



**PRESBYTERIAN HOMES AND  
FAMILY SERVICES, INCORPORATED**

**LYNCHBURG, VIRGINIA**

**FINANCIAL STATEMENTS**

**FOR YEARS ENDED  
DECEMBER 31, 2010 AND 2009**



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**PRESBYTERIAN HOMES AND  
FAMILY SERVICES, INCORPORATED**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

**The Board of Directors  
Presbyterian Homes and Family Services, Incorporated  
Lynchburg, Virginia**

We have audited the accompanying statements of financial position of Presbyterian Homes and Family Services, Incorporated ("PHFS") (a nonprofit organization) as of December 31, 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 PHFS's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Presbyterian Homes and Family Services, Incorporated as of December 31, 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.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
May 2, 2011

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## Financial Statements

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**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**

**Statements of Financial Position  
At December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Cash	\$ 952,563	\$ 678,036
Accounts receivable, net of allowance for uncollectible accounts of \$19,543 and \$5,492 in 2010 and 2009	480,657	247,232
Pledges receivable	511,939	81,382
Prepaid expenses	159,452	70,153
Bequests and gift annuities receivable	133,056	195,110
Beneficial interest in perpetual trusts	3,735,399	3,257,744
Investments	44,726,409	45,690,319
Land, buildings, and equipment, net of accumulated depreciation	14,626,653	15,357,238
<b>Total assets</b>	<b>\$ 65,326,128</b>	<b>\$ 65,577,214</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable, trade	\$ 591,305	\$ 852,895
Accrued compensation and other expenses	319,914	257,005
Deferred revenue	145,974	-
Line of credit	-	4,501,226
Current portion of long-term liabilities	136,102	-
<b>Total current liabilities</b>	<b>\$ 1,193,295</b>	<b>\$ 5,611,126</b>
<b>Long-term liabilities, less current portion</b>	<b>\$ 4,174,122</b>	<b>\$ -</b>
<b>Total liabilities</b>	<b>\$ 5,367,417</b>	<b>\$ 5,611,126</b>
<b>Net Assets</b>		
Unrestricted	\$ 50,885,511	\$ 51,889,729
Temporarily restricted	832,424	355,669
Permanently restricted	8,240,776	7,720,690
<b>Total net assets</b>	<b>\$ 59,958,711</b>	<b>\$ 59,966,088</b>
<b>Total liabilities and net assets</b>	<b>\$ 65,326,128</b>	<b>\$ 65,577,214</b>

The accompanying notes to financial statements are an integral part of this statement.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Statement of Activities  
Year Ended December 31, 2010

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, gains, and other support</b>				
<b>Contributions</b>				
Bequests	\$ 20,144	\$ 900	\$ -	\$ 21,044
Individuals, churches, foundations and corporations	412,096	197,857	120,357	730,310
In-kind donations	-	122,683	-	122,683
<b>Total contributions</b>	<b>\$ 432,240</b>	<b>\$ 321,440</b>	<b>\$ 120,357</b>	<b>\$ 874,037</b>
<b>Program related revenue</b>				
Tuition and resident fees	\$ 1,151,862	\$ -	\$ -	\$ 1,151,862
Medicaid	1,722,003	-	-	1,722,003
Grants	615,055	299,795	-	914,850
Product income	100,117	-	-	100,117
Other	331,628	-	-	331,628
<b>Total program related revenue</b>	<b>\$ 3,920,665</b>	<b>\$ 299,795</b>	<b>\$ -</b>	<b>\$ 4,220,460</b>
<b>Other revenue (loss)</b>				
Investment return	\$ 4,623,561	\$ 89,648	\$ -	\$ 4,713,209
Distributions from perpetual trusts	30,131	94,384	-	124,515
Net unrealized gains, perpetual trusts	-	-	256,755	256,755
Net unrealized gains, gift annuities	-	(4,241)	(77,926)	(82,167)
Gain on disposal of plant assets	(39,651)	-	-	(39,651)
Contribution from acquisition of Family Alliance	402,311	375,552	220,900	998,763
Other	445,798	138,714	-	584,512
<b>Total other revenue (loss)</b>	<b>\$ 5,462,150</b>	<b>\$ 694,057</b>	<b>\$ 399,729</b>	<b>\$ 6,555,936</b>
<b>Net assets released from restrictions</b>				
Satisfaction of restrictions	\$ 838,537	\$ (838,537)	\$ -	\$ -
<b>Total revenues, gains, and other support</b>	<b>\$ 10,653,592</b>	<b>\$ 476,755</b>	<b>\$ 520,086</b>	<b>\$ 11,650,433</b>
<b>Expenses</b>				
Supporting services				
Administrative services	\$ 2,597,670	\$ -	\$ -	\$ 2,597,670
Development	821,704	-	-	821,704
Program services				
Lynchburg	2,902,421	-	-	2,902,421
Zuni Homes	2,652,184	-	-	2,652,184
Zuni Workshop	210,591	-	-	210,591
Satellite Homes	2,473,240	-	-	2,473,240
<b>Total expenses</b>	<b>\$ 11,657,810</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,657,810</b>
<b>Changes in net assets</b>	<b>\$ (1,004,218)</b>	<b>\$ 476,755</b>	<b>\$ 520,086</b>	<b>\$ (7,377)</b>
<b>Net assets at beginning of year</b>	<b>51,889,729</b>	<b>355,669</b>	<b>7,720,690</b>	<b>59,966,088</b>
<b>Net assets at end of year</b>	<b>\$ 50,885,511</b>	<b>\$ 832,424</b>	<b>\$ 8,240,776</b>	<b>\$ 59,958,711</b>

The accompanying notes to financial statements are an integral part of this statement.

**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**

**Statement of Activities  
Year Ended December 31, 2009**

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, gains, and other support</b>				
<b>Contributions</b>				
Bequests	\$ 38,311	\$ -	\$ -	\$ 38,311
Individuals, churches, foundations and corporations	312,303	246,138	12,374	570,815
In-kind donations	-	9,749	-	9,749
<b>Total contributions</b>	<b>\$ 350,614</b>	<b>\$ 255,887</b>	<b>\$ 12,374</b>	<b>\$ 618,875</b>
<b>Program related revenue</b>				
Tuition and resident fees	\$ 1,565,035	\$ -	\$ -	\$ 1,565,035
Medicaid	2,082,004	-	-	2,082,004
Grants				
USDA	6,884	-	-	6,884
Product income	101,956	-	-	101,956
Other	67,787	-	-	67,787
<b>Total program related revenue</b>	<b>\$ 3,823,666</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,823,666</b>
<b>Other revenue (loss)</b>				
Investment return	\$ 6,664,680	\$ 111,139	\$ -	\$ 6,775,819
Distributions from perpetual trusts	26,184	113,246	-	139,430
Net unrealized gains, perpetual trusts	-	-	467,552	467,552
Net unrealized gains, gift annuities	-	1,477	42,963	44,440
Other	160,854	157,494	-	318,348
<b>Total other revenue (loss)</b>	<b>\$ 6,851,718</b>	<b>\$ 383,356</b>	<b>\$ 510,515</b>	<b>\$ 7,745,589</b>
<b>Net assets released from restrictions</b>				
Satisfaction of restrictions	\$ 1,025,985	\$ (1,025,985)	\$ -	\$ -
<b>Total revenues, gains, and other support</b>	<b>\$ 12,051,983</b>	<b>\$ (386,742)</b>	<b>\$ 522,889</b>	<b>\$ 12,188,130</b>
<b>Expenses</b>				
Supporting services				
Administrative services	\$ 2,238,217	\$ -	\$ -	\$ 2,238,217
Development	646,832	-	-	646,832
Program services				
Lynchburg Campus	3,266,239	-	-	3,266,239
Zuni Homes	2,642,946	-	-	2,642,946
Zuni Workshop	210,646	-	-	210,646
Satellite Homes	2,104,818	-	-	2,104,818
<b>Total expenses</b>	<b>\$ 11,109,698</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,109,698</b>
<b>Changes in net assets</b>	<b>\$ 942,285</b>	<b>\$ (386,742)</b>	<b>\$ 522,889</b>	<b>\$ 1,078,432</b>
<b>Net assets at beginning of year</b>	<b>50,947,444</b>	<b>742,411</b>	<b>7,197,801</b>	<b>58,887,656</b>
<b>Net assets at end of year</b>	<b>\$ 51,889,729</b>	<b>\$ 355,669</b>	<b>\$ 7,720,690</b>	<b>\$ 59,966,088</b>

The accompanying notes to financial statements are an integral part of this statement.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Statement of Functional Expenses  
Year Ended December 31, 2010

	Supporting Services		
	Administrative Services	Development	Total
Advanced education	\$ -	\$ -	\$ -
Auto expenses	9,540	4,459	13,999
Bad debt expense	100	-	100
Board expenses	12,685	-	12,685
Direct Mail Appeals	-	21,890	21,890
Christian education	-	-	-
Community relations	21,193	-	21,193
Computer expenses	83,775	-	83,775
Depreciation	79,325	-	79,325
Dues	4,391	440	4,831
Electricity and water	-	-	-
Employee insurance	118,914	38,110	157,024
Food purchases	-	-	-
Fuel	-	-	-
Horticulture program	-	-	-
Household supplies	-	-	-
In-kind donations	-	73,518	73,518
Insurance	27,013	-	27,013
Interest expense	48,497	-	48,497
Investment expenses	166,000	-	166,000
Medical attention and drugs	-	-	-
Miscellaneous	44,145	-	44,145
Office supplies	42,735	9,585	52,320
Payroll taxes	87,538	32,403	119,941
Peanut program	-	-	-
Pension	73,202	23,829	97,031
Postage	7,219	9,391	16,610
Printing	5,854	3,744	9,598
Professional fees	65,838	-	65,838
Professional resources	44,041	4,289	48,330
Promotion	2,697	70,295	72,992
Recreation	-	-	-
Rent	372,600	-	372,600
Repairs and maintenance	-	-	-
Salaries	1,205,611	477,611	1,683,222
School and education	-	-	-
Small equipment and tools	(300)	-	(300)
SP subsidy	-	-	-
Staff training	54,557	36,984	91,541
Student/resident expenses	-	-	-
Telephone	11,995	6,454	18,449
Travel	8,505	8,702	17,207
	<u>\$ 2,597,670</u>	<u>\$ 821,704</u>	<u>\$ 3,419,374</u>

The accompanying notes to financial statements are an integral part of this statement.

Program Services					
Lynchburg	Zuni Homes	Zuni Workshop	Satellite Homes	Total	Total Expenses
\$ 13,068	\$ -	\$ -	\$ -	\$ 13,068	\$ 13,068
40,600	69,090	-	40,103	149,793	163,792
-	-	-	-	-	100
-	-	-	-	-	12,685
-	-	-	-	-	21,890
2,568	-	-	-	2,568	2,568
-	-	-	-	-	21,193
9,273	-	-	-	9,273	93,048
383,482	199,574	-	117,435	700,491	779,816
684	-	-	2,091	2,775	7,606
85,129	54,401	-	29,820	169,350	169,350
217,387	272,349	7,089	237,786	734,611	891,635
31,851	95,671	-	53,126	180,648	180,648
27,423	35,317	9,667	5,309	77,716	77,716
-	-	2,629	-	2,629	2,629
92,360	20,809	-	34,454	147,623	147,623
139	-	-	-	139	73,657
73,172	69,322	-	73,431	215,925	242,938
-	-	-	-	-	48,497
-	-	-	-	-	166,000
16,916	9,479	-	5,703	32,098	32,098
1,478	-	-	5,959	7,437	51,582
22,681	23,766	2,706	21,095	70,248	122,568
120,315	119,670	5,452	124,025	369,462	489,403
-	-	62,407	-	62,407	62,407
69,211	84,578	1,825	74,443	230,057	327,088
1,418	1,946	432	2,076	5,872	22,482
314	-	777	359	1,450	11,048
7,360	-	-	24,871	32,231	98,069
29,217	-	-	6,140	35,357	83,687
837	850	24,930	1,422	28,039	101,031
-	5,719	-	-	5,719	5,719
8,187	-	-	5,917	14,104	386,704
109,996	74,186	6,601	45,429	236,212	236,212
1,442,982	1,420,315	83,393	1,452,997	4,399,687	6,082,909
28,859	-	-	-	28,859	28,859
10,482	25,346	811	7,849	44,488	44,188
-	-	-	16,517	16,517	16,517
14,046	16,961	-	15,871	46,878	138,419
18,945	35,747	-	25,381	80,073	80,073
18,916	16,818	1,872	30,082	67,688	86,137
3,125	270	-	13,549	16,944	34,151
<u>\$ 2,902,421</u>	<u>\$ 2,652,184</u>	<u>\$ 210,591</u>	<u>\$ 2,473,240</u>	<u>\$ 8,238,436</u>	<u>\$ 11,657,810</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Statement of Functional Expenses  
Year Ended December 31, 2009

	Supporting Services		
	Administrative Services	Development	Total
Advanced education	\$ -	\$ -	\$ -
Auto expenses	7,652	5,529	13,181
Bad debt expense	75,992	-	75,992
Board expenses	20,034	-	20,034
Christian education	-	-	-
Community Relations	19,682	-	19,682
Computer expenses	68,478	-	68,478
Depreciation	55,604	-	55,604
Dues	4,048	881	4,929
Electricity and water	-	-	-
Employee insurance	139,928	38,293	178,221
In-kind donations	-	7,314	7,314
Food purchases	-	-	-
Fuel	-	-	-
General repairs and maintenance	-	-	-
Horticulture program	-	-	-
Household supplies	-	-	-
Insurance	76,813	-	76,813
Interest expense	35,506	-	35,506
Investment expenses	127,731	-	127,731
Medical attention and drugs	-	-	-
Miscellaneous	50,705	-	50,705
Office supplies	39,223	4,806	44,029
Payroll taxes	78,034	30,141	108,175
Peanut program	-	-	-
Pension	59,505	16,692	76,197
Postage	9,236	12,858	22,094
Printing	-	66,025	66,025
Professional fees	48,682	-	48,682
Professional resources	55,160	18,517	73,677
Promotion	14,189	50,727	64,916
Recreation	-	-	-
Rent	177,600	-	177,600
Salaries	994,333	373,006	1,367,339
School and education	-	-	-
Small equipment and tools	3,844	-	3,844
Staff training	47,296	3,203	50,499
Student/resident expenses	-	-	-
Taxes	5,216	-	5,216
Telephone	16,372	6,903	23,275
Travel	7,354	11,937	19,291
	<u>\$ 2,238,217</u>	<u>\$ 646,832</u>	<u>\$ 2,885,049</u>

The accompanying notes to financial statements are an integral part of this statement.

Program Services						
Lynchburg Campus	Zuni Homes	Zuni Workshop	Satellite Homes	Total	Total Expenses	
\$ 26,226	\$ -	\$ -	\$ -	\$ 26,226	\$ 26,226	
25,102	60,216	4,000	22,022	111,340	124,521	
-	-	-	-	-	75,992	
-	-	-	-	-	20,034	
3,041	-	-	-	3,041	3,041	
-	-	-	-	-	19,682	
86	1,140	-	1,784	3,010	71,488	
362,808	196,241	-	110,865	669,914	725,518	
-	-	-	955	955	5,884	
92,955	54,881	-	29,595	177,431	177,431	
257,281	236,769	8,571	175,519	678,140	856,361	
2,435	-	-	-	2,435	9,749	
39,233	94,296	-	57,027	190,556	190,556	
36,974	26,507	6,455	5,654	75,590	75,590	
76,409	89,212	7,791	39,010	212,422	212,422	
-	-	1,600	-	1,600	1,600	
12,704	18,170	-	14,582	45,456	45,456	
54,156	49,788	-	31,554	135,498	212,311	
-	-	-	-	-	35,506	
-	-	-	-	-	127,731	
17,133	10,758	-	4,908	32,799	32,799	
-	-	-	-	-	50,705	
21,747	21,968	3,367	24,499	71,581	115,610	
138,972	132,981	7,879	115,080	394,912	503,087	
-	-	65,403	-	65,403	65,403	
85,132	81,944	3,681	59,499	230,256	306,453	
1,045	2,196	151	1,129	4,521	26,615	
150	-	1,891	1,146	3,187	69,212	
-	-	-	-	-	48,682	
316,021	-	-	1,672	317,693	391,370	
6,801	1,932	20,462	416	29,611	94,527	
7,965	2,122	-	-	10,087	10,087	
-	-	-	-	-	177,600	
1,576,289	1,483,724	75,901	1,323,461	4,459,375	5,826,714	
16,826	-	-	-	16,826	16,826	
6,322	12,838	1,220	7,704	28,084	31,928	
24,969	18,894	-	19,436	63,299	113,798	
29,038	25,121	-	26,658	80,817	80,817	
-	-	-	-	-	5,216	
25,124	16,699	2,274	18,977	63,074	86,349	
3,295	4,549	-	11,666	19,510	38,801	
<u>\$ 3,266,239</u>	<u>\$ 2,642,946</u>	<u>\$ 210,646</u>	<u>\$ 2,104,818</u>	<u>\$ 8,224,649</u>	<u>\$ 11,109,698</u>	

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Statements of Cash Flows  
Years Ended December 31, 2010 and 2009

	2010	2009
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (7,377)	\$ 1,078,432
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	779,816	725,518
(Gain) loss on disposal of plant assets	39,652	-
Realized and unrealized (gains) losses on investments	(4,019,128)	(5,991,726)
Contributions restricted for investment in permanent endowment	(120,357)	(12,374)
(Increase) decrease in operating assets:		
Accounts receivable, net	(233,425)	34,093
Pledges receivable	(430,557)	5,719
Prepaid expenses	(89,299)	130,881
Bequests and gift annuities receivable	62,054	443,933
Beneficial interest in perpetual trusts	(477,655)	(467,552)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	(261,590)	221,650
Accrued compensation and other expenses	62,909	(113,776)
Deferred revenue	145,974	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (4,548,983)</b>	<b>\$ (3,945,202)</b>
<b>Cash flows from investing activities</b>		
Purchases of land, buildings, and equipment	\$ (88,883)	\$ (2,271,213)
Net change in investments	4,983,038	4,718,534
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 4,894,155</b>	<b>\$ 2,447,321</b>
<b>Cash flows from financing activities</b>		
Contributions restricted for investment in permanent endowment	\$ 120,357	\$ 12,374
Proceeds from (payoff of) line of credit	(4,501,226)	1,592,226
Proceeds from promissory note	4,310,224	-
<b>Net cash provided by (used in) financing activities</b>	<b>\$ (70,645)</b>	<b>\$ 1,604,600</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 274,527</b>	<b>\$ 106,719</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>678,036</b>	<b>571,317</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 952,563</b>	<b>\$ 678,036</b>

The accompanying notes to financial statements are an integral part of this statement.

## PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

### Notes to Financial Statements At December 31, 2010 and 2009

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#### NOTE 1 – NATURE OF ORGANIZATION

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The financial statements of Presbyterian Homes and Family Services, Incorporated (“PHFS”) have been prepared on the accrual basis. PHFS provides short-term and long-term residential care as well as needed support services to children, young adults, and persons with intellectual disabilities. PHFS maintains a facility for children in Lynchburg, Virginia, while its adult facilities are located in Lynchburg, Zuni, Fredericksburg, South Hill, Lexington, and Waynesboro, Virginia. Accounting policies considered to be significant are described below.

In 2009 PHFS created PHFS Partners, LP for the purposes of applying for state historic renovation tax credits. During 2010 and 2009 PHFS received \$680,000 and \$656,774, respectively, in tax credits, which reduced the cost of the renovation projects. PHFS generated \$409,217 and \$130,315 in other income and incurred costs of \$409,236 and \$227,600 in administrative expenses related to PHFS Partners, LP, which are included in Administrative Services expenses for the year ended 2010 and 2009. The activity for PHFS Partners, LP has not been included in these financial statements.

In 2010, PHFS acquired Family Alliance Inc., a non-stock not-for-profit corporation incorporated in the Commonwealth of Virginia. See Note 18 for more information regarding this acquisition.

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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##### Financial Statement Presentation

PHFS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### Contributions

Unconditional promises to give are recorded in the period in which the promise is received and allowances are provided for promises estimated to be uncollectible. Promises to give are received from a broad base of individuals, churches, corporations, and foundations. Pledges and bequests expected to be received after one year have been discounted at a risk-free rate of return. Management records bequests receivable at a conservative estimate of asset value.

Contributions of cash are reported as temporarily restricted support if they are received with donor stipulations which limit their use. When donor restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When donor restrictions are satisfied in the year the gift is recognized, the amounts are reported as unrestricted contributions.

Contributions of property and equipment are recorded as support at their estimated fair value. Such contributions are reported as unrestricted support unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those contributed assets must be maintained, PHFS reports expirations of donor restrictions when the contributed or acquired assets are placed in service as instructed by the donor. PHFS reclassifies temporarily restricted net assets to unrestricted net assets at that time.

## **PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**

### **Notes to Financial Statements At December 31, 2010 and 2009 (Continued)**

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#### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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##### **Cash and cash equivalents**

PHFS considers cash and cash equivalents to include cash on hand and temporary investments purchased with an original maturity of three months or less.

PHFS has been designated as representative payee for a number of residents receiving benefits from the Social Security Administration (“SSA”). In accordance with SSA guidelines, PHFS maintains a separate bank account for funds received on behalf of these residents.

##### **Land, buildings, and equipment**

Land, buildings, and equipment are stated at cost. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight line basis. Betterments and major renewals which extend the lives of properties are capitalized and maintenance, repairs, and minor renewals are expensed as costs are incurred. Acquisitions of buildings and equipment in excess of \$2,500 are capitalized.

##### **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values, as determined by quoted market prices, in the statements of financial position. Investments in private investment funds are reported at estimated fair value. Realized and unrealized gains and losses on investments are reflected in the statements of activities. Management believes the carrying value of real estate investments is not less than fair market value. Investment return that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or is satisfied during the reporting period in which the investment return is recognized.

PHFS has a spending policy, based on the total return concept that governs the rate at which funds are transferred from the Endowment Fund to the operating budget. The spending policy, in general, allows for spending at a specified percentage of average investment market value for the previous twelve quarters. The spending rate is determined annually by the Stewardship of Resources Committee as part of the budgeting process.

##### **Accounts receivable**

Accounts receivable consist of amounts due from Medicaid, governmental agencies, third-party payers, and individuals for program service fees and are stated at invoiced amount less an allowance for uncollectible accounts. Management’s determination of the allowance for uncollectible accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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**Income Taxes**

PHFS is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. In addition, PHFS has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

**Contributed services**

PHFS receives services from a variety of unpaid volunteers. Contributed services are recognized in the financial statements only if they create or enhance nonfinancial assets or if they require specialized skills and would typically need to be purchased if not received by contribution.

**Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – INVESTMENTS

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Investments are presented in the financial statements at fair value and are comprised of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Temporary investments	\$ 2,913,385	\$ 964,489
Bonds	7,142,688	12,013,347
Corporate stocks, domestic	6,873,699	4,896,041
Corporate stocks, foreign	10,086,721	12,151,796
Private investment funds	17,709,916	15,664,646
Total	<u>\$ 44,726,409</u>	<u>\$ 45,690,319</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

NOTE 3 – INVESTMENTS: (CONTINUED)

Investment return for the years ended December 31, 2010 and 2009 consisted of the following:

	2010		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 732,243	\$ 21,749	\$ 753,992
Realized and unrealized gains, net	3,949,548	69,580	4,019,128
Management fees	(58,190)	(1,681)	(59,871)
Other	(40)	-	(40)
Total investment return (loss)	\$ 4,623,561	\$ 89,648	\$ 4,713,209

  

	2009		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 840,586	\$ 27,892	\$ 868,478
Realized and unrealized gains, net	5,906,793	84,933	5,991,726
Management fees	(62,660)	(1,686)	(64,346)
Other	(20,039)	-	(20,039)
Total investment return (loss)	\$ 6,664,680	\$ 111,139	\$ 6,775,819

PHFS has investments with six fund managers which invest in private investment funds as part of PHFS's asset allocation. The investment in private investment funds is an alternative investment strategy with the purpose of increasing the diversification of PHFS's holdings and is consistent with PHFS's overall investment objectives. The private investment funds are not traded on any organized exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts.

NOTE 4 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS AND GIFT ANNUITIES

PHFS is the beneficiary of various trusts created by donors, the assets of which are not in the possession of PHFS. PHFS has enforceable rights and claims to these assets, including the right to the income earned by the trust assets. Net realized and unrealized gains and losses related to the beneficial interests are reported as changes in permanently restricted net assets. PHFS's beneficial interests in these trusts are carried at the fair value of the trust assets held for PHFS's benefit.

The gift annuities provide the annuitants with income for life, after which the designated remaining funds will be distributed to PHFS as directed by the donor. The amount of gift annuities is reported at present value net of the amounts that are expected to be paid to the donors during their lifetime. The gift annuities are discounted at 6%. These actuarially determined amounts fluctuate over time according to the life expectancies of the donors.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

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**NOTE 5 – PLEDGES, BEQUESTS, AND GIFT ANNUITIES RECEIVABLE**

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Pledges and bequests receivable at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 548,139	\$ 74,702
Receivable in one to five years	<u>98,196</u>	<u>203,824</u>
Total pledges and bequests receivable	\$ 646,335	\$ 278,526
Less discounts to net present value	<u>\$ (1,340)</u>	<u>\$ (2,034)</u>
Net pledges and bequests receivable	<u>\$ 644,995</u>	<u>\$ 276,492</u>

Bequests receivable include gifts totaling \$77,056 and \$159,223 as of December 31, 2010 and 2009, respectively, which represent amounts receivable under gift annuity agreements which are administered by the Presbyterian Church (U.S.A.) Foundation (the "Foundation"). These agreements were established between the Foundation and the donor with PHFS being named as the beneficiary. The Foundation is responsible for investing these funds and making required payments to annuitants. PHFS has recorded as assets the net present value of the amounts expected to be received after all required payments to annuitants have been made. Pledges and bequests receivable in more than one year are discounted at 5%. Uncollectible pledges and bequests are expected to be insignificant.

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

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Unrestricted net assets include \$87,526 and \$82,127 in Board designated amounts as of December 31, 2010 and 2009, respectively.

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2010</u>	<u>2009</u>
Quasi-endowment funds restricted for specific program use	\$ -	\$ 40,610
Community trust endowment	10,239	-
Bequests and gift annuities receivable	66,986	51,114
Pledges receivable	506,161	74,881
Advanced education	<u>249,038</u>	<u>189,064</u>
Total	<u>\$ 832,424</u>	<u>\$ 355,669</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

NOTE 6 – RESTRICTIONS ON NET ASSETS: (CONTINUED)

Permanently restricted net assets consist of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Permanently restricted endowment funds	\$ 4,433,530	\$ 4,312,100
Beneficial interest in perpetual trusts	3,735,399	3,257,744
Pledges receivable	5,777	6,850
Gift annuities receivable	<u>66,070</u>	<u>143,996</u>
Total	<u>\$ 8,240,776</u>	<u>\$ 7,720,690</u>

NOTE 7 – ACCOUNTS RECEIVABLE

Accounts receivable include \$117,445 and \$127,775 at December 31, 2010 and 2009, respectively, for services rendered under the Medicaid health insurance program in connection with the operation of adult group homes. All other accounts receivable are due primarily from governmental agencies, third-party payers, and individuals.

NOTE 8 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following as of December 31:

	<u>2010</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and improvements	\$ 4,969,664	\$ 728,466	\$ 4,241,198
Buildings and improvements	14,892,381	5,764,643	9,127,738
Machinery and equipment	1,867,111	1,191,133	675,978
Automobiles	1,050,523	949,847	100,676
Furniture and fixtures	<u>1,488,474</u>	<u>1,007,411</u>	<u>481,063</u>
	<u>\$ 24,268,153</u>	<u>\$ 9,641,500</u>	<u>\$ 14,626,653</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

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NOTE 8 – LAND, BUILDINGS, AND EQUIPMENT: (CONTINUED)

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		2009	
	Cost	Accumulated Depreciation	Book Value
Land and improvements	\$ 4,733,907	\$ 672,219	\$ 4,061,688
Buildings and improvements	12,887,742	5,396,209	7,491,533
Machinery and equipment	1,795,062	1,086,617	708,445
Automobiles	1,050,523	845,865	204,658
Furniture and fixtures	1,459,385	937,355	522,030
Construction in progress	2,368,884	-	2,368,884
	<u>\$ 24,295,503</u>	<u>\$ 8,938,265</u>	<u>\$ 15,357,238</u>

NOTE 9 – RETIREMENT PLAN

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PHFS has a tax deferred annuity plan which covers substantially all full-time employees. The plan includes provisions for voluntary employee contributions and discretionary contributions by PHFS. After twelve months of service, employees are eligible for discretionary contributions made by PHFS. During the year ended December 31, 2010 and 2009, PHFS elected to contribute an amount equal to 9% until April 1, 2009, after which was 7% of eligible payroll. Contributions to the plan amounted to \$327,088 and \$306,453 in 2010 and 2009, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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During 1993, PHFS received a construction grant for the Waynesboro Group Home in the amount of \$133,000 under a subgrant agreement with the Virginia Department of Housing and Community Development. The terms of this subgrant agreement stipulate that PHFS is required to repay the full amount of the grant if the group home is not used for a period of twenty one years for permanent housing for homeless and handicapped individuals. The Virginia Department of Housing and Community Development holds a deed of trust on the Waynesboro Group Home real property as security under the subgrant agreement.

NOTE 11 – FUNCTIONAL EXPENSES

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

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

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**NOTE 12 – SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK**

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PHFS maintains cash balances at financial institutions located within its market area. The amount at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the balances maintained at one or more institutions may exceed the maximum amount insured by the FDIC.

**NOTE 13 – RELATED PARTY**

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A member of the Board of Directors is also an associate for a local insurance company which PHFS uses for its insurance policies. Expenses paid to the insurance company during the year ended December 31, 2010 and 2009 amounted to \$235,728 and \$121,831, respectively.

A member of the Board of Directors is also the President of a staffing agency which PHFS uses. Expenses paid to the staffing agency during the year ended December 31, 2010 and 2009 amounted to \$100,403 and \$6,442, respectively.

**NOTE 14 – LINE OF CREDIT**

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PHFS had an operating line of credit in the total amount of \$5,000,000 which was in effect through January 31, 2011 and bore interest at the LIBOR rate plus .72%. The line of credit was secured by investments owned by the PHFS. The outstanding balance of December 31, 2010 and 2009 was \$4,310,224 and \$4,501,226, respectively.

In January 2011, PHFS paid off the operating line of credit with a promissory note for \$4,312,430. This note is for a term of twenty years and bears interest for the first five years at 3.7%. Thereafter, it will bear interest at the Five Year Treasury Security Yield, as published in the Wall Street Journal, plus 4%. The interest rate will not go below 3.7% or above 7%. The note is secured by investments owned by PHFS.

Annual payments of principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 136,102	\$ 144,178
2012	153,827	151,933
2013	159,616	146,144
2014	165,623	140,137
2015	171,856	133,904
2016-2020	841,138	935,616
2021-2025	1,132,136	648,819
2026-2030	1,528,526	252,430
2031	23,606	118
Totals	<u>\$ 4,312,430</u>	<u>\$ 2,553,279</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

NOTE 15 – ENDOWMENT

PHFS's endowment (Investment Pool) consists of approximately 13 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

PHFS has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PHFS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

**Endowment Net Asset Composition by Type of Fund as of December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 259,277	\$ 4,433,530	\$ 4,692,807
Board-designated endowment funds	40,033,602	-	-	40,033,602
Total Funds	<u>\$ 40,033,602</u>	<u>\$ 259,277</u>	<u>\$ 4,433,530</u>	<u>\$ 44,726,409</u>

**Endowment Net Asset Composition by Type of Fund as of December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 229,674	\$ 4,312,100	\$ 4,541,774
Board-designated endowment funds	41,148,545	-	-	41,148,545
Total Funds	<u>\$ 41,148,545</u>	<u>\$ 229,674</u>	<u>\$ 4,312,100</u>	<u>\$ 45,690,319</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

NOTE 15 – ENDOWMENT: (CONTINUED)

Changes in Endowment Net Assets for the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 41,148,545	\$ 229,674	\$ 4,312,100	\$ 45,690,319
Investment return:				
Net depreciation (realized and unrealized)	\$ 3,949,548	\$ 69,580	\$ -	\$ 4,019,128
Dividend income	732,243	21,749	-	753,992
Management fees	(58,190)	(1,681)	-	(59,871)
Total investment return	\$ 4,623,601	\$ 89,648	\$ -	\$ 4,713,249
Contributions	\$ 47,649	\$ 23,657	\$ 121,430	\$ 192,736
Appropriation of endowment assets for expenditure	\$ (5,786,193)	\$ (83,702)	\$ -	\$ (5,869,895)
Endowment net assets, end of year	\$ 40,033,602	\$ 259,277	\$ 4,433,530	\$ 44,726,409

Changes in Endowment Net Assets for the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 39,993,250	\$ 128,440	\$ 4,295,437	\$ 44,417,127
Investment return:				
Net depreciation (realized and unrealized)	\$ 5,906,793	\$ 84,933	\$ -	\$ 5,991,726
Dividend income	840,586	27,892	-	868,478
Management fees	(62,660)	(1,686)	-	(64,346)
Total investment return	\$ 6,684,719	\$ 111,139	\$ -	\$ 6,795,858
Contributions	\$ 985,899	\$ 49,361	\$ 16,663	\$ 1,051,923
Appropriation of endowment assets for expenditure	\$ (6,515,323)	\$ (59,266)	\$ -	\$ (6,574,589)
Endowment net assets, end of year	\$ 41,148,545	\$ 229,674	\$ 4,312,100	\$ 45,690,319

## **PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**

### **Notes to Financial Statements At December 31, 2010 and 2009 (Continued)**

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#### **NOTE 15 – ENDOWMENT: (CONTINUED)**

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##### **Return Objectives and Risk Parameters**

PHFS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to accommodate investment styles and strategies that are considered reasonable and prudent, while providing long-term growth.

##### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, PHFS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). PHFS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

##### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

PHFS has a spending policy, based on the total return concept that governs the rate at which funds are transferred from the Endowment Fund to the operating budget. The spending policy, in general, allows for spending at a specified percentage of average investment market value for the previous twelve quarters. The spending rate is determined annually by the Stewardship of Resources Committee as part of the budgeting process.

#### **NOTE 16 – FAIR VALUE MEASUREMENTS**

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Fair value for investments are determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

PHFS has investments with six fund managers which invest in private investment funds as part of PHFS's asset allocation. The investment in private investment funds is an alternative investment strategy with the purpose of increasing the diversification of PHFS's holdings and is consistent with PHFS's overall investment objectives. The private investment funds are not traded on any organized exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

NOTE 16 – FAIR VALUE MEASUREMENTS: (CONTINUED)

securities. The private investment funds may invest in other private investment funds, equity or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Investments in private investment funds are reported at estimated fair value provided by fund managers. The framework permits to measure the fair value of its funds investments as it pro-rata interest in the net asset value (NAV) of such investment funds as reported by the fund management, if the NAV is prepared on a fair value basis as of December 31, 2010.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

PHFS is providing the following information related to its investments:

Fair Value Measurements at Reporting Date Using				
	12/31/2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary investments	\$ 2,913,385	\$ 2,913,385	\$ -	\$ -
Bonds	7,142,688	7,142,688	-	-
Corporate stocks, domestic	6,873,699	4,061,403	2,812,296	-
Corporate stocks, foreign	10,086,721	9,562,218	524,503	-
Private investment funds	17,709,916	12,109,779	5,600,137	-
Total	<u>\$ 44,726,409</u>	<u>\$ 35,789,473</u>	<u>\$ 8,936,936</u>	<u>\$ -</u>
Fair Value Measurements at Reporting Date Using				
	12/31/2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary investments	\$ 964,489	\$ 964,489	\$ -	\$ -
Bonds	12,013,347	12,013,347	-	-
Corporate stocks, domestic	4,896,041	4,896,041	-	-
Corporate stocks, foreign	12,151,796	12,151,796	-	-
Private investment funds	15,664,646	9,830,034	5,834,612	-
Total	<u>\$ 45,690,319</u>	<u>\$ 39,855,707</u>	<u>\$ 5,834,612</u>	<u>\$ -</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

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**NOTE 17 - SUBSEQUENT EVENTS:**

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In preparing these financial statements, management of PHFS, Inc. has evaluated events and transactions for potential recognition or disclosure through May 2, 2011, the date the financial statements were issued.

On March 29, 2011, PHFS purchased land in the Chesapeake area in the amount of \$354,882.

**NOTE 18 - ACQUISITION OF FAMILY ALLIANCE, INC.**

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PHFS acquired Family Alliance, Inc. on July 1, 2010.

PHFS and Family Alliance (FA) merged to create synergy and to improve coordination of complementary programs serving children and families, to increase awareness of the shared mission, to improve the stewardship of administrative resources and to create opportunities to replicate programs with excellent outcomes. Together PHFS and FA are searching for the next generation of volunteers and supporters to ensure a strong second century of service. Family Alliance, Inc., merged into a single member LLC controlled by PHFS, Inc. The President/CEO of PHFS, Inc. is the manager of the LLC. PHFS' EIN is being used for the combined entity.

As Family Alliance, Inc. was a non-stock not-for-profit corporation, no consideration was transferred by PHFS. Instead, PHFS acquired all of Family Alliance, Inc.'s assets and assumed all of its liabilities. The assets and liabilities as of the date of acquisition were as follows:

	<u>July 1, 2010</u>
<b>Assets</b>	
Cash	\$ 370,070
Cash, restricted	95,642
Accounts receivable, net of allowance for uncollectible accounts of \$7,146	86,779
Pledges receivable	19,615
Unconditional promise to give	346,463
Prepaid expenses	11,754
Beneficial interest in perpetual trusts	220,900
Community Endowment	9,474
Land, buildings, and equipment, net of accumulated depreciation	16,883
<b>Total assets</b>	<u>\$ 1,177,580</u>
<b>Liabilities</b>	
Accounts payable, trade	\$ 27,887
Accrued compensation and other expenses	45,502
Deferred revenue	102,530
Deferred rent	2,898
<b>Total liabilities</b>	<u>\$ 178,817</u>
<b>Net assets</b>	<u>\$ 998,763</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED

Notes to Financial Statements  
At December 31, 2010 and 2009 (Continued)

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NOTE 18 - ACQUISITION OF FAMILY ALLIANCE, INC.: (CONTINUED)

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Family Alliance, Inc.'s net assets were recognized by PHFS on the Statement of Activities as Contribution from acquisition of Family Alliance. The contribution was classified as follows:

	<u>Contribution from acquisition of Family Alliance</u>
Unrestricted	\$ 402,311
Temporarily Restricted	375,552
Permanently Restricted	<u>220,900</u>
<b>Total contribution</b>	<b>\$ <u><u>998,763</u></u></b>