



Date: October 24, 2006
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: The Servant Center, Incorporated – Servant House & Glenwood Housing 2004-2005

The Internal Audit Division has reviewed The Servant Center Properties in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2004-2005 fiscal year. Attached you will find our review report; the programmatic report; the agency response; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas', is written over a horizontal line.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



Date: September 29, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: The Servant Center, Incorporated -Servant House & Glenwood Housing 2004-2005

The Internal Audit Division has performed our compliance review of the year ended June 30, 2005 of The Servant Center, Incorporated.

The Servant House received a loan in December 1998 of \$186,544 from the City of Greensboro to help in the rehabilitation of the Servant House located at 1305 Glenwood Avenue and 1312 Lexington Avenue. The Servant House provides housing accommodations for up to 25 individuals. These clients are usually homeless men that are disabled veterans. In addition to housing, these men are provided assistance for social services; job placement; veteran's benefits; and medical and dental care on a pro bono basis. Currently there are 17 residents at this facility. The current balance is \$186,544 and will be forgiven beginning in year 6 (December 15, 2005) at the rate of 20 percent per year, as long as the property is maintained as transitional housing for a period of 10 years. The department of Housing and Community Development will not reduce the loan by 20% each year but reduce the entire amount at the end of the tenth operating year in 2009.

The agency also received a loan dated November 24, 2004 for \$167,081 for eight studio apartment units located at 1205 Lexington Avenue which are called Glenwood Housing. The term of this loan is June 25, 2003 to December 1, 2025 at 0.0% interest. This housing is the next step to independent living for the disabled veterans that went through the services at The Servant House. The current balance of this loan is \$167,081. Payments are scheduled to begin on May 1, 2025 and continue each May 1 thereafter with final payment due December 1, 2045. These payments will be based upon a percentage of cash flows.

We accompanied Mr. Doug Booth, Housing Construction Manager of the Housing & Community Development Department, as he inspected approximately 15 percent of the units and some repairs were noted for the property. As of the date of this report, we have not received Mr. Booth's report. When the report is received, the issues, if any, will be forwarded to the Executive Director to address.

We examined selected financial transactions maintained by the entity for compliance with the loan agreements. Based on our review, it appears that the funds have been spent according to the terms of the loan agreements except for the findings described below:

FINDING:

The Servant Center's Glenwood Housing has not set up separate bank accounts for the Replacement or Operating Reserves as per the Loan Agreement. However, the Agency did set aside \$10,000 in a certificate of deposit with their main operating account.

RECOMMENDATION:

After talking this over with the Department of Housing and Community Development they advised no bank account would be needed to be set up as long as the Agency keeps the accounts separate of their General Ledger and Balance Sheet.

FINDING:

The Agency did not provide a Certificate of Insurance showing the current term and with the City designated as an addition insured and having been signed by the Insurer.

RECOMMENDATION:

The Agency as required by paragraph 5.3 of the Agreement should provide the City with a current Certificate of Insurance signed by the insurer with the City designated as an additional insured including policy term dates.

FINDING:

Per the Agency's rent roll for the Glenwood Housing, the occupancy rate at August 1, 2006 was 63% (5 out of 8 apartments occupied).

RECOMMENDATION:

Part of the vacancy problem was two basement apartments had water damage due to flooding. The Agency is working with the Contractor to correct this problem. This is a short term and long term problem, so the Agency should advise the City on how it plans to improve its occupancy rate at Glenwood Housing.

We request a written signed response from the agency and the Department of Housing & Community Development by October 13, 2006.

We would like to thank Ms. Gail Haworth, Executive Director; and the staff of The Servant Center, Incorporated for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Gail Haworth, Executive Director of The Servant Center, Incorporated



Department of Housing & Community Development

Date: September 27, 2006
To: Gail Haworth, Servant Center, Inc.
From: Michael Blair, City of Greensboro HCD
RE: *FY05/06 Servant Center/Glenwood Housing Programmatic Evaluation*

Project Information:

The Glenwood Housing Apartments are located at 1205 Lexington Avenue in Greensboro, NC. They are managed by Servant Center, Inc., Gail Haworth Executive Director.

The Certificate of Occupancy was issued on January 13, 2005 and the first occupant moved-in February 1, 2005. The property was substantially rehabilitated with a combination of funding sources; \$167,081 (*\$105,796 in Federal HOME Program dollars, \$61,285 in Housing Partnership/Nussbaum Fund dollars*) from the City of Greensboro; \$365,796 in North Carolina Housing Finance Agency (NCHFA) funds (Also HOME funding); and a HUD Continuum grant of \$215,000. Since Greensboro Consortium HOME Program funds were expended on this property HOME Rules will be the primary guidance for this review.

The property consists of 8 units of permanent housing with supportive services at 1205 Lexington Avenue. The units would be made affordable to individuals whose gross income is equal to or less than 50% of the area median income. Rent (plus utilities) would not exceed the Low HOME rent for Studio apartments.

HOME Program Compliance:

There are five basic goals of maintaining HOME Program compliance:

1. Ensure continuing affordability.
2. Determine that units are occupied by qualified families.
3. Enforce property standards.
4. Assess the effectiveness of affirmative marketing plans.
5. Ensure lease terms are allowable under the HOME rule.

The units rented fall below, the "Low HOME rent (plus Utilities)" of \$493/month for an efficiency/studio unit. Each studio apartment is rented for \$375/m which is all inclusive including supportive services.

Incomes of residents must be certified annually by the managing agency according to the City agreement and HOME Program Rules. HCD staff witnessed that tenant incomes are verified with a sufficient income verification worksheet. Additionally there is a presumption of limited incomes due to the fact that the residents come from Servant House which is a homeless transitional shelter.

Incomes are checked against Social Security, V.A. and bank statements. HCD staff was also told that a resident with substantial pension income was recently discovered and moved out. This is a good faith effort to maintain unit availability for eligible tenants.

- HCD requests that management maintain, and keep available for inspection, individual tenant files containing income certifications (including copies of the back-up material), unit inspections and original applications for housing.

Section 8 tenants are accepted and generally occupy 2 of the 8 units.

Servant Center has a fair marketing plan that meets the City Affirmative Marketing Requirements. The tenants are referred to Servant House from several community-wide agencies. The Tenant Selection Policy is clear and understandable.

The leases do not contain any of the HOME prohibited provisions and leases are greater than or equal to 12 months in length and not on a transient basis.

Contractual affordability and income requirements are satisfactory.

Supportive Services Review:

Supportive Services at Glenwood Housing include in-house substance abuse counseling, transportation, food and medical supervision. This remains a solid and comprehensive program for formerly homeless, disabled, men.

Financial Review:

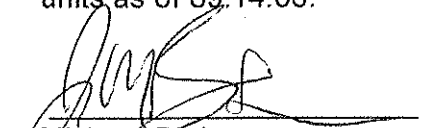
HCD is pleased that there are no significant financial issues at this time. Please refer to the accompanying Internal Audit report for details.

Condition:

Generally the property is very well maintained and a pleasant living environment. Please refer to the HCD inspection report for maintenance/repair specifics and report any completed maintenance/repairs to City Internal Audit.

Occupancy:

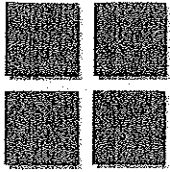
Three of the 8 units were vacant at the time of the visit which is an extremely high vacancy rate of 37% (It must be noted that the percentage is exaggerated by the small number of units). This is partially the result of water damage to two basement units during heavy rains, mold and water damage were still evident during the inspection, but the project still needs to keep occupancy high. Fire sprinklers also damaged the same two basement units during the course of a kitchen fire early in 2006. These two units have been repaired since the site visit but not yet occupied. The occupancy is 6 of 8 units as of 09.14.06.



Michael Blair
Specialist Grant Compliance



Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

Date: October 3, 2006
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: 2006 HCD Review of Servant House/Glenwood Housing Audit Report

After review of the September 29, 2006 Internal Audit report of The Servant Center, Inc, for 2004-2005, HCD submits the following:

IA FINDING 1:

The Servant Center's Glenwood Housing has not set up separate bank accounts for the Replacement or Operating Reserves as per the Loan Agreement. However, the Agency did set aside \$10,000 in a certificate of deposit with their main operating account.

IA RECOMMENDATION 1:

After talking this over with the Department of Housing and Community Development they advised no bank account would be needed to be set up as long as the Agency keeps the accounts separate of their General Ledger and Balance Sheet.

- HCD reply to Recommendation 1: *Concur.*

IA FINDING 2:

The Agency did not provide a Certificate of Insurance showing the current term and with the City designated as an addition insured and having been signed by the Insurer.

IA RECOMMENDATION 2:

The Agency as required by paragraph 5.3 of the Agreement should provide the City with a current Certificate of Insurance signed by the insurer with the City designated as an additional insured including policy term dates.

- HCD reply to Recommendation 2: *Concur.*

IA FINDING 3:

Per the Agency's rent roll for the Glenwood Housing, the occupancy rate at August 1, 2006 was 63% (5 out of 8 apartments occupied).

IA RECOMMENDATION 3:

Part of the vacancy problem was two basement apartments had water damage due to flooding. The Agency is working with the Contractor to correct this problem. This is a short term and long term problem, so the Agency should advise the City on how it plans to improve its occupancy rate at Glenwood Housing.

- **HCD reply to Recommendation 3:** *Concur. It should be noted that there was also a kitchen fire that set off sprinklers that damaged the same two rooms. In addition, as of September 2006, the rooms have been repaired and can be occupied. However it is unknown by HCD if the water drainage problem has been sufficiently repaired to prevent future flooding in the two basement rooms.*

On the above recommendations HCD concurs with the Internal Audit report.



City of Greensboro

Date: October 4, 2006

To: Andy Scott, Director of Housing & Community Development

From: Internal Audit Division

Subject: HCD Reply to IA Report-Servant Center/Glenwood Housing 2004-2005

Thank you for your reply of October 3, 2006. Internal Audit agrees with Housing & Community Development's response to IA's subject report dated September 29, 2006.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development



R-10/13/06

Hope and Healing for the Homeless
Servant House & Glenwood Housing
1312 Lexington Avenue, Greensboro, NC 27403
Phone (336) 275-8585 Fax (336) 370-1540
www.theservantcenter.org

The Servant Center
Board of Directors

Timothy Lane, M.D.
Chair

Susan L. Lowe
Vice Chair

Mac Stroupe
Secretary

William B. Vernon
Treasurer

Date: October 11, 2006

To: Len Lucas, Internal Audit Director
Mickey Kerans, Internal Auditor

From: Gail C. Haworth, Executive Director

Subject: The Servant Center, Inc. – Servant House/Glenwood Housing
2004-2005

Thank you for your letter dated September 29, 2006, regarding the compliance review of the above programs fy ended June 30, 2005.

Elizabeth H. Alspaugh
Henry J. Carrison, III

As to your *Finding* regarding a separate bank account for the replacement of operating reserves, The Servant Center concurs with the *Recommendation* of the Department of Housing and Community Development.

Rowland Chidomere
Rev. Hilton J. Cochran
Mark O. Costley
(Chapel Hill/Durham)

As to the *Finding* regarding the Certificate of Insurance showing the current term and with the City designated as an addition insured and the *Recommendation* that The Servant Center should provide the City with a current signed Certificate of Insurance, please see the attached aforementioned copy.

David Craft
Danny Hall
Rachel Hall
(Charlotte)
Don Darnell
W. Franklin Minton, Jr.
Michael Moye
Michael Murphy
David Newman, M.D.
Rev. Paula Rachal
Christopher Ratte
Robert Winborn
Brenda Yarish

As to the *Finding* of rent rolls for Glenwood Housing as to occupancy rate as of August 1, 2006, of 63% (5 out of 8 apartments occupied), and the *Recommendation* thereto, please be advised that as of late August 1, 2006, the occupancy rate increased at Glenwood Housing to 6 out of 8 apartments or 75%. Two downstairs apartments were first flooded in February, 2006, due to a kitchen stove fire resulting in the sprinkler system being activated and resulting in the flooding of two downstairs apartments. Those apartments were cleaned and dried out and reoccupied when a rainstorm dumped 8 inches of rain in July, 2006, and flooded two downstairs apartments. The Contractor and Landscaper returned and waterproofed the Eastern wall of Glenwood Housing (they had only waterproofed the North, West and South walls) and Disaster One has worked for almost two months on drying out the apartments. They are now ready for occupancy with residents due to move in during October and November, 2006, or as soon as the Greensboro Housing Authority provides rental vouchers. With almost all renters being disabled or handicapped, they apply for and have a six month waiting period before they can receive rental vouchers.

The Servant Center staff would like to thank Mr. Mickey Kerans and Mr. Doug Booth for their time and assistance in the inspection of both Servant House and Glenwood Housing. If you need additional information, I can be reached at 275.8585.

Executive Director
Gail C. Haworth

Cc: Ben Brown, Assistance City Manager for Economic Development
Andy Scott, Director of Housing & Community Development
Michael Blair, Specialist Grant Compliance

Enclosures: Certificate of Insurance and Agency Audit fy June 30, 2006

City of Greensboro
North Carolina

October 19, 2006

Ms. Gail C. Haworth
Executive Director
The Servant Center
1312 Lexington Avenue
Greensboro, NC 27403

Re: The Servant Center/Glenwood Housing-2004 to 2005

Dear Gail:

We are in receipt of your letter dated October 11, 2006 reference the City's Internal Audit report letter dated September 29, 2006 for the 2004 to 2005 Year. Your timely response to our report is appreciated. We have reviewed your letter and agree with your responses and corrective measures except for the following:

1. We received your audited financials for fiscal year ended June 30, 2006 on October 18th, however, per the loan agreement your financials were due to us by September 30, 2006.
2. You sent us a current Certificate of Insurance for liability coverage but we did not receive a certificate for property coverage. Please send a certificate to us as soon as possible.

Sincerely,



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development

Barre Burks, CPA, PA

MEMBER
NORTH CAROLINA ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

107 EAST BESSEMER AVENUE, SUITE A
GREENSBORO, NORTH CAROLINA 27401

TEL (336) 272-2100
FAX (336) 274-9588
MAILING ADDRESS:
PO BOX 4545
GREENSBORO, NC 27404

September 21, 2006

Mrs. Gail Haworth
The Servant Center, Inc.
1312 Lexington Avenue
Greensboro, North Carolina 27403

Dear Mrs. Haworth:

In planning and performing my audit of the financial statements of The Servant Center, Inc. for the year ended June 30, 2006, I considered the Center's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operating matters that are presented for your consideration. This letter does not affect my report on the financial statements of The Servant Center, Inc.

I will discuss the status of these comments during my next audit engagement. My comments and recommendations are intended to improve the internal control structure or result in operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations. My comments are summarized as follows:

Comment on June 30, 2006

Assets with a useful life of more than one year are being expensed rather than being capitalized such as computer equipment. I suggest periodic reviews of office expense related accounts to be sure that these assets are capitalized so that fixed asset record keeping may be maintained to safeguard the assets and not overstate expense accounts.

Sincerely,


Barre Burks, CPA, PA

ACORD CERTIFICATE OF LIABILITY INSURANCE		OP ID PC SERVICE1	DATE (MM/DD/YYYY) 10/05/06
PRODUCER Craft/The Insurance Center, Inc 823 N. Elm Street P. O. Box 14946 Greensboro NC 27415-4946 Phone: 336-375-0600 Fax: 336-375-7004		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURED The Servant Center, Inc. t/a The Servant House 1312 Lexington Avenue Greensboro NC 27403		INSURERS AFFORDING COVERAGE INSURER A: Philadelphia Indemnity Ins Co INSURER B: INSURER C: INSURER D: INSURER E:	NAIC #

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	X	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	PHPK178285	07/01/06	07/01/07	EACH OCCURRENCE	\$ 1,000,000
		DAMAGE TO RENTED PREMISES (Ea occurrence)				\$ 100,000	
						MED EXP (Any one person)	\$ 5,000
						PERSONAL & ADV INJURY	\$ 1,000,000
						GENERAL AGGREGATE	\$ 2,000,000
						PRODUCTS - COMP/OP AGG	\$ 2,000,000
		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident)	\$
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN AUTO ONLY: EA ACC	\$
						AGG	\$
		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE RETENTION \$				EACH OCCURRENCE	\$
						AGGREGATE	\$
							\$
							\$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				WC STATUTORY LIMITS	OTHER
						E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
						E.L. DISEASE - POLICY LIMIT	\$
		OTHER					

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

The City of Greensboro is named additional insured for The Servant Center's Glenwood Housing facility as required by written contract.

<p>CERTIFICATE HOLDER</p> <p style="text-align: right;">CITY005</p> <p>CITY OF GREENSBORO</p> <p>GREENSBORO NC 27402</p>	<p>CANCELLATION</p> <p>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.</p> <p>AUTHORIZED REPRESENTATIVE</p> <p style="text-align: right;"><i>Phyllis A. Carter</i> CIO CISR</p>
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IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

ACORD CERTIFICATE OF LIABILITY INSURANCE		OP ID PC SERVICE1	DATE (MM/DD/YYYY) 10/05/06
PRODUCER Craft/The Insurance Center, Inc 823 N. Elm Street P. O. Box 14946 Greensboro NC 27415-4946 Phone: 336-375-0600 Fax: 336-375-7004		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURED The Servant Center, Inc. t/a The Servant House 1312 Lexington Avenue Greensboro NC 27403		INSURERS AFFORDING COVERAGE INSURER A: Philadelphia Indemnity Ins Co INSURER B: INSURER C: INSURER D: INSURER E:	NAIC #

COVERAGES

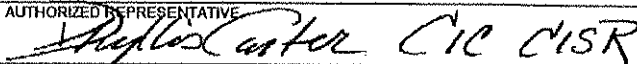
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INSR	ADD'L	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	X	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	PHPK178285	07/01/06	07/01/07	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000
		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN EA ACC \$ AUTO ONLY: AGG \$
		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
		OTHER				

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
The City of Greensboro is named additional insured for The Servant Center's Glenwood Housing facility as required by written contract.

CERTIFICATE HOLDER

CANCELLATION

CITY005 CITY OF GREENSBORO GREENSBORO NC 27402	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE 
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THE SERVANT CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2006
(Audit)

THE SERVANT CENTER, INC.

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THE SERVANT CENTER, INC.
ORGANIZATION AND MISSION

STATE OF INCORPORATION:
North Carolina

MAIN OFFICE:
Greensboro, North Carolina

BOARD OF DIRECTORS:

Dr. Timothy Lane, Chair
Susan L. Lowe, Vice Chair
Mac Stroupe, Secretary
William B. Vernon, Treasurer
Rev. Hilton J. Cochran, Board Chaplain
Elizabeth Alspaugh
Henry G. Carrison, III
Roland Chidomere
Robert S. Collins
Mark O. Costley
David Craft

Don Darnell
Amelia Deaton
Daniel Hall
W. Franklin Minton, Jr.
Michael S. Moye
Michael Murphy
Dr. David Newman
Rev. Paula Rachal, Staff Chaplain
Christopher L. Ratte
Robert Winborn
Brenda Yarish

MISSION STATEMENT:

The Servant Center, Inc. provides comprehensive social services to low-income elderly, and disabled through SSI/SSA applications and Grocery Assistance Program as well as case management and spiritual support to the homeless through transitional and permanent housing as well as end-of-life care.

MEMBER
NORTH CAROLINA ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Barre Burks, CPA, PA

107 EAST BESSEMER AVENUE, SUITE A
GREENSBORO, NORTH CAROLINA 27401

TEL (336) 272-2100
FAX (336) 274-9588
MAILING ADDRESS:
PO BOX 4545
GREENSBORO, NC 27404

To the Board of Directors
The Servant Center, Inc.

I have audited the accompanying statement of financial position of The Servant Center, Inc. (a nonprofit organization) as of June 30, 2006 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Servant Center, Inc. as of June 30, 2006, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.



Greensboro, North Carolina
September 21, 2006

THE SERVANT CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

CURRENT ASSETS:

Cash – Money market	\$ 100,701
Cash – Operations account	15,036
Cash – CD	100,000
Accounts receivable	620
Unconditional promises to give (Note 4)	<u>292,861</u>

TOTAL CURRENT ASSETS 509,218

PROPERTY AND EQUIPMENT (NOTE 5) 1,380,926

TOTAL ASSETS \$ 1,890,144

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 30,069
Representative payee accounts and deposits	27,778
Notes payable – current portion (Note 7)	<u>15,288</u>

TOTAL CURRENT LIABILITIES 73,135

CONTINGENT LIABILITY (NOTE 6) ---

NOTES PAYABLE (NOTE 7) 499,751

TOTAL LIABILITIES 572,886

NET ASSETS:

Unrestricted	265,278
Temporarily restricted (Note 3)	<u>1,051,980</u>

TOTAL NET ASSETS 1,317,258

TOTAL LIABILITIES AND NET ASSETS \$ 1,890,144

See auditor's report and notes to financial statements

THE SERVANT CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

UNRESTRICTED NET ASSETS:

Support:

Grants and contracts	\$ 138,983
Church donations	13,798
Individual and other donations	25,355
Food Club donations	175
Rents and fees for services	36,173
Dividends and interest	<u>2,444</u>

Total unrestricted support 216,928

Net assets released from restrictions:

Grants and contracts	<u>269,061</u>
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Total unrestricted support and restriction releases 485,989

Expenses:

Program services: (Schedule A)	428,324
Supporting expenses:	
General expenses (Schedule A)	<u>120,633</u>

Total expenses 548,957

INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS (62,968)

TEMPORARILY RESTRICTED NET ASSETS:

Grants and contracts	320,086
Net assets released from restrictions – grants and contracts	(<u>269,061</u>)

INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS 51,025

INCREASE (DECREASE) IN NET ASSETS (11,943)

NET ASSETS – BEGINNING OF YEAR 1,329,201

NET ASSETS – END OF YEAR \$ 1,317,258

See auditor's report and notes to financial statements

THE SERVANT CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Automobile	\$ 6,644	\$ 1,127	\$ 7,771
Bank charges	86	93	179
Board expense	3,698	449	4,147
Client Aid	347	---	347
Depreciation	37,365	4,864	42,229
Dues & subscriptions	825	25	850
Education and meetings	54	85	139
Gifts	214	586	800
Grant expenses	195	---	195
Insurance – general	26,461	18,625	45,086
Insurance – group	17,011	3,866	20,877
License fees	525	180	705
Meals and entertainment	911	307	1,218
Office expenses	4,156	997	5,153
Payroll processing expense	---	1,704	1,704
Postage	315	479	794
Professional fees	1,416	9,207	10,623
Rent	---	407	407
Repairs and maintenance	21,047	3,196	24,243
Salaries and wages	205,434	65,571	271,005
Shelter meals	11,755	---	11,755
Subcontract labor	600	---	600
Supplies	6,180	334	6,514
Supportive services	29,460	---	29,460
Taxes - other	653	16	669
Taxes – payroll	16,768	5,016	21,784
Telephone	4,078	874	4,952
Travel	5,269	239	5,508
Utilities	<u>26,857</u>	<u>2,386</u>	<u>29,243</u>
	<u>\$ 428,324</u>	<u>\$ 120,633</u>	<u>\$ 548,957</u>

See auditor's report and notes to financial statements

THE SERVANT CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (decrease) in net assets	\$ (11,943)
Adjustments to reconcile increase in net assets to net cash provided in operating activities:	
Depreciation	42,229
(Increase) decrease in unconditional promises to give	(51,025)
(Increase) decrease in accounts receivable	9,749
Increase (decrease) in payables and taxes withheld	<u>46,719</u>
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	<u>35,729</u>
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:	
Purchases of fixed assets	(<u>3,807</u>)
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	(<u>3,807</u>)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES:	
Debt proceeds	---
Debt reductions	(<u>14,016</u>)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES	(<u>14,016</u>)
NET INCREASE (DECREASE) IN CASH	17,906
CASH - BEGINNING OF YEAR	<u>197,831</u>
CASH - END OF YEAR	\$ <u>215,737</u>

See auditor's report and notes to financial statements

THE SERVANT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting basis - the financial statements are prepared on the accrual basis of accounting.

Presentation basis - the financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report 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.

Use of estimates - the preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions - The Center accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the experience or nature of the donor restrictions.

All 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 activities as net assets released from restrictions.

Donated assets or services - Donation of assets or services are recorded as support if the amount for such donations is determinable.

Fixed assets - the Center shows fixed assets at cost. Fixed assets are depreciated over 10-40 years using the straight line method. Minor expenditures for repairs and upkeep are shown as current expenses.

Income tax status - the Center is classified as a Section 501 (c) (3) Organization under the Federal Internal Revenue Code. As a result, it has been determined to be exempt from federal income taxes.

THE SERVANT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 2 - FUNCTIONAL ALLOCATION OF EXPENSES:

The cost of providing the various programs have been summarized on a functional basis in the statement of activities on a direct cost basis. Accordingly, no costs have been allocated among the programs and supporting services benefited.

NOTE 3 - RESTRICTION ON NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

HUD – 1999 and 2002 grant for acquisition and rehabilitation of building with 20 year restricted use	\$ 425,750
City of Greensboro –1999 grant for rehabilitation of building with 10 year restricted use	186,544
NC Housing Finance Agency – 1999 and 2002 rehabilitation funds for energy efficiency with 20 year restricted use	146,825
Department of Veteran Affairs – per diem grants for homeless veterans	3,348
United Way – emergency shelter grant	13,420
Moses Cone – applications filed with Social Security for SSI and SSA	26,666
Department of Veteran Affairs – grant to care for homeless terminally ill veterans	<u>249,427</u>
	<u>\$ 1,051,980</u>

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE:

The Center receives various grants which are funded over a periodic basis or as the time or purpose restriction has taken place. These are unconditional promises to give and are classified accordingly to the expected date of receipt. At June 30, 2006, the Center was due \$ 292,861 to be received within one year and \$ -0- after one year.

THE SERVANT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 5 - PROPERTY AND EQUIPMENT:

Major classes of property and equipment are as follows:

Furniture and equipment	\$ 65,877
Automobiles	50,270
Buildings and land	1,481,128
Less accumulated depreciation	(<u>216,349</u>)
	<u>\$ 1,380,926</u>

NOTE 6 – CONTINGENT LIABILITY:

The Center was awarded various grants totaling \$759,119 for the purchase and rehabilitation of transitional housing for homeless men, women and families. The Center must maintain the housing for a period of ten to twenty years in order to have the conditions of these grants satisfied and the deed of trust on the properties released. The terms of these grants state periodic reductions in the contingent amounts due beginning 2004 and continuing through 2022.

NOTE 7 – NOTES PAYABLE:

North Carolina Housing Finance Agency – Loan for \$305,796 to acquire and rehabilitate property with 20 year restricted use; payable in 240 monthly installments of \$1,274 with 0% interest beginning one month after completion of rehabilitation and certification of property; secured by program deed of trust on the Glenwood Housing Project. \$ 287,958

North Carolina Housing Finance Agency – Loan for \$ 60,000 to make energy efficient related improvements to property with 20 year restricted use; principal reduction of 10% per year will be granted and will begin in 2012 if restricted use is maintained in accordance with the promissory note; 0% interest secured by program deed of trust on the Glenwood Housing Project. 60,000

THE SERVANT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 7 – NOTES PAYABLE (continued):

City of Greensboro Loan for \$167,081 for development and construction of property with 20 year restricted use; payable in annual installments of 50% of annual cash flow beginning May 1, 2025; 0% interest secured by program deed of trust on the Glenwood Housing Project.

\$ 167,081

515,039

Less current portion of notes payable

(15,288)

Long term portion of notes payable

\$ 499,751

The following is a summary of principal maturation over the next five years:

<u>June 30</u>	<u>Amount</u>
2007	\$ 15,288
2008	15,288
2009	15,288
2010	15,288
2011	<u>15,288</u>
	<u>\$ 76,440</u>



Hope and Healing for the Homeless
Servant House & Glenwood Housing
1312 Lexington Avenue, Greensboro, NC 27403
Phone (336) 275-8585 Fax (336) 370-1540
www.theservantcenter.org

The Servant Center
Board of Directors

October 25, 2006

Timothy Lane, M.D.
Chair

Susan L. Lowe
Vice Chair

Mac Stroupe
Secretary

William B. Vernon
Treasurer

✓
Mr. Len Lucas, Internal Audit Director
Mr. Mickey Kerans, Internal Auditor
City of Greensboro
P. O. Box 3136
Greensboro, NC 27402-3136

Re: The Servant Center – Servant House/Glenwood Housing FY 2004/05

Dear Len and Mickey:

Elizabeth H. Alspaugh

Henry J. Carrison, III

Rowland Chidomere

Rev. Hilton J. Cochran

Mark O. Costley
(Chapel Hill/Durham)

David Craft

Danny Hall

Rachel Hall
(Charlotte)

Don Darnell

W. Franklin Minton, Jr.

Michael Moyer

Michael Murphy

David Newman, M.D.

Rev. Paula Rachal

Christopher Ratte

Robert Winborn

Brenda Yarish

I am in receipt of your letter of October 19, 2006, referencing the City's Internal Audit report dated September 29, 2006 for the above-mentioned program and program year.

As to your exception #1 regarding The Servant Center's audited financials for fiscal year ended June 30, 2006, being due on September 30, 2006, please note that a draft of this audit was approved by the Board of Directors on September 25, 2006, with two corrections to be changed by the CPA. After a final corrected audit was submitted to our Executive Board Committee and approved, it was hand delivered to your offices. As you have heard from other agencies, it is difficult to have an outside audit and get approval from a Board of Directors over a 90-day period but we will continue to strive to improve the timing and submission of this audit.

As to your exception #2 regarding the fact that I did not send a certificate of property coverage, please be aware that the certificate of liability that was attached to your packet is a blanket policy that covers property, buildings and employer. Craft Insurance does not issue a separate certificate for property coverage but has noted on the enclosed certificate that it is a blanket policy.

Sincerely,

Gail C. Haworth
Executive Director

Enclosure

Executive Director

Gail C. Haworth

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development


ACORD CERTIFICATE OF LIABILITY INSURANCE		OP ID PC SERVICE1	DATE (MM/DD/YYYY) 10/24/06
PRODUCER Craft/The Insurance Center, Inc 823 N. Elm Street P. O. Box 14946 Greensboro NC 27415-4946 Phone: 336-375-0600 Fax: 336-375-7004		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURED The Servant Center, Inc. t/a The Servant House 1312 Lexington Avenue Greensboro NC 27403		INSURERS AFFORDING COVERAGE INSURER A: Philadelphia Indemnity Ins Co INSURER B: Virginia Surety Company INSURER C: INSURER D: INSURER E:	NAIC #

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADDL INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	X	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	PHPK178285	07/01/06	07/01/07	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000
		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - FA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$
		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$
B		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	WVS0006647			<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 100000 E.L. DISEASE - EA EMPLOYEE \$ 100000 E.L. DISEASE - POLICY LIMIT \$ 500000
A		Property; Blanket	PHPK178285	07/01/06	07/01/07	Building 1350000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
 The City of Greensboro is named additional insured and mortgagee for The Servant Center's Glenwood Housing facility as required by written contract.

CERTIFICATE HOLDER CITY005 CITY OF GREENSBORO GREENSBORO NC 27402	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE 
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