

THE NIGHT MINISTRY AND SUBSIDIARY

**INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
(WITH SUPPLEMENTARY INFORMATION)**

JUNE 30, 2010

Dated: October 25, 2010

THE NIGHT MINISTRY AND SUBSIDIARY
INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
(WITH SUPPLEMENTARY INFORMATION)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Night Ministry and Subsidiary

We have audited the accompanying consolidated statement of financial position of The Night Ministry (an Illinois not-for-profit corporation) and Subsidiary as of June 30, 2010, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the fiscal year then ended. These consolidated financial statements are the responsibility of The Night Ministry and Subsidiary's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from The Night Ministry's June 30, 2009 financial statements and, in our report dated October 8, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Night Ministry and Subsidiary as of June 30, 2010, and the consolidated changes in its net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of The Night Ministry and Subsidiary taken as a whole. The accompanying consolidating schedule of financial position (Schedule A-1) is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.



Certified Public Accountants
Chicago, Illinois
October 25, 2010

THE NIGHT MINISTRY AND SUBSIDIARY

EXHIBIT A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2010

(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY AS OF JUNE 30, 2009)

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents (Notes 2 and 10)	\$771,523	\$1,296,570
Contributions Receivable (Note 3)	52,477	76,434
Government Receivables	86,397	187,462
Miscellaneous Receivables	29,265	10,100
Prepaid Expenses	104,451	113,196
Security Deposits	10,000	10,000
Investments (Notes 2 and 4)	1,076,827	1,075,528
Property and Equipment, Net of Accumulated Depreciation and Amortization (Notes 2 and 5)	3,997,408	4,228,308
	<u>\$6,128,348</u>	<u>\$6,997,598</u>

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Accounts Payable and Accrued Expenses	\$246,448	\$259,554
Advance on Conditional Promise to Give (Note 3)	100,000	100,000
Grants Due to Other Organizations (Notes 2 and 6)	0	3,787
	<u>346,448</u>	<u>363,341</u>
Net Assets (see Exhibit B)		
Unrestricted --		
Designated by the Board of Directors (Note 8)	1,698,936	2,330,873
Invested in Building and Equipment	3,997,408	4,228,308
	<u>5,696,344</u>	<u>6,559,181</u>
Temporarily Restricted (Note 9) --		
Purpose	33,079	53,642
Future Periods	52,477	21,434
	85,556	75,076
	<u>5,781,900</u>	<u>6,634,257</u>
	<u>\$6,128,348</u>	<u>\$6,997,598</u>

The accompanying notes are an integral part of this consolidated statement.

THE NIGHT MINISTRY AND SUBSIDIARY

EXHIBIT B

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS ABOUT THE NIGHT MINISTRY FOR THE FISCAL YEAR ENDED JUNE 30, 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 (Note 11)</u>
Revenue:				
Public Support:				
Grants, Contributions, and Bequests	\$1,776,760	\$67,914	\$1,844,674	\$1,781,089
Board Designated Grants and Contributions (Note 8)	1,000,000		1,000,000	1,000,000
Grants from Government Agencies	1,641,135		1,641,135	1,656,962
Special Events (Net of Direct Costs of \$95,432 in 2010 and \$71,500 in 2009)	<u>157,357</u>		<u>157,357</u>	<u>155,942</u>
	<u>4,575,252</u>	<u>67,914</u>	<u>4,643,166</u>	<u>4,593,993</u>
Other Revenue:				
Investment Income	22,691		22,691	87,415
Gain (Loss) on Sale of Investments	320		320	(117)
Unrealized Gain/(Loss) Investments (Note 2)	(869)		(869)	4,496
Fee Income	<u>2,525</u>		<u>2,525</u>	<u>3,922</u>
	24,667		24,667	95,716
Net Assets Released from Restrictions				
Satisfaction of Restrictions - Future	21,434	(21,434)	0	0
Satisfaction of Program Restrictions	<u>36,000</u>	<u>(36,000)</u>	<u>0</u>	<u>0</u>
Total Revenue	<u>4,657,353</u>	<u>10,480</u>	<u>4,667,833</u>	<u>4,689,709</u>
Expenses: (See Exhibit C)				
Program Services:				
Outreach and Health Ministry	1,403,222		1,403,222	1,393,225
Open Door Shelter West Town	2,124,343		2,124,343	2,133,524
Open Door Shelter Lakeview	<u>1,006,234</u>		<u>1,006,234</u>	<u>1,027,952</u>
	<u>4,533,799</u>		<u>4,533,799</u>	<u>4,554,701</u>
Supporting Services:				
Management and General	656,937		656,937	811,501
Fund Raising	<u>329,454</u>		<u>329,454</u>	<u>305,573</u>
	<u>986,391</u>		<u>986,391</u>	<u>1,117,074</u>
Total Expenses	<u>5,520,190</u>		<u>5,520,190</u>	<u>5,671,775</u>
Change in Net Assets	<u>(862,837)</u>	<u>10,480</u>	<u>(852,357)</u>	<u>(982,066)</u>
Net Assets, Beginning of Fiscal Year	<u>6,559,181</u>	<u>75,076</u>	<u>6,634,257</u>	<u>7,616,323</u>
Net Assets, End of Fiscal Year (to Exhibit A)	<u>\$5,696,344</u>	<u>\$85,556</u>	<u>\$5,781,900</u>	<u>\$6,634,257</u>

The accompanying notes are an integral part of this consolidated statement.

THE NIGHT MINISTRY AND SUBSIDIARY

EXHIBIT C

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE TOTALS ABOUT THE NIGHT MINISTRY FOR THE FISCAL YEAR ENDED JUNE 30, 2009)

	Outreach and Health Ministry	PROGRAM SERVICES			Total
		Open Door Shelter West Town	Open Door Shelter Lakeview		
Salaries	\$761,154	\$1,306,120	\$605,120		\$2,672,394
Employee Benefits	132,645	232,233	124,225		489,103
Payroll Taxes	53,065	93,420	44,098		190,583
Total Salaries and Related Expenses	946,864	1,631,773	773,443		3,352,080
Bank Charges	208	279	134		621
Consulting Fees	8,575	15,499	8,083		32,157
Depreciation and Amortization (Notes 2 and 5)	87,022	181,113	35,789		303,924
Dues, Books and Subscriptions	7,235	9,170	5,830		22,235
Equipment Leasing	110	6,491	4,376		10,977
Grants to Other Organizations (Notes 2 and 6)		28,716	25,289		54,005
Insurance	43,644	41,078	19,712		104,434
Kitchen Supplies	36,928	28,157	23,260		88,345
Miscellaneous Expense	513	884	331		1,728
Occupancy (Note 7)	78,681	33,551	17,137		129,369
Office Supplies	3,683	8,708	5,086		17,477
Postage and Shipping	5,596	6,889	3,444		15,929
Printing	8,957	11,640	5,601		26,198
Professional Fees	70,157	16,876	21,488		108,521
Program and Medical Supplies and Expense	22,498	10,638	5,670		38,806
Public Relations	93	85	41		219
Repairs and Maintenance	12,868	39,473	27,062		79,403
Specific Assistance		32,026	6,076		38,102
Staff/Volunteer Street Expenses	13,356	3,207	1,600		18,163
Telephone	7,763	8,956	4,956		21,675
Travel	2,435	6,297	8,738		17,470
Vehicle Expenses	46,036	2,837	3,088		51,961
Total Functional Expenses (to Exhibit B)	\$1,403,222	\$2,124,343	\$1,006,234		\$4,533,799

The accompanying notes are an integral part of this consolidated statement.

THE NIGHT MINISTRY AND SUBSIDIARY

EXHIBIT C (Continued)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS ABOUT THE NIGHT MINISTRY FOR THE FISCAL YEAR ENDED JUNE 30, 2009)

	SUPPORTING SERVICES				TOTALS	
	Program Services (Continued)	Management and General	Fund Raising	Total	2010	2009 (Note 11)
Salaries	\$2,672,394	\$190,554	\$94,989	\$285,543	\$2,957,937	\$3,116,314
Employee Benefits	489,103	67,579	8,936	76,515	565,618	508,902
Payroll Taxes	190,583	28,733	27,084	55,817	246,400	246,356
Total Salaries and Related Expenses	3,352,080	286,866	131,009	417,875	3,769,955	3,871,572
Bank Charges	621	13,718		13,718	14,339	12,001
Consulting Fees	32,157	2,909	58,492	61,401	93,558	113,725
Depreciation and Amortization (Notes 2 and 5)	303,924	51,007	5,098	56,105	360,029	377,865
Dues, Books and Subscriptions	22,235	27,400	1,583	28,983	51,218	59,272
Equipment Leasing	10,977	7,253		7,253	18,230	20,210
Grants to Other Organizations (Notes 2 and 6)	54,005			0	54,005	68,391
Insurance	104,434	12,014	3,234	15,248	119,682	122,508
Kitchen Supplies	88,345	5,366		5,366	93,711	100,858
Miscellaneous Expense	1,728	19,246	387	19,633	21,361	39,099
Occupancy (Note 7)	129,369	34,155	17,588	51,743	181,112	179,154
Office Supplies	17,477	16,719	1,126	17,845	35,322	29,761
Postage and Shipping	15,929	4,404	37,071	41,475	57,404	56,380
Printing	26,198	3,055	58,439	61,494	87,692	96,653
Professional Fees	108,521	64,991	7,054	72,045	180,566	174,949
Program and Medical Supplies Expense	38,806		246	246	39,052	34,861
Public Relations	219	5	473	478	697	2,464
Repairs and Maintenance	79,403	78,095	5,103	83,198	162,601	152,221
Specific Assistance	38,102			0	38,102	31,183
Staff/Volunteer Street Expenses	18,163	9,763	1,376	11,139	29,302	27,791
Telephone	21,675	14,092	389	14,481	36,156	33,940
Travel	17,470	5,798	786	6,584	24,054	22,021
Vehicle Expenses	51,961	81		81	52,042	44,896
Total Functional Expenses (to Exhibit B)	\$4,533,799	\$656,937	\$329,454	\$986,391	\$5,520,190	\$5,671,775

The accompanying notes are an integral part of this consolidated statement.

THE NIGHT MINISTRY AND SUBSIDIARY

EXHIBIT D

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY FOR THE FISCAL YEAR ENDED JUNE 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Increase/(Decrease) in net assets (See Exhibit B)	(\$852,357)	(\$982,066)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and Amortization	360,029	377,865
(Gain)/Loss on sale of investments	(320)	117
Unrealized (gain)/loss on investments	869	(4,496)
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	105,857	1,904
(Increase)/Decrease in prepaid expenses	8,745	(4,328)
Increase/(Decrease) in accounts payable and accrued expenses	(13,106)	(37,232)
Increase/(Decrease) in advance on conditional promise to give	0	0
Increase/(Decrease) in grants due to other organizations	(3,787)	(566)
	<u>458,287</u>	<u>333,264</u>
 Net cash provided by/(used in) operating activities	 <u>(394,070)</u>	 <u>(648,802)</u>
 Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	1,125,353	1,726,067
Purchase of investments	(1,127,201)	(971,032)
Refund of real estate taxes capitalized	0	8,260
Capital expenditures	(129,129)	(53,750)
	<u>(130,977)</u>	<u>709,545</u>
 Net cash provided by/(used in) investing activities	 <u>(130,977)</u>	 <u>709,545</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	 <u>(525,047)</u>	 <u>60,743</u>
 Cash and Cash Equivalents, Beginning of Fiscal Year	 <u>1,296,570</u>	 <u>1,235,827</u>
 Cash and Cash Equivalents, End of Fiscal Year (See Exhibit A)	 <u>\$771,523</u>	 <u>\$1,296,570</u>
 Cash paid for interest	 <u>\$0</u>	 <u>\$0</u>

The accompanying notes are an integral part of this consolidated statement.

THE NIGHT MINISTRY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY AS OF
JUNE 30, 2009)

Note 1--Description of Organization:

The Night Ministry (TNM) is a not-for-profit, non-denominational social service organization connecting youth and adults in need with basic resources for healthcare, housing, employment, education, and more through its Outreach and Health Ministry and homeless youth housing programs. Its programs are operated out of a variety of venues, including a health outreach bus that is on the street six nights a week, through three youth housing programs, outreach professionals who provide services on the street at night, and community based case management services. The Night Ministry serves adults and youth in need - regardless of race, ethnicity, religion, sexual orientation, or social status.

TNM incorporated the TNM Asset Management Organization, NFP (AMO) a not-for-profit organization on March 6, 2008 for the purpose of managing TNM's significant tangible assets and ensuring their long term sustainability and viability in support of TNM's mission. TNM's building, land and related assets were legally transferred to AMO on July 14, 2009.

TNM and AMO are referred to collectively as the "Organization"

Note 2--Summary of Significant Accounting Policies:

Principles of Consolidation--The accompanying consolidated financial statements include the accounts of TNM and AMO. TNM became the sole member of AMO on May 12, 2008. TNM holds, and has the right and powers to maintain the majority of the AMO Board of Directors. The President of TNM is the Executive Director of AMO. Significant interentity transactions and balances have been eliminated in consolidation.

Basis of Accounting--The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with United States generally accepted accounting principles applicable to nonprofit organizations.

In June 2009, The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-01, *Topic 105 - Generally Accepted Accounting Principles - FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. The Codification is the single source of authoritative nongovernmental U.S. GAAP. The Codification does not change current GAAP, but is intended to simplify user access to all authoritative GAAP by providing all the authoritative literature related to a particular topic in one place.

THE NIGHT MINISTRY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY AS OF
JUNE 30, 2009)

Note 2--Summary of Significant Accounting Policies (continued):

Donated Services--Donated services are recognized for those that improve or enhance property and equipment (as contributions and increases to the basis of land, buildings and equipment) or for those that require specialized skills (as contributions and expenses). During fiscal year 2010 (the Organization) and 2009 (TNM), estimated and recorded contributions for professional services requiring specialized skills in the amount of \$70,000 and \$69,500, respectively.

A substantial number of volunteers have donated significant amounts of their time to the Organization's programs and supporting services, but no amounts have been recorded for the value of their services, in accordance with provisions of Accounting Standards Codification ("ASC") 958-605-25-16 Not for Profit Entities - Revenue Recognition - Contributions Received - Contributed Services. During fiscal years 2010 and 2009 (TNM), management estimates the organization received approximately 25,200 and 23,700 hours of volunteer services valued at \$538,000 and \$499,000, respectively.

Donated Materials--Donated goods and materials are reflected on the accompanying financial statements for fiscal years 2010 and 2009 (TNM) in the amounts of \$0 and \$0, respectively, the estimated values at the date of donation.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent of explicit donor stipulations about how long those long-lived assets must be maintained, the Organization would report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization and TNM also received approximately \$ 80,000 and \$130,000 of donated goods and materials during fiscal years 2010 and 2009 (TNM), respectively, which are not reflected in the accompanying financial statements because they were directly passed through to clients served by the Organization's various programs.

Cash and Cash Equivalents--Cash and cash equivalents are comprised of demand deposits, money market funds and commercial paper with original maturities of 3 months or less.

THE NIGHT MINISTRY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY AS OF
JUNE 30, 2009)

Note 2--Summary of Significant Accounting Policies (continued):

Investments--Investments in certificates of deposit and marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fixed Assets--Fixed assets are stated at cost or estimated value if donated. All acquisitions of property and equipment in excess of \$2,000, and all expenditures for repairs, maintenance renewals and betterments that materially prolong the useful lives of the assets for three years or greater are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets: building and building improvements, 31.5 years; equipment, 5 years; furniture & fixtures, 7 years; vehicles, 5 years.

Leasehold Improvements--Leasehold improvements are stated at cost or estimated value if donated. Amortization is provided on a straight line basis over the term of lease.

Restricted Grants--The Organization has established procedures to insure that grant provisions are complied with as is required by its various donors.

Contributions--Donor-restricted contributions received in the current fiscal year are recorded as unrestricted support where the restrictions have been satisfied during the same year.

Grants to Other Organizations--Amounts paid to organizations are based on invoices submitted and are recorded as incurred.

Estimates--The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events -- The financial statements were available to be issued on October 25, 2010 with subsequent events being evaluated through this date.

Functional Expenses--Operating expenses directly identified with a functional area are charged to such area and, where such expenses affect more than one area, they are allocated to the respective areas on the basis of ratios, as estimated by management.

THE NIGHT MINISTRY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY AS OF
JUNE 30, 2009)

Note 3—Contributions Receivable:

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Contributions expected to be collected in five years or less are recorded at net realizable value because that amount, although not equivalent to the present value of estimated future cash flows, results in a reasonable estimate of fair value. Based on past history, management estimates that an allowance for uncollectible promises is insignificant.

The Organization and TNM had unconditional promises to give in the following amounts at June 30, 2010 and June 30, 2009:

	<u>2010</u>	<u>2009 (TNM)</u>
Outreach and Health Ministry	\$ 0	\$ 12,500
Transitional Living Program	0	26,000
Future Restriction	<u>52,477</u>	<u>37,934</u>
Total Unconditional promises to give	<u>\$ 52,477</u>	<u>\$ 76,434</u>
Receivable in less than one year	\$ 52,477	\$ 76,434
Receivable in one to five years	<u>0</u>	<u>0</u>
Total Unconditional promises to give	<u>\$ 52,477</u>	<u>\$ 76,434</u>

The Organization received a conditional promise to give in the amount of \$300,000 which was divided into annual \$100,000 increments for each of the three fiscal years ending with the June 30, 2011 fiscal year. The conditional promise reserves the right to terminate support in the event that the current project director leaves the project or organization. The decision to continue or terminate support would be made each year after careful consideration of the organization's interest in and capacity to continue the project. The amount of the conditional promise advances outstanding at June 30, 2010 and 2009 (TNM) was \$100,000 and \$100,000 respectively.

THE NIGHT MINISTRY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY AS OF
JUNE 30, 2009)

Note 4--Investments and Fair Value Measurements:

ASC Topic 820 *Fair Value Measurement and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2:

Inputs to the valuation methodology include:

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

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

Level 3:

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

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

THE NIGHT MINISTRY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY AS OF
JUNE 30, 2009)

Note 4—Investments and Fair Value Measurements (continued):

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009 (TNM).

Certificate of Deposit: Valued at an estimated fair value as of June 30, 2010 and 2009 (TNM) based on quoted prices for similar assets in an active market.

A Bank Certificate of Deposit at June 30, 2010 and 2009 (TNM), respectively, in the amount of \$27,033 and \$27,033 is pledged as collateral for a \$25,000 Irrevocable Letter of Credit established in conjunction with a medical liability insurance tail policy. The Letter of Credit matures on December 18, 2010 and is automatically renewable for a one year term unless revoked in writing.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair hierarchy, the Organization's assets at fair value as of June 30, 2010 and TNM's as of June 30, 2009:

<u>Assets at Fair Value as of June 30, 2010</u>				
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit (Cost \$1,073,200)	\$ 0	\$1,076,827	\$ 0	\$1,076,827
Total assets at fair value	\$ 0	\$1,076,827	\$ 0	\$1,076,827

THE NIGHT MINISTRY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE INFORMATION ABOUT THE NIGHT MINISTRY AS OF
JUNE 30, 2009)

Note 4–Investments and Fair Value Measurements (continued):

	<u>Assets at Fair Value as of June 30, 2009</u>			
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit (Cost \$1,071,033)	\$ 0	\$1,075,528	\$ 0	\$ 1,075,528
Total assets at fair value	\$ 0	\$1,075,528	\$ 0	\$1,075,528

Note 5–Property and Equipment:

At June 30, 2010 and 2009, the cost and accumulated depreciation and amortization for property and equipment were as follows:

	<u>2010</u>	<u>2009 (TNM)</u>
Land - Lakeview Shelter	\$ 51,570	\$ 51,570
Building - Lakeview Shelter	349,365	349,365
Land - West Town Shelter	264,662	264,662
Building - West Town Shelter	3,052,520	3,042,265
Building Improvements-Lakeview Shelter	502,797	486,661
Equipment	1,231,827	1,143,592
Furniture & Fixtures	192,987	192,987
Vehicles	617,643	617,643
Software	48,847	34,344
Leasehold Improvements	<u>412,288</u>	<u>412,288</u>
	6,724,506	6,595,377
Less Accumulated Amortization	345,332	304,103
Less Accumulated Depreciation	<u>2,381,766</u>	<u>2,062,966</u>
	<u>\$3,997,408</u>	<u>\$4,228,308</u>

Depreciation expense charged to operations for the fiscal years ended June 30, 2010 and 2009(TNM) totaled \$318,800 and \$336,780 respectively. Amortization expense charged to operations for the fiscal years ended June 30, 2010 and 2009(TNM) totaled \$41,229 and \$41,085 respectively.

THE NIGHT MINISTRY AND SUBSIDIARY
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Note 6--Grants Due to Other Organizations:

Grants due to other organizations represent amounts due to organizations participating in the Open Door Shelter Youth Outreach Programs at Lakeview and West Town. The amounts expensed for the services rendered for the years ended June 30, 2010 and 2009 (TNM) were \$54,005 and \$68,391 respectively. At June 30, 2010 and 2009 (TNM), the balance in the due to account was \$0 and \$3,787, respectively.

Note 7--Lease Commitments:

The Organization occupies office space at 4711 North Ravenswood Avenue under an operating lease agreement that expires December 31, 2011. The Organization has an annual option to terminate the lease by notifying the lessor on December 31 of the year prior to the year of termination.

Future fiscal year minimum lease obligations under this agreement as of June 30, 2010 are as follows.

2011	<u>\$ 62,800</u>
	<u>\$ 62,800</u>

Total charges to operations for rental expense during the fiscal years ended June 30, 2010 and 2009 (TNM) amounted to \$131,224 and \$127,403, respectively.

Note 8--Board Designated Fund:

The Organization benefits from the contribution of a long time benefactor. The gift is unrestricted. The funds from this donation are invested at Northern Trust. The Board designates the annual contribution for operations, while the surplus from current and past contributions are designated as a reserve fund, to use in case of a fiscal emergency or to support future expanded operations. By resolution, the Board has targeted this reserve fund to equal six months of the current fiscal year's budgeted expenses. The Finance Committee reviews the balance of the fund monthly. The Net Assets Designated by the Board of Directors at June 30, 2010 and 2009 (TNM) was \$1,698,936 and \$2,330,873, respectively.

THE NIGHT MINISTRY AND SUBSIDIARY
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Note 9--Temporarily Restricted Net Assets:

Temporarily restricted net assets were attributable to the following purposes as of June 30, 2010 and 2009(TNM):

	<u>2010</u>	<u>2009(TNM)</u>
Golf Outing	\$ 10,000	\$ 10,000
Support of Aftercare and Educational Activities	17,642	17,642
Interim Shelters	5,437	0
Transitional Living Program	<u>0</u>	<u>26,000</u>
Total Purpose Restrictions	33,079	53,642
Future Periods	<u>52,477</u>	<u>21,434</u>
Total Temporarily Restricted	<u>\$85,556</u>	<u>\$75,076</u>

Note 10--Concentration of Credit Risk:

Deposit accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2010 demand deposits maintained at JP Morgan Chase Bank, NA exceeded the FDIC limit by \$58,909.

Note 11--Comparative Totals for Prior Year:

Amounts shown in the accompanying financial statements (Exhibits B and C) as comparative totals for the fiscal year ended June 30, 2009 are included only to provide a basis for comparison with the fiscal year ended June 30, 2010 and are not intended to present all information for the fiscal year ended June 30, 2009 necessary for a fair presentation in accordance with United States generally accepted accounting principles. Certain amounts from the prior year have been reclassified in order to provide a basis for comparison with the current year.

THE NIGHT MINISTRY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 12 -- Income Taxes:

TNM and AMO have been determined by the Internal Revenue Service to be exempt from Federal income tax under Section 501(a) as described under Section 501(c)(3) of the U. S. Internal Revenue Code and exempt from Illinois income tax under the comparable state law. Accordingly, no provision for income tax has been established, and contributions to it are deductible within the limitations as prescribed by the Internal Revenue Code.

TNM and AMO file returns in the U.S. federal jurisdiction and Illinois. With few exceptions, TNM is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2005. AMO is filing its initial tax return in the current year and is not subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for any previous years. TNM and AMO do not expect a material net change in unrecognized tax benefits in the next twelve months.

THE NIGHT MINISTRY AND SUBSIDIARY
SCHEDULE A-1
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2010

ASSETS

	The Night Ministry	TNM Asset Management Organization, NFP	Consolidated Total
Cash and Cash Equivalents	\$671,523	\$100,000	\$771,523
Contributions Receivable	52,477		52,477
Government Receivables	86,397		86,397
Miscellaneous Receivables	29,025	240	29,265
Prepaid Expenses	104,451		104,451
Security Deposits	10,000		10,000
Investments	1,076,827		1,076,827
Property and Equipment, Net of Accumulated Depreciation and Amortization (See Note A Below)	409,196	3,588,212	3,997,408
	<u>\$2,439,896</u>	<u>\$3,688,452</u>	<u>\$6,128,348</u>

LIABILITIES AND NET ASSETS

	The Night Ministry	TNM Asset Management Organization, NFP	Consolidated Total
Accounts Payable and Accrued Expenses	\$246,448	\$0	\$246,448
Advance on Conditional Promise to Give	100,000		100,000
	<u>346,448</u>	<u>0</u>	<u>346,448</u>
Net Assets			
Unrestricted --			
Designated by the Board of Directors	1,598,696	100,240	1,698,936
Invested in Building and Equipment	409,196	3,588,212	3,997,408
	<u>2,007,892</u>	<u>3,688,452</u>	<u>5,696,344</u>
Temporarily Restricted --			
Purpose	33,079	0	33,079
Future Periods	52,477	0	52,477
	<u>85,556</u>	<u>0</u>	<u>85,556</u>
	<u>2,093,448</u>	<u>3,688,452</u>	<u>5,781,900</u>
	<u>\$2,439,896</u>	<u>\$3,688,452</u>	<u>\$6,128,348</u>

Note A: Property and Equipment

Land - Lakeview Shelter	\$0	\$51,570	\$51,570
Building - Lakeview Shelter	0	349,365	349,365
Land - West Town Shelter	0	264,662	264,662
Building - West Town Shelter	0	3,052,520	3,052,520
Building Improvements - Lakeview Shelter	0	502,797	502,797
Equipment	902,240	329,587	1,231,827
Furniture & Fixtures	192,987	0	192,987
Vehicles	617,643	0	617,643
Software	48,847	0	48,847
Leasehold Improvements	412,288	0	412,288
	<u>2,174,005</u>	<u>4,550,501</u>	<u>6,724,506</u>
Less Accumulated Amortization	345,332	0	345,332
Less Accumulated Depreciation	1,419,477	962,289	2,381,766
	<u>\$409,196</u>	<u>\$3,588,212</u>	<u>\$3,997,408</u>

See independent auditor's report.