

**GATEWAY HOMELESS SERVICES, INC.
D/B/A GATEWAY 180 :: HOMELESSNESS REVERSED
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed

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Independent Auditors' Report

Board of Directors
Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
St. Louis, Missouri

We have audited the accompanying financial statements of Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed 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.

Schmacell Trelor & Co, PC

St. Louis, Missouri

June 25, 2013

FINANCIAL STATEMENTS

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENTS OF FINANCIAL POSITION

ASSETS		December 31,	
		2012	2011
CURRENT ASSETS			
Cash and cash equivalents	\$	128,742	\$ 201,826
Cash restricted for future loan obligations		11,000	11,000
Contracts and grants receivable		111,943	154,494
Prepaid expenses		12,835	6,060
Total Current Assets		264,520	373,380
PROPERTY AND EQUIPMENT, net of accumulated depreciation			
		1,264,182	1,152,233
TOTAL ASSETS		\$ 1,528,702	\$ 1,525,613
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Line of credit	\$	22,452	\$ -
Accounts payable and accrued expenses		59,630	82,949
Current portion of mortgage payable		4,013	-
Client deposits		13,507	9,677
Deferred revenue		38,000	41,000
Total Current Liabilities		137,602	133,626
MORTGAGE PAYABLE			
		82,822	-
Total Liabilities		220,424	133,626
NET ASSETS			
Invested in property and equipment, net of related debt		1,177,347	1,152,233
Unrestricted		58,541	224,841
Temporarily restricted		72,390	14,913
Total Net Assets		1,308,278	1,391,987
TOTAL LIABILITIES AND NET ASSETS		\$ 1,528,702	\$ 1,525,613

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2012		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 412,934	\$ 229,174	\$ 642,108
Donated materials and services	576,918	-	576,918
Donated improvements and equipment	-	-	-
Contracts and grants	773,528	-	773,528
Investment income, net	849	-	849
Loss on disposal of assets	(1,941)	-	(1,941)
Other	12,171	-	12,171
Released from restrictions	<u>171,697</u>	<u>(171,697)</u>	<u>-</u>
Total Revenues and Other Support	<u>1,946,156</u>	<u>57,477</u>	<u>2,003,633</u>
EXPENSES			
Program Services	<u>1,645,886</u>	<u>-</u>	<u>1,645,886</u>
Support Services			
Management and general	154,652	-	154,652
Fundraising	<u>286,804</u>	<u>-</u>	<u>286,804</u>
Total Supporting Services	<u>441,456</u>	<u>-</u>	<u>441,456</u>
Total Expenses	<u>2,087,342</u>	<u>-</u>	<u>2,087,342</u>
Change in Net Assets	(141,186)	57,477	(83,709)
NET ASSETS, Beginning of year	<u>1,377,074</u>	<u>14,913</u>	<u>1,391,987</u>
NET ASSETS, End of year	<u>\$ 1,235,888</u>	<u>\$ 72,390</u>	<u>\$ 1,308,278</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2011		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 401,517	\$ 74,392	\$ 475,909
Donated materials and services	495,081	-	495,081
Donated improvements and equipment	85,308	-	85,308
Contracts and grants	524,460	-	524,460
Investment income, net	9,211	-	9,211
Loss on disposal of assets	(33,858)	-	(33,858)
Other	8,297	-	8,297
Released from restrictions	<u>144,622</u>	<u>(144,622)</u>	<u>-</u>
Total Revenues and Other Support	<u>1,634,638</u>	<u>(70,230)</u>	<u>1,564,408</u>
EXPENSES			
Program Services	<u>1,373,727</u>	<u>-</u>	<u>1,373,727</u>
Support Services			
Management and general	131,332	-	131,332
Fundraising	<u>167,529</u>	<u>-</u>	<u>167,529</u>
Total Supporting Services	<u>298,861</u>	<u>-</u>	<u>298,861</u>
Total Expenses	<u>1,672,588</u>	<u>-</u>	<u>1,672,588</u>
Change in Net Assets	(37,950)	(70,230)	(108,180)
NET ASSETS, Beginning of year	<u>1,415,024</u>	<u>85,143</u>	<u>1,500,167</u>
NET ASSETS, End of year	<u>\$ 1,377,074</u>	<u>\$ 14,913</u>	<u>\$ 1,391,987</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund- Raising	
Personnel	\$ 681,035	\$ 128,845	\$ 110,438	\$ 920,318
Donated materials	562,698	-	-	562,698
Promotion	-	-	130,487	130,487
Shelter operations	99,383	-	-	99,383
Food and program activities	73,484	-	-	73,484
Professional fees	45,902	5,508	9,792	61,202
Utilities	29,505	3,541	6,294	39,340
Insurance	19,451	2,334	4,149	25,934
Property maintenance	18,008	2,161	3,842	24,011
Miscellaneous	12,365	1,484	2,637	16,486
Transportation	10,744	1,289	2,292	14,325
Donated services	14,220	-	-	14,220
Office supplies	8,627	1,035	1,841	11,503
Telephone	7,158	859	1,527	9,544
Equipment rental and maintenance	5,219	626	1,113	6,958
Interest expense	<u>3,787</u>	<u>454</u>	<u>808</u>	<u>5,049</u>
Total Expenses Before Depreciation	1,591,586	148,136	275,220	2,014,942
Depreciation	<u>54,300</u>	<u>6,516</u>	<u>11,584</u>	<u>72,400</u>
Total Expenses	<u>\$ 1,645,886</u>	<u>\$ 154,652</u>	<u>\$ 286,804</u>	<u>\$ 2,087,342</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund- Raising	
Personnel	\$ 598,185	\$ 75,720	\$ 83,291	\$ 757,196
Donated materials	384,081	-	-	384,081
Promotion	-	7,670	61,544	69,214
Shelter operations	10,002	-	-	10,002
Food and program activities	51,099	-	-	51,099
Professional fees	-	37,858	-	37,858
Utilities	34,907	1,605	3,611	40,123
Insurance	34,089	1,567	3,527	39,183
Property maintenance	27,884	1,282	2,884	32,050
Miscellaneous	13,318	612	1,378	15,308
Transportation	8,997	414	930	10,341
Donated services	111,000	-	-	111,000
Office supplies	4,598	211	476	5,285
Telephone	5,467	251	566	6,284
Equipment rental and maintenance	32,502	1,494	3,363	37,359
Interest expense	-	-	-	-
Total Expenses Before Depreciation	1,316,129	128,684	161,570	1,606,383
Depreciation	57,598	2,648	5,959	66,205
Total Expenses	<u>\$ 1,373,727</u>	<u>\$ 131,332</u>	<u>\$ 167,529</u>	<u>\$ 1,672,588</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 83,709)	(\$ 108,180)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Unrealized losses (gains) on investments	-	1,927
Realized gains on investments	-	(6,501)
Depreciation	72,400	66,205
Donated building improvements and equipment	-	(85,308)
Loss on disposal of assets	1,941	33,858
(Increase) decrease in assets:		
Contracts and grants receivable	42,551	167,042
Prepaid expenses	(6,775)	(822)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(23,319)	58,244
Client deposits	3,830	571
Deferred revenue	(3,000)	17,250
Net Change in Cash from Operating Activities	3,919	144,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(1,774)
Proceeds from sales of investments	-	195,905
Purchases of property and equipment	(186,290)	(285,611)
Net Change in Cash from Investing Activities	(186,290)	(91,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long-term debt	90,000	-
Payments on long-term debt	(3,165)	-
Proceeds from line of credit	22,452	-
Net Change in Cash from Financing Activities	109,287	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(73,084)	52,806
CASH AND CASH EQUIVALENTS, Beginning of year	212,826	160,020
CASH AND CASH EQUIVALENTS, End of year	\$ 139,742	\$ 212,826
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 5,049	\$ -

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

A. **SIGNIFICANT ACCOUNTING POLICIES**

Organization

Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed (“Gateway”) is a not-for-profit organization that provides shelter, food, and other life sustaining materials and activities for destitute families, children and the homeless in the City of St. Louis. Gateway was established in 1975 and was formerly known as Christian Service Center of St. Louis, Inc.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Gateway and changes therein are classified into three categories of net assets, as applicable, and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Gateway and/or the passage of time. When a 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.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Gateway. The income earned on any related investments would also be subject to donor-imposed stipulations. Currently, Gateway has no permanently restricted net assets.

Support and Revenue

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Functional Expenses

The costs of providing programs and activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from estimates.

Property and Equipment

Property and equipment are recorded at cost for purchased items or fair value for donated assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and Improvements	10 - 39 years
Furniture, fixtures, and equipment	3 - 10 years
Vehicles	5 years

Expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes

Gateway qualifies as a nonprofit organization and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. Gateway does not have unrelated business income, excise taxes, or activities that would threaten Gateway's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. Gateway files an information return, IRS Form 990.

Gateway adopted the provisions relating to Accounting for Uncertainty in Income Taxes and management is not aware of any uncertain tax positions of Gateway related to tax filings.

Compensated Absences

Compensated absences accrue at different rates for employees depending on length of service with Gateway. The financial statements reflect a compensated absences payable balance of \$19,554 and \$17,883 at December 31, 2012 and 2011, respectively.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Financial Instruments

The following methods and assumptions were used by Gateway in estimating its fair value disclosure for financial instruments:

The carrying amounts of cash, cash equivalents, contracts and grants receivable, prepaids, accounts payable and accrued expense, and client deposits, approximate fair values because of the short-term maturities of these instruments.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, Gateway considers all unrestricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Gateway maintains cash deposits in bank accounts which at times may exceed the federally insured limits of up to \$250,000 at each institution. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At December 31, 2012 and 2011, there were no amounts in excess of the federally insured limits.

Restricted Cash

Gateway has cash restricted for the purpose of maintaining available cash for payments of interest and principal on the loan agreement that Gateway entered into effective in January 2012.

Subsequent Events

In preparing these financial statements, Gateway has evaluated events and transactions for potential recognition or disclosure through June 25, 2013, the date the financial statements were available to be issued.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011
(Continued)

B. CONTRACTS AND GRANTS

Gateway's contract with the City of St. Louis Affordable Housing Commission in 2012 and 2011 to provide the homeless with certain units of essential services represents a significant portion of support and revenue.

Contracts and grants receivable consist of the following at December 31:

	2012	2011
Affordable Housing Commission	\$ 56,976	\$117,673
Supportive Housing Program	41,674	22,514
Missouri Department of Health	13,293	14,307
Total Contracts and Grants Receivable	\$111,943	\$154,494

Contracts and grants revenue consist of the following at December 31:

	2012	2011
Affordable Housing Commission	\$395,197	\$327,088
Missouri Department of Health	145,514	140,485
Supportive Housing Program	126,392	22,513
Emergency Shelter Grant	106,425	-
TANF	-	34,374
Total Contracts and Grants Revenue	\$773,528	\$524,460

C. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2012	2011
Buildings and improvements	\$1,569,435	\$1,472,028
Furniture, fixtures, and equipment	146,810	90,569
Vehicles	69,579	69,579
	1,785,824	1,632,176
Less: accumulated depreciation	521,642	479,943
Total Property and Equipment	\$1,264,182	\$1,152,233

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011
(Continued)

C. **PROPERTY AND EQUIPMENT** (Continued)

Disposal of assets consist of the following at December 31, 2012:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Realized Gain/(Loss)</u>
Computers	\$22,458	\$22,299	(\$ 159)
Tables	5,511	5,511	-
Security cameras	3,523	2,265	(1,258)
Sump pump	1,150	626	(524)
	<u>\$32,642</u>	<u>\$30,701</u>	<u>(\$1,941)</u>

Disposal of assets consist of the following at December 31, 2011:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Realized Gain/(Loss)</u>
Building improvements	\$108,032	\$106,581	(\$ 1,451)
Air conditioners	6,917	6,917	-
Copiers	16,669	16,419	(250)
Office furniture & equipment	23,323	22,331	(992)
Information technology equipment	8,282	8,122	(160)
Rooftop HVAC unit	34,450	3,445	(31,005)
Refrigerator	2,800	2,800	-
	<u>\$200,473</u>	<u>\$166,615</u>	<u>(\$33,858)</u>

D. **RETIREMENT PLAN**

Gateway maintains a 403(b) Pension Plan for all employees meeting certain eligibility requirements. The cost of the plan was \$9,000 for the year ended December 31, 2011.

E. **LINE OF CREDIT AGREEMENT**

Gateway has a \$25,000 revolving line of credit agreement with a bank that is unsecured. Interest is payable at prime rate (3.25% at December 31, 2012) plus 2.5%. Gateway renews this line of credit annually and it currently expires on October 23, 2013. There was no balance on this line of credit at December 31, 2011. The outstanding balance was \$22,452 at December 31, 2012.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011
(Continued)

F. NOTE PAYABLE

Note payable consists of the following:

	2012	2011
Note payable to IFF with interest at 6% per annum. Interest and principal are payable at \$759 per month with the balance due December 1, 2018, secured by a Deed of Trust on real estate	\$86,835	\$ -
Less: current maturities	(4,013)	-
Note Payable, noncurrent	\$82,822	\$ -

The future maturities of notes payable at December 31, 2012 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2013	\$ 4,013
2014	4,260
2015	4,523
2016	4,802
2017	5,096
Thereafter	<u>64,141</u>
Total	<u>\$86,835</u>

G. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 consists of donations to add a computer lab to the existing campus of \$25,000; donations for planned upgrades and continued maintenance in the backyard of \$14,003; donations for emergency assistance to clients of \$3,990; and donations for general shelter operations such as mattresses, police checks, temperature control costs, and resident events and supplies for \$29,397. The total temporarily restricted net assets at December 31, 2012 are \$72,390.

Temporarily restricted net assets at December 31, 2011 consists of donations for planned upgrades in the backyard of \$4,500; donations for emergency assistance to clients of \$6,172; and donations for general shelter operations such as mattresses, police checks, temperature control costs, and resident events and supplies for \$4,241. The total temporarily restricted net assets at December 31, 2011 are \$14,913.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011
(Continued)

H. DONATED MATERIALS, SERVICES, BUILDING IMPROVEMENTS, AND EQUIPMENT

Many volunteers have donated significant amounts of their time to Gateway’s program services. These services do not meet the criteria for recognition under Generally Accepted Accounting Principles. Also, local businesses and individuals contributed a significant amount of food and supplies used in Gateway’s shelter and food pantry operations. Donated materials are recorded at estimated fair value. Gateway has recorded \$562,698 and \$384,081 at December 31, 2012 and 2011, respectively, as donated materials revenue and expense.

Gateway received the services of local entities for various marketing and promotional materials and financial expertise during the years ended December 31, 2012 and 2011. These services were recorded at estimated fair value for \$14,220 and \$111,000 at December 31, 2012 and 2011, respectively.

Gateway received assistance with the bathroom renovation during the year ended December 31, 2011 free of charge. The total donated improvements and equipment have been recorded at estimated fair value for \$85,308 at December 31, 2011. Gateway did not receive any donated improvements or equipment during the year ended December 31, 2012.

I. LEASE COMMITMENTS

Gateway leases warehouse space under an agreement which expires in July 2013. The lease calls for monthly payments of \$1,200.

Gateway leases equipment under various agreements with varying expiration dates including some month-to-month leases.

The following are the minimum lease obligations as of:

<u>December 31,</u>	
2013	\$16,206
2014	7,020
2015	7,020
2016	<u>5,265</u>
Total	<u>\$35,511</u>

Lease expense was \$28,261 and \$27,296 for the years ended December 31, 2012 and 2011, respectively.