

**INNVISION THE WAY HOME**  
*(A California Nonprofit Public Benefit Corporation)*

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

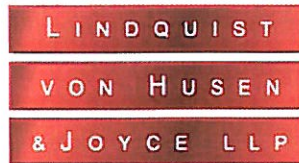
**YEARS ENDED JUNE 30, 2010 AND 2009**

INNVISION THE WAY HOME  
 (A California Nonprofit Public Benefit Corporation)  
 FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2010 AND 2009

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## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of InnVision the Way Home, a California nonprofit public benefit corporation, as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of InnVision the Way Home's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of InnVision the Way Home's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InnVision the Way Home as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2010 on our consideration of InnVision the Way Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on pages 29 and 30 is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lindquist, von Husen and Joyce LLP*

October 25, 2010



INNVISION THE WAY HOME  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>(As Restated)</u> <u>2009</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 489,772	\$ 507,061
Receivables:		
Contributions (Note 3)	320,750	147,948
Government grants	459,412	463,691
Prepaid expenses	46,418	35,660
Total current assets	<u>1,316,352</u>	<u>1,154,360</u>
Restricted cash	193,919	279,314
Investments in partnerships (Note 4)	1,452,016	1,452,249
Property and equipment – net (Note 5)	14,705,779	14,913,436
Deferred costs – net (Note 6)	29,447	43,677
Total assets	<u>\$ 17,697,513</u>	<u>\$ 17,843,036</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 687,086	\$ 476,247
Lines of credit – current portion (Note 7)	596,355	450,000
Interest payable – current portion (Notes 7, 8 and 9)	16,810	12,873
Notes payable – current portion (Note 8)	424,757	117,375
Total current liabilities	<u>1,725,008</u>	<u>1,056,495</u>
Client funds held in trust – UMPA	32,762	32,863
Tenant security deposits	50,324	43,792
Lines of credit – net of current portion (Note 7)	-	105,173
Interest payable – net of current portion (Notes 7, 8 and 9)	268,140	234,265
Notes payable – net of current portion (Note 8)	5,977,502	6,101,180
Forgivable loans (Note 9)	3,218,056	3,217,359
Refundable government grant income (Note 14)	124,124	124,124
Total liabilities	<u>11,395,916</u>	<u>10,915,251</u>
Net assets:		
Unrestricted	5,401,078	6,151,196
Temporarily restricted (Note 12)	900,519	776,589
Total net assets	<u>6,301,597</u>	<u>6,927,785</u>
Total liabilities and net assets	<u>\$ 17,697,513</u>	<u>\$ 17,843,036</u>

*The accompanying notes are an integral part of these financial statements.*

INNVISION THE WAY HOME  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED JUNE 30, 2010 AND 2009

	2010		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Government contracts	\$ 4,232,775	\$ -	\$ 4,232,775
Contributions:			
General and program support	1,938,805	345,750	2,284,555
United Way grants/designations	115,170	-	115,170
Donated goods and services (Note 10)	3,040,659	-	3,040,659
Client program fees	838,350	-	838,350
Special events	969,042	-	969,042
Less: cost of special events	(916,179)	-	(916,179)
Partner income (CWG)	216,820	-	216,820
Refund of unemployment insurance (Note 14)	102,209	-	102,209
Other income	64,224	-	64,224
Net assets released from restrictions (Note 12)	221,820	(221,820)	-
Total public support and revenue	<u>10,823,695</u>	<u>123,930</u>	<u>10,947,625</u>
Expenses:			
Program services	<u>10,513,344</u>	-	<u>10,513,344</u>
Supporting services:			
Management and general	956,560	-	956,560
Fundraising	534,704	-	534,704
Total supporting services	<u>1,491,264</u>	-	<u>1,491,264</u>
Total expenses	<u>12,004,608</u>	-	<u>12,004,608</u>
Change in net assets before other revenue	(1,180,913)	123,930	(1,056,983)
Other revenue:			
Government contracts/contributions for capital improvements	390,526	-	390,526
Donation of property	27,269	-	27,269
Debt forgiveness (Note 9)	13,000	-	13,000
Change in net assets	(750,118)	123,930	(626,188)
Net assets, beginning of year (as restated, see Note 15)	<u>6,151,196</u>	<u>776,589</u>	<u>6,927,785</u>
Net assets, end of year	<u>\$ 5,401,078</u>	<u>\$ 900,519</u>	<u>\$ 6,301,597</u>

*The accompanying notes are an integral part of these financial statements.*

INNVISION THE WAY HOME  
(A California Nonprofit Public Benefit Corporation)  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2010 AND 2009

	<i>(As Restated)</i>		
	<i>2009</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Government contracts	\$ 3,542,017	\$ -	\$ 3,542,017
Contributions:			
General and program support	1,970,363	230,000	2,200,363
United Way grants/designations	133,179	-	133,179
Donated goods and services (Note 10)	2,670,537	-	2,670,537
Client program fees	854,388	-	854,388
Special events	1,000,015	-	1,000,015
Less: cost of special events	(876,707)	-	(876,707)
Partner income (CWG)	169,800	-	169,800
Other income	23,477	-	23,477
Net assets released from restrictions (Note 12)	245,570	(245,570)	-
Total public support and revenue	<u>9,732,639</u>	<u>(15,570)</u>	<u>9,717,069</u>
Expenses:			
Program services	<u>8,951,613</u>	-	<u>8,951,613</u>
Supporting services:			
Management and general	903,925	-	903,925
Fundraising	431,357	-	431,357
Total supporting services	<u>1,335,282</u>	-	<u>1,335,282</u>
Total expenses	<u>10,286,895</u>	-	<u>10,286,895</u>
Change in net assets before other revenue	(554,256)	(15,570)	(569,826)
Other revenue:			
Government grants for debt retirement (Note 14)	578,240	-	578,240
Government contracts/contributions for capital improvements	100,000	-	100,000
Donation of property	16,009	-	16,009
Debt forgiveness (Note 9)	<u>13,000</u>	-	<u>13,000</u>
Change in net assets	152,993	(15,570)	137,423
Net assets, beginning of year (as restated, see Note 15)	<u>5,998,203</u>	<u>792,159</u>	<u>6,790,362</u>
Net assets, end of year	<u>\$ 6,151,196</u>	<u>\$ 776,589</u>	<u>\$ 6,927,785</u>

*The accompanying notes are an integral part of these financial statements.*

INNVISION THE WAY HOME  
(A California Nonprofit Public Benefit Corporation)  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2010 AND 2009

	2010			
	<i>Program Services</i>	<i>Supporting Services</i>		<i>Total</i>
		<i>Management and General</i>	<i>Fundraising</i>	
Salaries and contractors	\$ 2,833,674	\$ 569,350	\$ 337,567	\$ 3,740,591
Payroll taxes and benefits	688,548	136,006	35,285	859,839
Direct client assistance	2,051,572	-	-	2,051,572
Subcontracted client assistance	30,505	-	-	30,505
Occupancy	145,198	17,207	-	162,405
Professional fees	55,255	34,177	11,001	100,433
Office supplies	34,325	8,259	9,980	52,564
Telephone	86,306	15,167	3,319	104,792
Printing	4,049	2,109	15,121	21,279
Conferences and training	5,171	10,293	3,310	18,774
Dues and subscriptions	12,928	6,670	3,548	23,146
Utilities	219,277	12,146	4,774	236,197
Marketing and communication	1,853	-	87,289	89,142
Vehicle and equipment	124,701	24,837	3,506	153,044
Building maintenance	177,953	7,768	-	185,721
Insurance	54,771	9,643	427	64,841
Bank fees	1,751	2,966	13,395	18,112
Interest	325,706	72,639	-	398,345
Donated goods and services	3,040,659	-	-	3,040,659
Bad debt	5,152	-	-	5,152
Other	27,704	3,404	1,496	32,604
Total expenses before depreciation and amortization	9,927,058	932,641	530,018	11,389,717
Depreciation and amortization	586,286	23,919	4,686	614,891
Total expenses as shown on the Statements of Activities	10,513,344	956,560	534,704	12,004,608
Cost of special events	-	-	916,179	916,179
Total expenses	<u>\$ 10,513,344</u>	<u>\$ 956,560</u>	<u>\$ 1,450,883</u>	<u>\$ 12,920,787</u>

*The accompanying notes are an integral part of these financial statements.*

INNVISION THE WAY HOME  
(A California Nonprofit Public Benefit Corporation)  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2010 AND 2009

	2009			
	<i>Program Services</i>	<i>Supporting Services</i>		<i>Total</i>
		<i>Management and General</i>	<i>Fundraising</i>	
Salaries and contractors	\$ 2,658,311	\$ 579,934	\$ 296,937	\$ 3,535,182
Payroll taxes and benefits	718,119	100,946	35,526	854,591
Direct client assistance	967,073	-	-	967,073
Subcontracted client assistance	43,916	-	-	43,916
Occupancy	159,599	1,903	-	161,502
Professional fees	13,810	32,942	34,330	81,082
Office supplies	33,095	9,530	6,520	49,145
Telephone	85,992	18,899	6,782	111,673
Printing	14,187	515	6,646	21,348
Conferences and training	4,349	7,406	2,022	13,777
Dues and subscriptions	14,336	3,338	1,748	19,422
Utilities	227,350	14,314	3,250	244,914
Marketing and communication	999	-	21,863	22,862
Vehicle and equipment	102,106	19,831	1,632	123,569
Building maintenance	165,574	2,874	-	168,448
Insurance	58,731	6,239	-	64,970
Bank fees	1,768	1,614	13,716	17,098
Interest	324,618	70,547	-	395,165
Donated goods and services	2,670,537	-	-	2,670,537
Bad debt	49,969	-	-	49,969
Other	24,687	3,282	385	28,354
Total expenses before depreciation and amortization	8,339,126	874,114	431,357	9,644,597
Loss from disposal of fixed assets	13,860	-	-	13,860
Depreciation and amortization	598,627	29,811	-	628,438
Total expenses as shown on the Statements of Activities	8,951,613	903,925	431,357	10,286,895
Cost of special events	214	-	876,493	876,707
Total expenses	\$ 8,951,827	\$ 903,925	\$ 1,307,850	\$ 11,163,602

*The accompanying notes are an integral part of these financial statements.*

INNVISION THE WAY HOME  
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009

	<i>(As Restated)</i>	
	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (626,188)	\$ 137,423
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	614,891	628,438
Loss on retirement of fixed assets and loan fees	-	13,860
Income from government contracts for capital improvements	(390,526)	(100,000)
Income from government grants for repayment of notes payable	-	(578,240)
Debt forgiveness	(13,000)	(13,000)
Donation of property	(27,269)	(16,009)
Investment in partnerships	233	224
(Increase) decrease in assets:		
Contributions receivable	(172,802)	(69,198)
Government grants receivable	4,279	24,371
Other receivables	-	15,940
Prepaid expenses	(10,758)	(7,285)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	210,839	(149,481)
Accrued interest payable	37,812	10,317
Security deposits payable	6,532	10,324
Client funds held in trust – UMPA	(101)	4,662
Deferred revenue	-	(113,820)
Net cash used in operating activities	(366,058)	(201,474)
Cash flows from investing activities:		
Purchase of property and equipment	(347,083)	(280,926)
Payments for deferred costs	(4,955)	(1,403)
Net decrease in restricted cash	85,395	1,102
Net cash used in investing activities	(266,643)	(281,227)
Cash flows from financing activities:		
Proceeds from notes payable	300,000	183,150
Proceeds from line of credit	94,827	405,173
Payments on notes payable	(116,296)	(134,008)
Payments on line of credit	(53,645)	(45,000)
Proceeds from capital grants	390,526	100,000
Net cash provided by financing activities	615,412	509,315
Increase (decrease) in cash and cash equivalents	(17,289)	26,614
Cash and cash equivalents, beginning of year	507,061	480,447
Cash and cash equivalents, end of year	\$ 489,772	\$ 507,061

*The accompanying notes are an integral part of these financial statements.*

INNVISION THE WAY HOME  
 (A California Nonprofit Public Benefit Corporation)  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 YEARS ENDED JUNE 30, 2010 AND 2009

	<i>(As Restated)</i>	
	2010	2009
Supplementary information:		
Cash paid for interest	\$ 360,647	\$ 391,865
Noncash investing and financing activities:		
Assets acquired with long-term debt	\$ 13,697	\$ -
Note payable repaid with a grant	\$ -	\$ 578,240

*The accompanying notes are an integral part of these financial statements.*

INNVISION THE WAY HOME  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

InnVision the Way Home (InnVision) is a nonprofit organization that was founded in 1973 and incorporated in the state of California in 1984. InnVision is Silicon Valley's largest provider of housing and services to homeless and at risk families and individuals. InnVision provides shelter, comprehensive support services and a variety of affordable housing options. More than 26,000 people are served annually at 26 sites throughout the region. Each of InnVision's programs provides an uplifting environment that enables and empowers each client to become self-sufficient to find the Way Home. InnVision addresses the multiple needs of people in transition, including emergency shelters, transitional/supportive housing, food, clothing, showers, laundry, healthcare, job training, classes, children's programs and access to telephones and computers.

InnVision is especially vulnerable to the inherent risks associated to revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well-being of InnVision is contingent upon successful achievement of its long-term revenue-raising goals.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method

InnVision uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

InnVision reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. 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 Statements of Activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contributions are received, the contributions are reported as unrestricted support. Donated long-lived assets are reported as temporarily restricted support with restrictions released over the useful lives of the assets.

Government contracts, which are funded on a reimbursement or performance basis, are shown as unrestricted revenue.



INNVISION THE WAY HOME  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

Donated goods and services are recorded at their estimated fair value as of the date of the donation. Contributed services which require specialized skill and which InnVision would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. InnVision also receives considerable donated services that do not meet the criteria for recognition under generally accepted accounting principles, but which are nonetheless central to InnVision's operations.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three months or less qualify as cash. Not included as cash are funds restricted as to their use, regardless of liquidity.

Accounts Receivable

Management elects to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the result that would be obtained had the allowance method been followed.

Investments in Partnerships

Investments in partnerships are accounted for using the equity method of accounting. The investment is initially recorded at cost and then adjusted for InnVision's proportionate share of undistributed earnings or losses (see Note 4).

Property and Equipment and Deferred Costs

Property and equipment is stated at cost of acquisition or construction, or fair value if donated. InnVision acquired certain property in prior years for nominal amounts or by charitable contribution. These assets were recorded at their estimated fair value as of the acquisition date, and these amounts may materially differ from current values. The cost of maintenance and repairs is charged to expense as incurred. Development in progress is not depreciated until the completion of development. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets, which are estimated as follows:

Building and improvements	30 years
Leasehold improvements	3 to 20 years
Furniture and equipment	5 years

Deferred costs are incurred in order to obtain permanent financing for InnVision. Deferred costs are stated at cost and amortized on a straight-line basis over the terms of the respective loans, which range from 3 to 55 years.

Income Taxes

InnVision is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

INNVISION THE WAY HOME  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

Subsequent Events

InnVision has evaluated subsequent events through October 25, 2010, the date which the financial statements were available to be issued.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable include the following unconditional promises to give:

	<i>2010</i>	<i>2009</i>
Unrestricted contributions receivable	\$ 120,750	\$ 5,448
Temporary restricted contributions receivable:		
For building rehabilitation	200,000	-
For future periods	-	142,500
Total contributions receivable	\$ 320,750	\$ 147,948

Contributions receivable as of June 30, 2010 and 2009 are expected to be received in less than one year.

**NOTE 4 – INVESTMENTS IN PARTNERSHIPS**

InnVision is a co-general partner with Caritas Housing, another not-for-profit corporation, on the following partnerships:

<i>Name of Partnership</i>	<i>Percentage of Interest</i>		<i>Financial Interest</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
HomeSafe Santa Clara L.P.	0.05%	0.05%	\$ 567,829	\$ 567,943
HomeSafe San Jose L.P.	0.05%	0.05%	884,187	884,306
			\$ 1,452,016	\$ 1,452,249

A financial summary of the partnerships for the years ended December 31, 2009 and 2008 is as follows:

	<i>2009</i>	<i>2008</i>
Total assets	\$ 9,470,464	\$ 9,837,412
Total liabilities	5,415,045	5,316,293
Partners' equity:		
General – InnVision	1,452,016	1,452,249
General – Caritas Housing	1,452,016	1,452,249
Limited partners	1,151,387	1,616,621
Net loss	(465,700)	(448,334)

INNVISION THE WAY HOME  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment, is summarized as follows:

	<i>2010</i>	<i>2009</i>
Land	\$ 4,621,079	\$ 4,621,079
Buildings and improvements	13,440,443	13,409,859
Leasehold improvements <sup>(2)</sup>	468,835	439,066
Furniture and equipment	1,219,889	1,115,720
Development in progress <sup>(1)</sup>	285,946	62,420
	20,036,192	19,648,144
Less: accumulated depreciation	(5,330,413)	(4,734,708)
Total property and equipment	\$ 14,705,779	\$ 14,913,436

<sup>(1)</sup> InnVision incurred costs in connection with the construction of a childcare center at the Georgia Travis Center. The construction was funded primarily with private grants and donations. The center is substantially complete as of June 30, 2010, pending completion of a playground. The facility expects to commence operations in January 2011 upon receipt of all approved licensing from the State of California.

<sup>(2)</sup> Due to a change in certain lease arrangements, the estimated useful life of certain leasehold improvements was reduced to three years effective July 2008.

**NOTE 6 – DEFERRED COSTS**

Deferred costs are summarized as follows:

	<i>2010</i>	<i>2009</i>
Loan acquisition costs	\$ 45,481	\$ 83,463
Less: accumulated amortization	(16,034)	(39,786)
Total deferred costs	\$ 29,447	\$ 43,677

**NOTE 7 – LINES OF CREDIT**

InnVision has the following lines of credit as of June 30, 2010 and 2009:

<i>Lender</i>	<i>Total Commitment</i>	<i>Principal Balance</i>	
		<i>2010</i>	<i>2009</i>
Comerica Bank	300,000 <sup>(1)</sup>	\$ 246,355	\$ 300,000
Wells Fargo Bank	200,000 <sup>(2)</sup>	200,000	105,173
United Security Bank	150,000 <sup>(3)</sup>	150,000	150,000
Total		596,355	555,173
Less: current portion		(596,355)	(450,000)
Long-term portion		\$ -	\$ 105,173

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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

- (1) \$300,000 revolving line of credit with Comerica Bank established in August 2008. Borrowings on this line of credit bear interest at the bank's base rate per annum, which was 3.25% at June 30, 2010, and adjustable thereafter. Monthly interest payments commenced on September 1, 2008. The line is due on demand, and is secured by real property at 297 Commercial Street, San Jose, California. This line is renewed annually. Interest expense for 2010 and 2009 was \$9,436 and \$6,027, respectively.
- (2) \$200,000 revolving line of credit with Wells Fargo Bank established in February 2009. Borrowings on this line of credit bear interest at the greater of a floating rate equal to the Prime Rate set by the bank plus 3% or the Floor Rate of 5%, which was 6.25% at June 30, 2010. Monthly interest payments commenced on May 1, 2009. The line is secured by real property at 5775 Chandler Court, San Jose, California. The line will mature on March 15, 2011. Interest expense for 2010 and 2009 was \$10,972 and \$1,175, respectively.
- (3) \$150,000 revolving line of credit with United Security Bank established on September 18, 2007. Borrowings on this line of credit bear interest at prime rate plus 0.75%, which was 6.16% at June 30, 2010, and are secured by a certificate deposit with the same bank. Monthly interest payments are payable on the 1<sup>st</sup> of each month. This line matured on October 15, 2010. The renewal of this line is currently under negotiation. Interest expense for 2010 and 2009 was \$9,436 and \$9,360, respectively.

**NOTE 8 – NOTES PAYABLE**

Notes payable are secured by the property unless otherwise noted and consist of the following:

	2010		2009	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>Montgomery Street Inn</u>				
Note payable to Heritage Bank of Commerce in the original amount of \$575,000. The loan was refinanced on May 3, 2007, bears interest rate of 7.5% with monthly principal and interest payment of \$3,522. A balloon payment of approximately \$408,000 is due May 2014. Interest expense for 2010 and 2009 was \$35,197 and \$34,743, respectively.	\$ 2,052	\$ 446,425	\$ 1,043	\$ 454,526
<u>Steven's House</u>				
Note payable to the County of Santa Clara in the original amount of \$100,000, unsecured with simple interest at 3%. No payments are due until maturity in February 2031. Interest expense for 2010 and 2009 was \$3,000.	28,019	100,000	25,019	100,000
<u>Casa Camino</u>				
Note payable to Citibank in the original amount of \$1,330,000, bears interest at a rate of 5.16%, requires 59 regular monthly payments of \$7,960 commencing April 2008, with a balloon payment of approximately \$1,182,000 due March 31, 2013. Interest expense for 2010 and 2009 was \$67,198 and \$70,823, respectively.	-	1,270,592	-	1,298,700

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	2010		2009	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u><i>Hester Avenue</i></u>				
Note payable to Heritage Bank was refinanced in February 2010 with Wells Fargo Bank in the amount of \$765,000. The note bears interest at 6.25% per annum and requires 59 installments of \$5,090 starting March 1, 2010, with a balloon payment of approximately \$696,000 due February 1, 2015. Interest expense for 2010 and 2009 was \$55,125 and \$63,541, respectively.	3,209	758,287	1,547	763,722
Note payable to Opportunity Fund Northern California, as fiscal agent of the Housing Trust of Santa Clara County in the original amount of \$130,000. The loan is non-interest bearing and due in one payment on December 15, 2060.	-	130,000	-	130,000
Note payable to the City of San Jose in the original amount of \$425,000, is non-interest bearing and requires annual payments of the lesser of principal on a 30-year amortization or 50% of net cash flow of the property commencing on May 1, 2007 and continuing until May 31, 2061, at which time all remaining principal and becomes due and payable. No payments are required should there be negative cash flow.	-	425,000	-	425,000
<u><i>Corporate Office</i></u>				
Note payable to Citibank in the original amount of \$1,050,000, bears interest at a rate of 5.19%, requires 59 regular monthly payments of \$6,303 commencing April 2008, with a balloon payment of approximately \$934,000 due March 31, 2013. Interest expense for 2010 and 2009 was \$53,361 and \$56,380, respectively.	-	1,003,338	-	1,025,610

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	2010		2009	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u><i>Mountain View</i></u>				
Note payable to the County of Santa Clara in the original amount of \$200,000, secured by deed of trust on the transitional shelter located at 813 Alice Avenue, Mountain View, California. The note does not require principal payments, bears interest at 5.75%, and matures February 2025. Interest expense for 2010 and 2009 was \$23,000 and \$-0-, respectively (see Note 15).	177,121	200,000	154,121	200,000
<u><i>Georgia Travis Center</i></u>				
Mortgage payable to Comerica Bank in the original amount of \$1,875,000, which was refinanced in September 2008, bears interest at 6.75%, with monthly installments of \$14,368 through August 1, 2018. At which time, the loan requires a balloon payment of approximately \$1,240,000. Interest expense for 2010 and 2009 was \$123,339 and \$126,675, respectively.	10,008	1,768,617	10,283	1,820,997
<u><i>Non-secured note</i></u>				
Note payable to Opportunity Fund Northern California in the original amount of \$300,000, bears zero interest, with payment deferred to maturity. The entire balance is due on October 5, 2010.	-	300,000	-	-
Total	220,409	6,402,259	192,013	6,218,555
Less: current portion	(15,269)	(424,757)	(12,873)	(117,375)
Long-term portion	\$ 205,140	\$ 5,977,502	\$ 179,140	\$ 6,101,180

Future maturities of principal on notes payable over the next five years are estimated as follows:

<i>Year ended June 30,</i>	
2011	\$ 424,757
2012	137,413
2013	2,244,861
2014	497,498
2015	2,901,320

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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

**NOTE 9 – FORGIVABLE LOANS**

Certain loans contain forgiveness provisions and at June 30, 2010 and 2009 are summarized as follows:

	2010	2009
<u><i>Villa</i></u>		
Non-interest bearing note payable to the City of San Jose in the original amount of \$757,000, of which \$624,709 was drawn down. Principal matures in July 2029. If termination of the approved use or sale of the property occurs prior to its maturity date, interest on the note will retroactively increase to 3% per year from the date of recordation of the deed of trust. This loan was converted into a forgivable loan in December 2008. Interest and unpaid principal will be forgiven at maturity.	\$ 624,709	\$ 624,709
<u><i>Elsa Segovia Center/Clara-Mateo Alliance Shelter</i></u>		
Note payable to County of San Mateo in the original amount of \$350,000. The note is unsecured, accrues annual simple interest at 3%, and 25% of the principal and interest of the loan will be forgiven every 5 years through December 1, 2021. The first of these scheduled reductions occurred on December 1, 2006, and \$87,500 of principal and \$13,125 of interest were forgiven. Accrued interest payable at June 30, 2010 and 2009 was \$63,000 and \$55,125, respectively. Interest expense for 2010 and 2009 was \$7,875.	262,500	262,500
<u><i>Julian Street Inn</i></u>		
Non-interest bearing note payable to the City of San Jose in the original amount of \$140,000, secured by a deed of trust on a shelter located on Julian Street in San Jose, California. In connection with the land transfer from the City of San Jose on August 31, 2007, the balance was rolled into a new secured 55-year, non-interest bearing forgivable loan in the amount of \$860,000. The loan matures in July 2062.	860,000	860,000
<u><i>Commercial Street Inn</i></u>		
Non-interest bearing note payable to the City of San Jose Housing Department in the original amount of \$447,150, secured by a deed of trust on a shelter located on Commercial Street in San Jose, California. The note does not require principal payments and matures in May 2017 at which time the note shall be forgiven if no changes in the use of the property occurs, otherwise the interest will retroactively increase to 3% per year from the origination date of the note to the date of change in use of the property, and the note and interest shall become immediately due.	447,150	447,150
<u><i>Montgomery Street Inn</i></u>		
Non-interest bearing note payable to the City of San Jose in the original amount of \$700,000, secured by a second deed of trust on the real property located at 358 North Montgomery Street. The note does not require principal payments and matures in November 2025 at which time the note shall be forgiven if no changes in the use of the property occurs, otherwise the interest will retroactively increase to 3% per year from the origination date of the note to the date of change in use of the property, and the note and interest shall become immediately due.	700,000	700,000

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YEARS ENDED JUNE 30, 2010 AND 2009

	<i>2010</i>	<i>2009</i>
Non-interest bearing note payable to the County of Santa Clara in the original amount of \$130,000. The note is secured by a third deed of trust on real property located at 358 Montgomery Street in San Jose, California. The note does not require principal payments and \$13,000 is forgivable each year for 10 years commencing July 25, 2006 if no changes in the use of the property occurs, otherwise the principal shall be payable on July 25, 2015.	78,000	91,000
 <i>Mountain View</i>		
Non-interest bearing note to the city of Mountain View in the original amount of \$262,000, secured by deed of trust on the transitional shelter located at 813 Alice Avenue, Mountain View, California. The note does not require principal payments and matures September 2034, at which time the loan shall be forgiven if there are no violations with the terms of the regulatory agreement.	245,697	232,000
Total	\$ 3,218,056	\$ 3,217,359

**NOTE 10 – DONATED GOODS AND SERVICES**

Details of donated goods and services follow:

	<i>2010</i>	<i>2009</i>
Food	\$ 2,148,068	\$ 1,737,864
Clothing	441,623	480,643
Household items	111,724	94,298
Professional services	104,843	107,073
Toys	86,356	89,486
Other	148,045	161,173
	\$ 3,040,659	\$ 2,670,537

**NOTE 11 – LEASES**

On February 24, 2010, InnVision entered into a 5-year operating lease agreement for its new corporate office space. The lease provided four months of free rent, which expired in June 2010. InnVision also has up to four additional months starting July 2010 to pay a reduced rent of \$5,271. Thereafter, monthly payments of \$12,367 are required until November 30, 2015. Annual lease expense is presented using the straight-line method for financial statement presentation purpose. In addition, InnVision's share of annual operating expenses is 16.4% of the costs incurred on the total rental space of the building. Concurrent with the execution of the space lease agreement, the landlord executed a Charitable Contribution and Pledge Agreement. Under the terms of the agreement, the landlord has agreed to make certain donations to InnVision. The conditional donations, which approximate \$116,300 over the 5-year lease term, would be made on a bi-annual or quarterly basis. Since receipt of the donation is conditional, the pledge has not been recorded in these financial statements.

During the year ended June 30, 2002, InnVision entered into a 20-year operating lease for its Stevens House facility. The lease requires monthly lease payments of \$1,095 with a termination option on May 31, 2011. In addition, InnVision has various operating leases that are on a month-to-month basis or with lease terms expiring through December 2010.



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In connection with the merger with Clara-Mateo Alliance, Inc. (CMA) in 2004, InnVision assumed certain leasing arrangements with United States Veterans' Administration (VA) which requires monthly payments of \$7,383 for 2010 and 2009. The lease provides for a base year ended June 2003 with four one-year renewal options through June 2007. In 2008, the lease term was extended to December 2010.

Lease expense for 2010 and 2009 was \$127,390 and \$123,977, respectively. Future minimum payments, by year and in the aggregate, under the operating leases with initial or remaining terms in excess of one year as of June 30, 2010 are as follows:

2010	\$	261,766
2011		210,986
2012		162,597
2013		161,547
2014		161,547
Thereafter		134,127
	<b>\$</b>	<b>1,092,570</b>

**NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets are for the following purposes or periods:

	2010			
	<i>June 30, 2009</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2010</i>
For future periods	\$ 142,500	\$ 145,750	\$ (142,500)	\$ 145,750
Long lived assets	634,089	-	(79,320)	554,769
Building rehabilitations	-	200,000	-	200,000
	\$ 776,589	\$ 345,750	\$ (221,820)	\$ 900,519

	2009			
	<i>June 30, 2008</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2009</i>
For future periods	\$ 78,750	\$ 230,000	\$ (166,250)	\$ 142,500
Long lived assets	713,409	-	(79,320)	634,089
	\$ 792,159	\$ 230,000	\$ (245,570)	\$ 776,589

**NOTE 13 – RETIREMENT PLANS**

InnVision sponsors a 403(b) retirement plan in which eligible participants can participate through salary withholding. As of January 1, 2003, InnVision established a defined contribution plan for eligible employees. This plan provides for InnVision contributions as determined by the board of directors annually. During the years ended June 30, 2010 and 2009, InnVision made contributions of \$-0- and \$44,072, respectively.

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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

**NOTE 14 – CONTINGENCIES AND COMMITMENTS**

InnVision has received government grants restricted for their intended purposes. Grant contracts may provide that the grantors determine the allowability of expenditures, which, if not in accordance with the terms of the grant, may be disallowed.

InnVision merged with CMA in 2004 and assumed a CMA liability with the Department of Veterans Affairs (VA). The liability relates to an alleged contract over-billing totaling \$124,124 which was recorded as a liability while further investigation was in process. To date this issue has not been resolved.

In connection with paying off a mortgage secured by the Villa property in June 2009, InnVision received a conditional grant from the City of San Jose of \$578,240. The grant agreement established new guidelines on the maximum income levels of new tenants through 2064.

InnVision used to participate in a Trust Unemployment Program (“the Trust”). Effective January 1, 2010, InnVision made an election to close its account with the Trust, and started reimbursing the Unemployment Insurance Fund for the cost of benefits paid, rather than be assigned a tax rate and paying under the contribution rate method. Such election is available to nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is the Organization’s belief that the election will reduce their annual employee wage cost. The cost for future unemployment claims cannot be reasonably determined at this time, as costs are not known until claims are filed and approved by the Employment Development Department of the State of California. Accordingly, these financial statements do not reflect any contingent liability. In connection with the closure of its account with the Trust, InnVision received a refund of \$102,209 of excess premium paid, which was recorded as income during 2010.

**NOTE 15 – RESTATEMENT OF FINANCIAL STATEMENTS**

In 2005 InnVision assumed a loan in connection with the acquisition of a related site location. At date of acquisition a determination was made that the loan was non-interest bearing, with all outstanding principal to be forgiven at maturity if there are no violations with the terms of the regulatory agreement. In 2010 additional information was provided by the lender, Santa Clara County, and it was determined that the loan agreement provided for simple interest at 5.75% per annum, with principal due at maturity in February 2025. The exclusion of the interest expense, dating from the loan origination date of February 1995 through June 30, 2008, had the effect of cumulatively increasing the reported change in net assets of \$154,121 for the year ended June 30, 2008. Accordingly, total liabilities and total net assets were restated as follows:

	<i>Total Liabilities</i>	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Total Net Assets</i>
Net assets, June 30, 2008, as previously reported	\$ 10,761,130	\$ 6,063,079	\$ 881,404	\$ 6,944,483
Understatement of interest expense	154,121	(154,121)	-	(154,121)
Overstatement of temporarily restricted contributions	-	111,167	(111,167)	-
Overstatement of releases from restrictions	-	(21,922)	21,922	-
Net assets, June 30, 2008, as restated	<u>\$ 10,915,251</u>	<u>\$ 5,998,203</u>	<u>\$ 792,159</u>	<u>\$ 6,790,362</u>

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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

**NOTE 16 – SUBSEQUENT EVENT**

In August 2010 InnVision secured a second mortgage on its Commercial Street property in the amount of \$150,000. Loan proceeds, totaling \$142,510 net of fees, are unrestricted and available for general operations.

**SUPPLEMENTARY INFORMATION**

INNVISION THE WAY HOME  
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SCHEDULES OF FUNCTIONAL EXPENSES BY PROGRAM  
YEARS ENDED JUNE 30, 2010 AND 2009

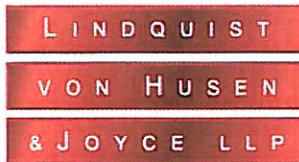
	2010										
	Program Services						Supporting Services				
	Shelter	Transitional Housing	Permanent Supportive Housing	Multi-Service Centers	Site Operations	Total Program Services	Management & General	Fund Development	Total		
Salaries and contractors	\$ 1,123,571	\$ 215,851	\$ 145,436	\$ 782,080	\$ 566,736	\$ 2,833,674	\$ 569,350	\$ 337,567	\$ 3,740,591		
Payroll taxes and benefits	306,982	46,897	26,194	182,597	125,878	688,548	136,006	35,285	859,839		
Direct client assistance	152,699	21,671	564,688	1,310,188	2,326	2,051,572	-	-	2,051,572		
Subcontracted client assistance	-	30,505	-	-	-	30,505	-	-	30,505		
Occupancy	98,609	17,496	9,021	19,232	840	145,198	17,207	-	162,405		
Professional fees	12,000	700	2,205	40,310	40	55,255	34,177	11,001	100,433		
Office supplies	5,145	822	55	5,579	22,724	34,325	8,259	9,980	52,564		
Telephone	32,077	10,724	1,339	32,968	9,198	86,306	15,167	3,319	104,792		
Printing	1,166	427	493	1,501	462	4,049	2,109	15,121	21,279		
Conferences and training	1,571	-	-	2,116	1,484	5,171	10,293	3,310	18,774		
Dues and subscriptions	3,197	1,486	1,291	3,876	3,078	12,928	6,670	3,548	23,146		
Utilities	85,822	24,823	32,235	72,900	3,497	219,277	12,146	4,774	236,197		
Marketing and communication	-	-	-	-	1,853	1,853	-	87,289	89,142		
Vehicle and equipment	47,077	5,179	4,296	38,207	29,942	124,701	24,837	3,506	153,044		
Building maintenance	74,992	18,469	26,015	54,126	4,351	177,953	7,768	-	185,721		
Insurance	16,682	8,866	13,826	14,490	907	54,771	9,643	427	64,841		
Bank fees	95	-	-	532	1,124	1,751	2,966	13,395	18,112		
Interest	43,045	26,000	133,322	123,339	-	325,706	72,639	-	398,345		
Donated goods and services	1,595,064	15,410	4,400	1,425,785	-	3,040,659	-	-	3,040,659		
Bad debts	5,152	-	-	-	-	5,152	-	-	5,152		
Other	8,138	1,560	427	7,412	10,167	27,704	3,404	1,496	32,604		
Site operations *	479,565	91,975	95,051	122,317	(788,908)	-	-	-	-		
Total operating expense before depreciation and amortization	4,092,649	538,861	1,060,294	4,239,555	(4,301)	9,927,058	932,641	530,018	11,389,717		
Depreciation and amortization	199,377	88,888	136,287	157,433	4,301	586,286	23,919	4,686	614,891		
Total expenses as shown on Statements of Activities	4,292,026	627,749	1,196,581	4,396,988	-	10,513,344	956,560	534,704	12,004,608		
Cost of special events	-	-	-	-	-	-	-	916,179	916,179		
Total expenses	\$ 4,292,026	\$ 627,749	\$ 1,196,581	\$ 4,396,988	\$ -	\$ 10,513,344	\$ 956,560	\$ 1,450,883	\$ 12,920,787		

\* Site operations expenses include costs incurred by IT/MIS, Government Compliance, Food Service Expense and Property Management Departments

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 SCHEDULES OF FUNCTIONAL EXPENSES BY PROGRAM  
 YEARS ENDED JUNE 30, 2010 AND 2009

	2009									
	Program Services					Supporting Services				
	Shelter	Transitional Housing	Permanent Supportive Housing	Multi-Service Centers	Site Operations	Total Program Services	Management & General	Fund Development	Total	
Salaries and contractors	\$ 1,253,870	\$ 169,275	\$ 59,567	\$ 539,048	\$ 636,551	\$ 2,658,311	\$ 579,934	\$ 296,937	\$ 3,535,182	
Payroll taxes and benefits	363,451	54,108	10,289	127,675	162,596	718,119	100,946	35,526	854,591	
Direct client assistance	245,347	8,184	333,129	375,729	4,684	967,073	-	-	967,073	
Subcontracted client assistance	-	43,916	-	-	-	43,916	-	-	43,916	
Occupancy	108,580	16,278	12,997	16,624	5,120	159,599	1,903	-	161,502	
Professional fees	887	1,543	1,840	6,695	2,845	13,810	32,942	34,330	81,082	
Office supplies	6,673	1,478	226	6,204	18,514	33,095	9,530	6,520	49,145	
Telephone	34,374	8,258	2,412	31,983	8,965	85,992	18,899	6,782	111,673	
Printing	4,940	2,653	2,399	3,426	769	14,187	515	6,646	21,348	
Conferences and training	925	-	-	2,003	1,421	4,349	7,406	2,022	13,777	
Dues and subscriptions	9,283	1,467	972	1,067	1,547	14,336	3,338	1,748	19,422	
Utilities	95,219	27,888	29,872	70,869	3,502	227,350	14,314	3,250	244,914	
Marketing and communication	500	-	-	499	-	999	-	21,863	22,862	
Vehicle and equipment	35,308	5,947	6,267	26,307	28,277	102,106	19,831	1,632	123,569	
Building maintenance	77,731	10,677	18,294	50,011	8,861	165,574	2,874	-	168,448	
Insurance	13,226	7,192	11,722	14,632	11,959	58,731	6,239	-	64,970	
Bank fees	235	107	118	1,056	252	1,768	1,614	13,716	17,098	
Interest	35,600	26,803	135,539	126,676	-	324,618	70,547	-	395,165	
Donated goods and services	1,334,291	15,525	-	1,320,721	-	2,670,537	-	-	2,670,537	
Bad debts	49,969	-	-	-	-	49,969	-	-	49,969	
Other	11,713	1,002	261	4,867	6,844	24,687	3,282	385	28,354	
Site operations *	562,481	127,405	112,711	100,110	(902,707)	-	-	-	-	
Total operating expense before depreciation and amortization	4,244,603	529,706	738,615	2,826,202	-	8,339,126	874,114	431,357	9,644,597	
Loss from disposal of fixed assets	13,860	-	-	-	-	13,860	-	-	13,860	
Depreciation and amortization	230,314	83,704	128,649	155,960	-	598,627	29,811	-	628,438	
Total expenses as shown on Statements of Activities	4,488,777	613,410	867,264	2,982,162	-	8,951,613	903,925	431,357	10,286,895	
Cost of special events	-	-	-	214	-	214	-	876,493	876,707	
Total expenses	\$ 4,488,777	\$ 613,410	\$ 867,264	\$ 2,982,376	\$ -	\$ 8,951,827	\$ 903,925	\$ 1,307,850	\$ 11,163,602	

\* Site operations expenses include costs incurred by IT/MIS, Government Compliance, Food Service Expense and Property Management Departments



JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
-----  
CATHY L. HWANG  
RITA B. DELA CRUZ  
STANLEY WOO

Board of Directors  
InnVision The Way Home  
San Jose, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of InnVision The Way Home, a California nonprofit public benefit corporation, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control over Financial Reporting*

In planning and performing our audit, we considered InnVision The Way Home's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of InnVision The Way Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of InnVision The Way Home's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of InnVision the Way Home's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

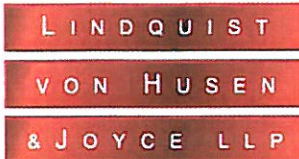
As part of obtaining reasonable assurance about whether InnVision The Way Home's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the U.S. Department of Housing and Urban Development, the U.S. Department of Homeland Security, the U.S. Department of Health and Human Services, other federal and pass through agencies and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Lindquist, von Husen and Joyce LLP*

October 25, 2010





JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
CATHY L. HWANG  
RITA B. DELA CRUZ  
STANLEY WOO

Board of Directors  
InnVision The Way Home  
San Jose, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of InnVision The Way Home, a California nonprofit public benefit corporation, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. InnVision The Way Home’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of InnVision The Way Home’s management. Our responsibility is to express an opinion on InnVision The Way Home’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about InnVision The Way Home’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on InnVision The Way Home’s compliance with those requirements.

In our opinion, InnVision The Way Home complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of InnVision The Way Home is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered InnVision The Way Home’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of InnVision The Way Home’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

This report is intended solely for the information and use of management, the audit committee, the U.S. Department of Housing and Urban Development, the U.S. Department of Homeland Security, the U.S. Department of Health and Human Services, other federal and pass through agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Lindquist, von Haven and Joyce LLP*

October 25, 2010

INNVISION THE WAY HOME  
(A California Nonprofit Public Benefit Corporation)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Title/Pass-Through Grantor</u>	<i>Federal CFDA Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Housing and Urban Development:</u>			
<u>Community Development Block Grant Program:</u>			
Pass through awards:			
Loans made in prior fiscal years with continuing compliance-			
County of Santa Clara – Mountain View	14.218	N/A	\$ 200,000
City of Mountain View – Mountain View	14.218	N/A	232,000
County of San Mateo – CMA	14.218	N/A	<u>309,750</u>
			<u>741,750</u>
Grants and other awards:			
City of Mountain View – Mountain View	14.218	N/A	13,697
County of Santa Clara – Villa	14.218	N/A	8,115
County of Santa Clara – Julian Street Inn	14.218	N/A	9,300
City of Campbell – MSI and CSI	14.218	N/A	5,161
City of Palo Alto – CMA	14.218	N/A	36,361
County of San Mateo – CMA	14.218	N/A	<u>99,565</u>
			<u>172,199</u>
			<u>913,949</u>
<u>Supportive Housing Program:</u>			
Direct awards:			
Julian Street Inn	14.235	N/A	90,556
Montgomery Street Inn	14.235	N/A	147,793
Villa	14.235	N/A	129,354
Next Door	14.235	N/A	34,510
Hester Avenue	14.235	N/A	95,382
CMA – No. Santa Clara County	14.235	N/A	112,733
CMA – So. San Mateo County	14.235	N/A	52,522
CMA – No. Santa Clara County Families	14.235	N/A	96,352
CMA – Sunset Square	14.235	N/A	147,532
CMA – No. County Inns	14.235	N/A	<u>218,345</u>
			<u>1,125,079</u>
<u>Emergency Shelter Grants Program</u>			
Pass through awards:			
City of San Jose – CSI, MSI, and GTC	14.231	N/A	<u>110,008</u>
Total U.S. Department of Housing and Urban Development			<u>2,149,036</u>

INNVISION THE WAY HOME  
*(A California Nonprofit Public Benefit Corporation)*  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

<i>Federal Grantor/Title/Pass-Through Grantor</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Homeland Security:</u>			
Direct awards:			
Emergency Food and Shelter Program (FEMA) –			
County of Santa Clara – CSI, MSI, JSI	97.024	N/A	159,600
CMA – San Mateo County	97.024	N/A	<u>37,250</u>
Total U.S. Department of Homeland Security			<u>196,850</u>
<u>U.S. Department of Health and Human Services:</u>			
Pass through award:			
Federal Emergency Management Agency:			
County of Santa Clara – Employee Assistance Network	93.714	N/A	785,210
Substance Abuse and Mental Health Services:			
County of Santa Clara – Julian Street Inn	93.150	N/A	<u>103,255</u>
Total U.S. Department of Health and Human Services			<u>888,465</u>
Total Federal Awards			<u><u>\$ 3,234,351</u></u>

INNVISION THE WAY HOME  
 (A California Nonprofit Public Benefit Corporation)  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2010

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	___X___ None reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	___X___ None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No

Identification of major programs: Name of Federal Program or Cluster

CFDA #93.714	Federal Emergency Management Agency
CFDA #14.231	– Employee Assistance Program
	Emergency Shelter Grants Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_X\_\_\_ Yes \_\_\_\_\_ No

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings and Questioned Costs**

None noted.