

Health Care For The Homeless, Inc.

Financial Report
December 31, 2009

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Health Care for the Homeless, Inc.
Baltimore, Maryland

We have audited the accompanying statements of financial position of Health Care for the Homeless, Inc. (a nonprofit corporation) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Health Care for the Homeless, Inc.'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 Health Care for the Homeless, Inc. as of December 31, 2009 and 2008, 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 United States of America.

McGladrey & Pullen, LLP

Timonium, Maryland
May 20, 2010

Health Care For The Homeless, Inc.

Statements Of Financial Position
December 31, 2009 And 2008

Assets	2009	2008
Current Assets		
Cash and cash equivalents:		
General	\$ 1,495,712	\$ 1,630,470
Board designated	240,185	740,185
	<u>1,735,897</u>	<u>2,370,655</u>
Cash limited for use	1,315,338	751,155
Accounts receivable, net of allowance for doubtful accounts of \$178,039 in 2009 and \$53,000 in 2008	1,302,992	333,629
Grants and other receivables, net of allowances for doubtful accounts of \$77,085 in 2009 and 2008	1,617,448	2,003,888
Promises to give (Note 2)	1,118,344	1,353,338
Prepaid expenses	161,828	123,695
Total current assets	<u><u>7,251,847</u></u>	<u><u>6,936,360</u></u>
Property And Equipment		
Building	958,109	958,224
Land	492,750	492,750
Equipment	937,270	931,343
Furniture and fixtures and building improvements	694,902	691,202
Construction in progress	12,908,564	2,421,124
Total property and equipment	<u>15,991,595</u>	<u>5,494,643</u>
Less accumulated depreciation	1,870,079	1,781,255
Net property and equipment	<u><u>14,121,516</u></u>	<u><u>3,713,388</u></u>
Other Assets		
Debt issuance costs (Note 6)	104,126	89,041
Promises to give, net of present value discount of \$67,244 in 2009 and \$147,880 in 2008 (Note 2)	930,112	1,626,460
Total other assets	<u>1,034,238</u>	<u>1,715,501</u>
Total assets	<u><u>\$ 22,407,601</u></u>	<u><u>\$ 12,365,249</u></u>

See Notes To Financial Statements.

Liabilities And Net Assets	2009	2008
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,486,827	\$ 846,193
Accrued salaries and benefits	513,134	263,459
Accrued vacation	61,584	51,178
Deferred revenue	103,901	103,932
Total current liabilities	2,165,446	1,264,762
Long Term Liabilities		
Bond payable (Note 6)	3,221,225	57,148
Total long term liabilities	3,221,225	57,148
Total liabilities	5,386,671	1,321,910
Commitments (Notes 3, 7 and 8)		
Net Assets		
Unrestricted:		
Undesignated	3,727,872	3,223,548
Net investment in plant	11,004,417	3,745,281
Designated for contingencies	240,185	740,185
Total unrestricted net assets	14,972,474	7,709,014
Temporarily restricted (Note 7)	2,048,456	3,334,325
Total net assets	17,020,930	11,043,339
Total liabilities and net assets	\$ 22,407,601	\$ 12,365,249

Health Care For The Homeless, Inc.

Statement Of Activities

Year Ended December 31, 2009

(With Comparative Totals For The Year Ended December 31, 2008)

	Unrestricted			Total
	Operating	Net Investment in Plant	Board Designated	
Public support:				
Federal grants (Note 9)	\$ 4,820,411	\$ 1,492,575	\$ -	\$ 6,312,986
State and City grants/contracts (Note 9)	1,305,249	-	-	1,305,249
Contributions	575,471	-	-	575,471
Release of net assets from satisfaction of donor restrictions (Note 7)	-	5,610,569	-	5,610,569
Total public support	6,701,131	7,103,144	-	13,804,275
Patient service revenue, net (Note 10)	3,159,610	-	-	3,159,610
Other support:				
Non-government grants	367,526	-	-	367,526
Investment income	3,384	-	-	3,384
In-kind contributions	248,008	-	-	248,008
Total other support	618,918	-	-	618,918
Total support and revenue	10,479,659	7,103,144	-	17,582,803
Expenses:				
Program services	8,659,506	73,279	-	8,732,785
Supporting services:				
General and administrative	1,288,150	15,544	-	1,303,694
Fund raising	282,864	-	-	282,864
Total supporting services expenses	1,571,014	15,544	-	1,586,558
Total expenses	10,230,520	88,823	-	10,319,343
Change in net assets before transfers and forgiveness of debt	249,139	7,014,321	-	7,263,460
Forgiveness of debt	-	-	-	-
Property and equipment purchases	-	500,000	(500,000)	-
Transfer to operations	255,185	(255,185)	-	-
Total transfers and forgiveness of debt	255,185	244,815	(500,000)	-
Change in net assets	504,324	7,259,136	(500,000)	7,263,460
Beginning	3,223,548	3,745,281	740,185	7,709,014
Ending	\$ 3,727,872	\$ 11,004,417	\$ 240,185	\$ 14,972,474

See Notes To Financial Statements.

Temporarily Restricted	Total 2009	Total 2008
\$ -	\$ 6,312,986	\$ 4,508,581
-	1,305,249	1,214,466
4,324,700	4,900,171	4,011,364
(5,610,569)	-	-
(1,285,869)	12,518,406	9,734,411
-	3,159,610	2,700,752
-	367,526	349,977
-	3,384	79,489
-	248,008	304,215
-	618,918	733,681
(1,285,869)	16,296,934	13,168,844
-	8,732,785	7,909,500
-	1,303,694	1,354,654
-	282,864	233,691
-	1,586,558	1,588,345
-	10,319,343	9,497,845
(1,285,869)	5,977,591	3,670,999
-	-	775,974
-	-	-
-	-	-
-	-	775,974
(1,285,869)	5,977,591	4,446,973
3,334,325	11,043,339	6,596,366
\$ 2,048,456	\$ 17,020,930	\$ 11,043,339

Health Care For The Homeless, Inc.

Statement Of Activities
Year Ended December 31, 2008

	Unrestricted			Total
	Operating	Net Investment in Plant	Board Designated	
Public support:				
Federal grants (Note 9)	\$ 4,508,581	\$ -	\$ -	\$ 4,508,581
State and city grants/contracts (Note 9)	1,214,466	-	-	1,214,466
Contributions	537,994	-	-	537,994
Release of net assets from satisfaction of donor restrictions (Note 7)	-	1,737,629	-	1,737,629
Total public support	6,261,041	1,737,629	-	7,998,670
Patient service revenue, net (Note 10)	2,700,752	-	-	2,700,752
Other support:				
Non-government grants	349,977	-	-	349,977
Investment income	58,604	-	20,885	79,489
In-kind contributions	304,215	-	-	304,215
Total other support	712,796	-	20,885	733,681
Total support and revenue	9,674,589	1,737,629	20,885	11,433,103
Expenses:				
Program services	7,829,750	79,750	-	7,909,500
Supporting services:				
General and administrative	1,330,632	24,022	-	1,354,654
Fund raising	233,691	-	-	233,691
Total supporting services expenses	1,564,323	24,022	-	1,588,345
Total expenses	9,394,073	103,772	-	9,497,845
Change in net assets before transfers and forgiveness of debt	280,516	1,633,857	20,885	1,935,258
Forgiveness of debt	-	775,974	-	775,974
Property and equipment purchases	(147,567)	147,567	-	-
Interest expense	17,530	(17,530)	-	-
Total transfers	(130,037)	906,011	-	775,974
Change in net assets	150,479	2,539,868	20,885	2,711,232
Beginning	3,073,069	1,205,413	719,300	4,997,782
Ending	\$ 3,223,548	\$ 3,745,281	\$ 740,185	\$ 7,709,014

See Notes To Financial Statements.

Temporarily Restricted	Total
\$ -	\$ 4,508,581
-	1,214,466
3,473,370	4,011,364
(1,737,629)	-
<u>1,735,741</u>	<u>9,734,411</u>
-	<u>2,700,752</u>
-	349,977
-	79,489
-	304,215
-	<u>733,681</u>
<u>1,735,741</u>	<u>13,168,844</u>
-	<u>7,909,500</u>
-	1,354,654
-	233,691
-	1,588,345
-	<u>9,497,845</u>
1,735,741	3,670,999
-	775,974
-	-
-	-
-	<u>775,974</u>
1,735,741	4,446,973
1,598,584	6,596,366
<u>\$ 3,334,325</u>	<u>\$ 11,043,339</u>

Health Care For The Homeless, Inc.

Statements Of Functional Expenses
Years Ended December 31, 2009 And 2008

	2009				
	Program Services	Supporting Services		Subtotal	Total
		General & Administrative	Fund Raising		
Salaries and related expenses	\$ 5,412,941	\$ 904,902	\$ 182,351	\$ 1,087,253	\$ 6,500,194
Conferences and meetings	11,554	8,622	41,409	50,031	61,585
Contract services	175,528	19,503	-	19,503	195,031
Dues and subscriptions	8,365	1,910	640	2,550	10,915
Equipment	29,637	7,162	4,129	11,291	40,928
Purchase of service and contracts	2,126,322	184,898	-	184,898	2,311,220
Insurance	42,862	9,092	-	9,092	51,954
In-kind expense	226,115	-	18,790	18,790	244,905
Interest	-	-	-	-	-
Miscellaneous	6,177	2,488	9,105	11,593	17,770
Occupancy	189,154	40,133	42	40,175	229,329
Office supplies	94,201	78,972	20,869	99,841	194,042
Postage and shipping	8,330	2,940	5,529	8,469	16,799
Professional fees	47,882	10,157	-	10,157	58,039
Program service supplies	207,472	-	-	-	207,472
Telephone	69,652	14,775	-	14,775	84,427
Bad debt expense	3,314	-	-	-	3,314
Non capitalized building expenses	-	2,596	-	2,596	2,596
Total expenses before depreciation expense	8,659,506	1,288,150	282,864	1,571,014	10,230,520
Depreciation expense	73,279	15,544	-	15,544	88,823
Total expenses	\$ 8,732,785	\$ 1,303,694	\$ 282,864	\$ 1,586,558	\$ 10,319,343

See Notes To Financial Statements.

2008

Program Services	Supporting Services		Subtotal	Total
	General & Administrative	Fund Raising		
\$ 4,646,017	\$ 774,628	\$ 112,412	\$ 887,040	\$ 5,533,057
16,673	8,583	36,050	44,633	61,306
311,095	52,513	11,484	63,997	375,092
8,894	1,448	-	1,448	10,342
23,037	4,716	5,936	10,652	33,689
1,770,524	288,225	-	288,225	2,058,749
46,252	7,529	-	7,529	53,781
276,047	-	28,168	28,168	304,215
-	17,530	-	17,530	17,530
33,012	6,379	6,174	12,553	45,565
152,857	32,424	-	32,424	185,281
100,511	65,388	20,391	85,779	186,290
8,622	2,755	4,365	7,120	15,742
47,300	10,033	-	10,033	57,333
314,731	-	-	-	314,731
53,045	11,751	2,350	14,101	67,146
21,133	21,133	-	21,133	42,266
-	25,597	6,361	31,958	31,958
7,829,750	1,330,632	233,691	1,564,323	9,394,073
79,750	24,022	-	24,022	103,772
<u>\$ 7,909,500</u>	<u>\$ 1,354,654</u>	<u>\$ 233,691</u>	<u>\$ 1,588,345</u>	<u>\$ 9,497,845</u>

Health Care For The Homeless, Inc.

Statements Of Cash Flows
Years Ended December 31, 2009 And 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ 5,977,591	\$ 4,446,973
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	88,823	103,772
Allowance for doubtful accounts	125,039	(19,575)
Change in discount on promises to give	(80,636)	96,587
Contributions restricted for long-term investment	(4,244,064)	(3,473,370)
Forgiveness of debt and accrued interest	-	(775,974)
Changes in assets and liabilities:		
Increase in:		
Accounts receivable and grants receivable	(707,962)	(713,534)
Prepaid expenses	(38,133)	(87,967)
Increase (decrease) in:		
Accounts payable	(525,713)	(89,063)
Accrued liabilities	260,081	69,879
Deferred revenue	(31)	(59,150)
Accrued interest payable	-	17,530
Net cash (used in) provided by operating activities	854,995	(483,892)
Cash Flows From Investing Activities		
Purchases of property and equipment	(9,330,604)	(1,492,269)
Proceeds from sale of investments	-	943,895
Change in cash limited for use	(564,183)	(484,949)
Net cash used in investing activities	(9,894,787)	(1,033,323)
Cash Flows From Financing Activities		
Proceeds from contributions restricted to long-term investment	5,256,042	1,597,870
Payment of debt issuance costs	(15,085)	(89,041)
Proceeds from bond payable	3,164,077	57,148
Net cash provided by financing activities	8,405,034	1,565,977
Net decrease in cash and cash equivalents	(634,758)	48,762
Cash And Cash Equivalents		
Beginning of year	2,370,655	2,321,893
End of year	\$ 1,735,897	\$ 2,370,655
Supplemental Schedule Of Noncash Operating And Investing Activities		
Construction in progress included in accounts payable	\$ 1,166,347	\$ 361,034
Supplemental Schedule Of Noncash Operating And Financing Activities		
Forgiveness of debt and accrued interest	\$ -	\$ 775,974

See Notes To Financial Statements.

Health Care For The Homeless, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Health Care for the Homeless, Inc. (the Organization) provides health-related services, education, and advocacy to reduce the incidence and burdens of homelessness. Headquartered in Baltimore, the not-for-profit organization delivers adult and pediatric medical care, mental health services, social services and case management, addiction treatment, dental care, outreach, prison reentry services, housing, and access to employment for thousands of Marylanders annually at a variety of treatment sites throughout the state. The Organization is accredited for ambulatory and behavioral health by the Joint Commission.

The Organization receives a major portion of its funding from grants from the Department of Health and Human Services, the State of Maryland and the Federal government.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily by donor-imposed stipulations.

- Operating – Represents the portion of expendable net assets that are available for support of operations.
- Net investment in plant – Represents the cost of land, buildings and equipment, construction in progress, less related depreciation and related debt and accrued interest.
- Board designated – Represents amounts invested in short-term investments and designated by the Board of Directors to provide for an operating expense contingency fund.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Organization's actions. As of December 31, 2009 and 2008, the Organization had no permanently restricted net assets.

Credit risk: The Organization has deposits in a financial institution which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Cash and cash equivalents: Cash and cash equivalents include amounts held as short-term investments with maturities of three months or less at date of acquisition.

Cash limited for use: Cash limited for use represents cash receipts from promises to give designated for the building.

Health Care For The Homeless, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable are carried on the basis of total client charges. The allowances include estimates for accounts which may ultimately prove uncollectible, and third-party contractual and discount arrangements. Management determines the allowance for uncollectible accounts by identifying estimated third-party contractual discounts and allowances and by using estimates of collections based on past experience. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Promises to give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give in a future period are discounted at 5% to their net present value at the time the revenue is recorded. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made.

Debt issuance costs: The Organization paid \$104,126 and \$89,041 of debt issuance costs as of December 31, 2009 and 2008, respectively. Beginning in 2010, these costs will be amortized over the term of the related debt using the interest method.

Property and equipment: All expenditures for land, building and equipment in excess of \$5,000 are capitalized at cost if purchased, or at the fair value at the date of the gift if donated. Depreciation is computed by the straight-line method with useful lives as follows.

Description	Life
Building	40 years
Building improvements	3 – 20 years
Equipment	3 – 5 years
Furniture and fixtures	3 – 10 years

Construction in progress, including total interest payments of \$11,985, relates to costs incurred for the project to construct a new building.

Valuation of long-lived assets: The Organization accounts for the valuation of long-lived assets under the accounting standards *Accounting for the Impairment or Disposal of Long-Lived Assets*. The accounting standard requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Health Care For The Homeless, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Revenue recognition: Revenue is reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration 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.

Contributions, including unconditional promises to give, are recognized in the period pledged. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash, if received, are recorded at fair value.

Grant revenue is recognized as unrestricted revenue to the extent that expenses relating to the grants and contracts have been incurred. Amounts received in advance or restricted by the grantors for use in future years are recorded as deferred revenue until the related expenses are incurred.

Patient revenue is accounted for at established rates on the accrual basis in the period in which the service is provided and billable. Allowances to recognize uncollectible accounts are accounted for on the accrual basis.

Functional expenses: The costs of the Organization's programs and supporting services have been reported on a functional basis. This requires the allocation of certain of the costs among the various programs and supporting services based on estimates made by management.

Income taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no net unrelated business income for the years ended December 31, 2009 and 2008.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely that not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

Use of estimates: The preparation of financial statements 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.

Health Care For The Homeless, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Subsequent events: Subsequent events have been evaluated through May 20, 2010, which is the date the financial statements were available to be issued

Note 2. Unconditional Promises To Give

At December 31, 2009 and 2008, unconditional promises to give are expected to be received as follows:

	2009	2008
Less than one year	\$ 1,118,344	\$ 1,353,338
One to five years	997,356	1,774,340
	<u>2,115,700</u>	<u>3,127,678</u>
Less discount on promises to give	(67,244)	(147,880)
	<u>\$ 2,048,456</u>	<u>\$ 2,979,798</u>

Unconditional promises to give are restricted for the building project. In addition to the promises to give shown above, the Organization has received a conditional promise to give totaling \$2,000,000, to be recognized upon meeting certain conditions as defined in the agreements. As of December 31, 2009, \$500,000 revenue has been recorded relating to the conditional grant and the remaining \$1,500,000 was received in May 2010 and recognized as revenue at that time.

Note 3. Commitments And Contingencies

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. Certain expenses of these funds are subject to audit by the grantors, and to the extent an audit determines any expenses were disallowed, the amount is subject to refund to the grantor. Management does not believe any refund, if required, would be material. A reduction in funding level could have a significant impact on the Organization.

In September 2008, the Organization entered into an agreement for the construction of their new building. The project began in September 2008 and is expected to be completed in early 2010. Construction cost commitments remaining as of December 31, 2009 are approximately \$500,000.

Note 4. Contracted Services

The Organization entered into agreements with several providers to provide health care services to the homeless. The providers contracted by Health Care for the Homeless, Inc. were paid \$2,311,220 and \$2,058,749 for services provided for the years ended December 31, 2009 and 2008, respectively.

Note 5. Note Payable

The Organization had a note payable with an original principal balance of \$305,000 to a Foundation for the building occupied by the Organization. The agreement required no principal or interest payments as long as the building was used for purposes of providing services to the homeless and other related nonprofit services. Interest of 9% was accrued annually as required under the agreement. In August 2008, the Foundation forgave the note and related accrued interest for a total of \$775,974.

Health Care For The Homeless, Inc.

Notes To Financial Statements

Note 6. Bond Payable

In November 2008, Health Care for the Homeless, Inc. secured a loan of up to \$7,000,000 through a bank as trustee of a bond issuance by the Maryland Health and Higher Educational Facilities Authority (MHHEFA). The bond payable was obtained to fund a portion of the construction of a new building. The funds are advanced by the bank as costs are incurred on construction. The bond payable bears interest on the outstanding principal amount advanced by the bank. In connection with the loan, the Organization is required to maintain certain financial covenants beginning in the year after the building is completed. The Organization's first principal payment is not due until December 2013, and payments are required with pledge receipts thereafter through 2018.

The tax-exempt interest rate on any outstanding principal is equal to 65% of the 30 day London Interbank Offered Rate (LIBOR) plus 220 basis points (2.4% and 3.3% at December 31, 2009 and 2008, respectively). The bond payable is collateralized by the Organization's receipts from capital campaign funds and various other assets as defined in the agreement. The total amount outstanding on the bond was \$3,221,225 and \$57,148 as of December 31, 2009 and 2008, respectively.

Note 7. Temporarily Restricted Net Assets

Net assets are temporarily restricted for the building project totaling \$2,048,456 and \$3,334,325 at December 31, 2009 and 2008, respectively. Temporarily restricted net assets as of December 31, 2009 will be released from restriction as the promises to give are collected.

Net assets released from restrictions to satisfy the construction of the building restriction at December 31, 2009 and 2008 were \$5,610,569 and \$1,737,629, respectively.

Note 8. Pension Plan

The Organization's employees are covered by a defined contribution pension plan. Each employee is eligible to participate on the anniversary date of the Plan following the completion of one year of service and the completion of a minimum of 1,000 hours of service. The Organization's annual contribution to the Plan is 5% of the participating employee's base salary. The Organization's expenses related to the Plan for the years ended December 31, 2009 and 2008, were \$229,363 and \$182,138, respectively.

Health Care For The Homeless, Inc.

Notes To Financial Statements

Note 9. Federal And State Grants

The Organization received the following federal and state grants for the years ended December 31, 2009 and 2008:

	2009	2008
Federal Grants		
McKinney – Adult	\$ 2,616,824	\$ 2,479,989
Health Care and Other Facilities	1,177,110	-
Ryan White	806,680	824,715
HUD Connect	412,717	420,152
ARRA Capital Improvement Program	366,124	-
SAMSHA – Housing First	270,868	235,620
HUD – Supportive Housing Program	127,711	138,175
Counseling Testing and Referral	98,680	121,187
Convalescent Care Emergency Shelter Grant	97,160	97,160
Prevention with Positives	66,374	19,860
ARRA Increase Services to Health Centers	65,120	
HIV Prevention	49,877	50,000
Social Security Project	36,043	17,557
STD Prevention	35,500	35,000
Baltimore Mental Health Systems	35,000	35,898
Homeless Prevention & Rapid Rehousing Funds	26,197	-
Housing Opportunities for Persons with AIDS	25,001	25,000
Federal Emergency Management Administration (FEMA)	-	4,916
Behavioral HIV Prevention Project for Injection Drug Users	-	3,352
Total federal grants	\$ 6,312,986	\$ 4,508,581
State and City Grants		
State of Maryland and City of Baltimore	\$ 822,515	\$ 725,577
Baltimore Substance Abuse Systems	482,734	488,889
Total state and city grants	\$ 1,305,249	\$ 1,214,466

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Notes To Financial Statements

Note 10. Patient Service Revenue

Patient service revenue, net, consisted of the following at December 31, 2009 and 2008:

	2009	2008
Disability examinations	\$ 19,380	\$ 42,800
Medical Assistance	573,071	201,611
Maryland Primary Care	301,956	228,521
Public Mental Health System	1,724,649	1,425,753
Medicare	562,378	382,850
Managed care organizations	877,882	863,667
Medical records and other	14,037	12,298
Gross patient service revenue	4,073,353	3,157,500
Less contractual allowances	(913,743)	(456,748)
Patient service revenue, net	\$ 3,159,610	\$ 2,700,752