---	---
<b>Total revenues and support</b>	<b>6,814,228</b>	<b>373,397</b>	<b>---</b>	<b>7,187,625</b>
<b>EXPENSES</b>				
Program services	6,407,642	---	---	6,407,642
Management and general	291,237	---	---	291,237
Fundraising	258,177	---	---	258,177
<b>Total expenses</b>	<b>6,957,056</b>	<b>---</b>	<b>---</b>	<b>6,957,056</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>				
	( 142,828)	373,397	---	230,569
Net assets at beginning of year	6,196,959	426,590	8,333	6,631,882
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 6,054,131</b>	<b>799,987</b>	<b>8,333</b>	<b>6,862,451</b>

See accompanying notes to financial statements

## 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Contributions and other grants	\$ 1,726,386	293,000	---	2,019,386
Government grants	303,516	100,000	---	403,516
EFSP grant (LRO ID 572200-013)	91,741	---	---	91,741
Donations of food, clothing, and supplies (Note 1.H.)	1,765,692	---	---	1,765,692
Donations of property and equipment	89,250	350,000	---	439,250
Special events	41,616	---	---	41,616
Investment income	3,966	---	---	3,966
Other revenue	31,073	---	---	31,073
Net assets released from restrictions	320,644	( 320,644)	---	---
<b>Total revenues and support</b>	<b>4,373,884</b>	<b>422,356</b>	<b>---</b>	<b>4,796,240</b>
<b>EXPENSES</b>				
Program services	3,703,529	---	---	3,703,529
Management and general	238,526	---	---	238,526
Fundraising	239,407	---	---	239,407
<b>Total expenses</b>	<b>4,181,462</b>	<b>---</b>	<b>---</b>	<b>4,181,462</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>				
	192,422	422,356	---	614,778
Net assets at beginning of year	6,004,537	4,234	8,333	6,017,104
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 6,196,959</b>	<b>426,590</b>	<b>8,333</b>	<b>6,631,882</b>

**STATEMENTS OF FUNCTIONAL EXPENSES**

SIENA/FRANCIS HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31

2010

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 905,947	153,254	81,204	1,140,405
Assistance to guests	3,566,649	---	---	3,566,649
Auto repairs and gas	22,968	---	---	22,968
Depreciation	205,710	1,144	1,144	207,998
Employee benefits	173,476	22,778	21,853	218,107
Food	844,243	---	---	844,243
Direct mail appeals	---	---	129,798	129,798
Special events	---	---	10,966	10,966
Administration	---	14,413	---	14,413
Property and liability insurance	44,164	4,451	714	49,329
Interest	771	---	---	771
Lease	2,183	---	---	2,183
Miscellaneous	31,829	4,926	1,137	37,892
Office supplies	46,325	7,169	1,654	55,148
Program supplies	20,021	---	---	20,021
Information systems	27,986	4,331	999	33,316
Payroll taxes	75,961	12,450	6,827	95,238
Professional fees	---	62,104	---	62,104
Repairs and maintenance	73,547	409	409	74,365
Stipends	183,367	---	---	183,367
Telephone	19,620	3,037	701	23,358
Utilities	138,644	771	771	140,186
Vending	24,231	---	---	24,231
<b>Total</b>	<b>\$ 6,407,642</b>	<b>291,237</b>	<b>258,177</b>	<b>6,957,056</b>

See accompanying notes to financial statements

2009

	Program	Management and General	Fundraising	Total
	Services			
Salaries and wages	\$ 909,549	121,782	80,645	1,111,976
Assistance to guests	960,416	---	---	960,416
Auto repairs and gas	18,862	---	---	18,862
Depreciation	190,839	1,061	1,061	192,961
Employee benefits	167,537	17,660	17,510	202,707
Food	801,399	---	---	801,399
Direct mail appeals	---	---	118,447	118,447
Special events	---	---	9,809	9,809
Administration	---	15,190	---	15,190
Property and liability insurance	38,010	3,395	523	41,928
Interest	356	---	---	356
Lease	7,921	---	---	7,921
Miscellaneous	26,163	3,347	913	30,423
Office supplies	44,200	5,653	1,542	51,395
Program supplies	20,000	---	---	20,000
Information systems	16,786	2,147	586	19,519
Payroll taxes	71,755	9,537	6,424	87,716
Professional fees	---	54,597	---	54,597
Repairs and maintenance	77,036	428	428	77,892
Stipends	178,952	---	---	178,952
Telephone	23,749	3,038	828	27,615
Utilities	124,282	691	691	125,664
Vending	25,717	---	---	25,717
<b>Total</b>	<b>\$ 3,703,529</b>	<b>238,526</b>	<b>239,407</b>	<b>4,181,462</b>

**STATEMENT OF CASH FLOWS**

SIENA/FRANCIS HOUSE

STATEMENTS OF CASH FLOW

YEARS ENDED DECEMBER 31 2010 2009

**INCREASES (DECREASES) IN CASH  
AND CASH EQUIVALENTS**

**Cash flows from operating activities:**

Government grants	\$ 252,508	479,431
Contributions and other	2,377,868	1,997,689
Interest and dividends received	3,336	8,954
Paid to employees and suppliers	( 2,335,031)	( 2,208,231)
<b>Net cash provided by operating activities</b>	<b>298,681</b>	<b>277,843</b>

**Cash flows from investing activities**

Purchases of property and equipment	( 30,129)	( 105,931)
Other	2,039	7,386
<b>Net cash used by investing activities</b>	<b>( 28,090)</b>	<b>( 98,545)</b>

**Cash flows from financing activities**

Payments on note payable	( 31,468)	( 306)
<b>Net cash used by financing activities</b>	<b>( 31,468)</b>	<b>( 306)</b>

**NET INCREASE IN CASH AND  
AND CASH EQUIVALENTS**

**239,123 178,992**

Cash and cash equivalents at beginning of year 2,209,409 2,030,417

**Cash and cash equivalents at end of year \$ 2,448,532 2,209,409**

**Supplemental Disclosures**

Noncash investing and financing activities:

Acquisition of vehicle with direct financing	\$ ---	31,774
Donations of property and marketable securities	18,128	446,636

See accompanying notes to financial statements

	2010	2009
<b>Reconciliation of net cash flows from operating activities</b>		
Increase in net assets	\$ 230,569	614,778
<b>Reconciling adjustments</b>		
Depreciation	207,998	192,961
Donated marketable securities	( 16,053)	( 7,386)
Donated property and equipment	( 2,075)	( 439,250)
Other	752	9,137
<b>(Increase) decrease in operating assets</b>		
Grants receivable	( 145,360)	( 102,826)
Other receivable	( 4,993)	( 19,256)
Prepaid expenses	24,033	( 3,970)
<b>Increase in operating liabilities</b>		
Accounts payable and accrued expenses	3,810	33,655
<b>Net cash provided by operating activities</b>	<b>\$ 298,681</b>	<b>277,843</b>

**SIENA/FRANCIS HOUSE**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 AND 2009**

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**1. Summary of Significant Accounting and Reporting Policies**

The mission of the Siena/Francis House (Siena) is based upon a concern and care for the poor following the example of the Scriptures. This mission is realized through an integrated program to feed the hungry, shelter the homeless, clothe the needy and provide a drug recovery program. This mission extends beyond merely answering physical needs to the acceptance and affirmation of the human person, the creation of an atmosphere of hospitality, and the provision of purpose and meaning in the lives of people who struggle for survival.

- A. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the U.S.A.
- B. Net assets are classified as unrestricted, temporarily restricted or permanently restricted, defined as follows:

Unrestricted net assets are not limited by donor-imposed stipulations. These assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets result from contributions and revenues the use of which is limited by donor or grant-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of Siena pursuant to those stipulations.

Permanently restricted net assets result from contributions and revenues the use of which is limited by stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Siena.

- C. Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the U.S.A. Estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Because of the inherent uncertainties in this process, it is likely that actual results will vary from the estimates.

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Continued

SIENA/FRANCIS HOUSE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2010 AND 2009

1. Summary of Significant Accounting and Reporting Policies – Continued

D. Cash equivalents include short-term, highly liquid investments, so close to maturity (generally three months or less when acquired) that the risk of change in value from interest rate fluctuations, and market and credit conditions, is not significant, and are readily convertible into cash. Cash and cash equivalents include the following:

	Insurance	2010	2009
American National Bank			
Demand and savings accounts	FDIC	\$ 1,288,686	1,054,133
Money market account	FDIC	87,687	87,363
Mutual of Omaha Bank			
Money market account	FDIC	752,129	--
Schwab Value Advantage Money Fund	SIPC	315,680	1,067,913
Schwab Cash Reserves	SIPC	4,350	--
<b>Total cash and cash equivalents</b>		<b>\$ 2,448,532</b>	<b>2,209,409</b>

Accounts listed as FDIC and SIPC insured are subject to the limits of that insurance, which are \$250,000 and \$500,000 per financial institution, respectively. The Schwab account also has "excess SIPC" insurance.

E. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

From time to time, Siena receives contributions of marketable securities which are subsequently converted to cash. However, during the holding period, gains and losses are recognized and are considered unrestricted unless otherwise specified by the donor.

F. Revenue from various grants is recognized in the financial statements during the period in which each grant is earned (generally, over the term of the grant). Certain grants are restricted as to purpose and/or time.

G. Property and equipment is recorded at cost. Donated items are recorded at fair value at the date of donation. Depreciation is computed by the straight-line method over the following estimated useful lives:

Land improvements	10 – 20 years
Buildings	20 – 40 years
Equipment	3 – 7 years
Vehicles	5 years

Continued

SIENA/FRANCIS HOUSE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2010 AND 2009

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1. Summary of Significant Accounting and Reporting Policies – Continued

H. Siena values noncash donations of food, clothing and supplies at estimated fair value on the date of donation. In 2010, Siena changed its method of valuing donations of clothing and supplies. Previously, the value of these donations was estimated based on services provided during the year. Beginning in 2010, the value of these donations was estimated based on receipts and the current Salvation Army value, which management believes is a more accurate estimate. Because receipt information from prior years is not available, it is impracticable to retroactively apply this valuation method to 2009. As such, during 2010 and 2009 respectively, Siena recorded \$4.39 million and \$1.77 million of such donations as contribution revenue and program service expense.

I. Siena is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting standards require disclosure and recognition in financial statements of positions taken in a tax return about the treatment of transactions and events that more than likely would not be sustained upon examination by tax authorities.

Tax positions relative to a not-for-profit organization include activities that may endanger its exempt purpose and status as an exempt organization. Siena believes it complies with all relevant tax laws and regulations and has no significant uncertain tax positions. Therefore, no liability for uncertain taxes has been recorded in the financial statements.

Currently, the 2007 to 2010 tax years are open and subject to examination by Siena's major tax jurisdictions; however, Siena has received no notice from taxing authorities of intent to do so.

J. Management evaluated transactions and events occurring subsequent to December 31, 2010 and through the date of the independent auditor's report (the date the financial statements were available to be issued), to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements, except those discussed in Footnote 6.

2. Property and Equipment

	<u>2010</u>	<u>2009</u>
Land	\$ 221,092	221,092
Land improvements	16,833	16,833
Buildings	5,241,959	5,235,372
Equipment	58,451	36,765
Vehicles	89,889	87,814
	5,628,224	5,597,876
<u>Less accumulated depreciation</u>	<u>1,418,862</u>	<u>1,211,823</u>
<u>Net Property and Equipment</u>	<u>\$ 4,209,362</u>	<u>4,386,053</u>

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SIENA/FRANCIS HOUSE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2010 AND 2009

2. Property and Equipment - Continued

In February 2009, the City of Omaha donated a building located at 1624 Nicholas Street to Siena at a fair value of \$350,000. Agreements between the City and Siena require that the building be used to benefit low-income and homeless individuals for a period of five years. As such, this donation was considered temporarily restricted and will be released by the amount of depreciation on the building each year for five years ending in 2013, at which point the remaining book value will be released.

Additionally, part of this building was renovated on a pro bono basis by a group of contractors and suppliers at an estimated fair value of approximately \$89,000. These donated services were recorded as unrestricted donations in 2009.

3. Net Assets

A. Unrestricted

During 2010, the Board of Directors designated \$752,129 as an operating reserve, which is included in unrestricted net assets.

B. Temporarily Restricted

Temporarily restricted net assets consist of the following at December 31.

	2010	2009
Purpose restrictions	\$ 482,070	66,173
Time restrictions	317,917	360,417
	<u>\$ 799,987</u>	<u>426,590</u>

C. Releases from Restrictions

Net assets released from donor restrictions were as follows:

Purpose restrictions accomplished –		
Day facility	\$ 294,603	289,427
Keep Omaha Beautiful	12,400	12,485
Siena/Francis House Singers	4,412	--
Time restrictions accomplished –		
Rent free use of Day facility	--	4,149
2010 food and supplies	25,000	--
Depreciation on contributed Day facility	17,500	14,583
	<u>\$ 353,915</u>	<u>320,644</u>

Continued

SIENA/FRANCIS HOUSE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2010 AND 2009

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4. Concentrations

Siena participates in federal grant programs that are subject to review and audit by the grantor agency. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of Siena.

5. Retirement Plan

Siena sponsors a SIMPLE IRA plan for all employees who meet plan criteria. Siena is required to make matching contributions up to 3% of employee compensation. In 2010 and 2009, Siena's contributions were \$18,500 and \$20,600, respectively, and are included in employee benefits expense on the Statement of Functional Expenses.

6. Tax Credit Project

In October 2011, Siena began preliminary groundwork on two 24-unit housing apartment buildings for low income individuals and a related community service building at an estimated total cost of approximately \$6.5 million. Signed construction contracts total approximately \$137,000. Siena has received two grants in 2011 from the Department of Housing and Urban Development for \$640,117 and two grants for \$800,000 from the Federal Home Loan Bank related to the project. No funds have been advanced on these grants.

Siena has also formed a wholly-owned LLC, the Siena/Francis General Partner, LLC, who is the 1% general partner of the Siena Francis House Permanent Supportive Housing, L.P., a limited partnership formed to construct, own, and manage the project. In addition, a terminable letter of intent was signed in 2011 with US Bancorp Community Development Corporation, which details the bank's intent to become the limited partner of the expected tax credit financing and other matters common to these agreements.

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