

CHILD & FAMILY RESOURCES, INC.

Audited Financial Statements

For the year ended June 30, 2009 and 2008

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CHILD & FAMILY RESOURCES, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Boards of Directors  
Child & Family Resources, Inc.

We have audited the accompanying consolidated statements of financial position of Child & Family Resources, Inc. and Subsidiary (a nonprofit organization) as of June 30, 2009 and 2008, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Tucson Nursery Schools and Child Care Centers, Inc., a subsidiary, which statements reflect total assets of \$473,987 and \$494,272 as of June 30, 2009 and 2008, respectively, and total support and revenue of \$547,781 and \$701,249 for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tucson Nursery Schools and Child Care Centers, Inc., is based solely on the report of the other auditors.

We conducted our audits 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. 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, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Child & Family Resources, Inc. and Subsidiary as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2009 on our consideration of Child & Family Resources, Inc.'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 audits.

*Ludwig Klewer & Co. PLLC*

September 17, 2009

## CHILD &amp; FAMILY RESOURCES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2009 and 2008

ASSETS

|                                | <u>2009</u>         | <u>2008</u>         |
|--------------------------------|---------------------|---------------------|
| Current assets:                |                     |                     |
| Cash and cash equivalents      | \$ 324,455          | \$ 652,997          |
| Grants and accounts receivable | 1,568,257           | 1,850,866           |
| Investments                    | 462,494             | 550,818             |
| Prepaid expenses               | 27,834              | 24,365              |
| Total current assets           | <u>2,383,040</u>    | <u>3,079,046</u>    |
| Property and equipment, net    | 3,341,991           | 3,577,159           |
| Other assets                   | 40,175              | 60,062              |
| Total assets                   | <u>\$ 5,765,206</u> | <u>\$ 6,716,267</u> |

LIABILITIES AND NET ASSETS

|  |                     |                     |
|--|---------------------|---------------------|
| Current liabilities:                       |                     |                     |
| Accounts payable                           | \$ 539,035          | \$ 1,253,215        |
| Accrued expenses                           | 551,023             | 680,953             |
| Deferred revenue                           | 683                 | 609                 |
| Lines of credit                            | 352,361             | 318,046             |
| Capital lease payable, current portion     | 10,458              | 10,058              |
| Long-term debt, current portion            | 39,434              | 36,396              |
| Total current liabilities                  | <u>1,492,994</u>    | <u>2,299,277</u>    |
| Capital lease payable, non-current portion | 7,209               | 17,674              |
| Long-term debt, non-current portion        | 701,015             | 739,768             |
| Total liabilities                          | <u>2,201,218</u>    | <u>3,056,719</u>    |
| Net assets:                                |                     |                     |
| Unrestricted:                              |                     |                     |
| General operating                          | 933,261             | 786,867             |
| Investment in property and equipment       | 2,582,694           | 2,773,263           |
| Total unrestricted net assets              | <u>3,515,955</u>    | <u>3,560,130</u>    |
| Temporarily restricted                     | 46,533              | 97,918              |
| Permanently restricted                     | 1,500               | 1,500               |
| Total net assets                           | <u>3,563,988</u>    | <u>3,659,548</u>    |
| Total liabilities and net assets           | <u>\$ 5,765,206</u> | <u>\$ 6,716,267</u> |

See independent auditors' report and accompanying notes.

CHILD & FAMILY RESOURCES, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended June 30, 2009

|  | Unrestricted  | Temporarily<br>Restricted | Permanently<br>Restricted | Total         |
|--|---------------|---------------------------|---------------------------|---------------|
| Support and revenue:                   |               |                           |                           |               |
| Contracts from governmental agencies   | \$ 14,622,928 | \$ -                      | \$ -                      | \$ 14,622,928 |
| Other grants                           | 836,609       | 12,401                    | -                         | 849,010       |
| Parent fees                            | 819,256       | -                         | -                         | 819,256       |
| United Way                             | 317,676       | 31,866                    | -                         | 349,542       |
| Contributions                          | 291,433       | -                         | -                         | 291,433       |
| Other revenue                          | 49,018        | -                         | -                         | 49,018        |
| Special events, net                    | 32,261        | -                         | -                         | 32,261        |
| Investment loss, net                   | (76,229)      | -                         | -                         | (76,229)      |
| Net assets released from restrictions: |               |                           |                           |               |
| Satisfaction of grant restrictions     | 95,652        | (95,652)                  | -                         | -             |
| Total support and revenue              | 16,988,604    | (51,385)                  | -                         | 16,937,219    |
| Expenses:                              |               |                           |                           |               |
| Program services                       | 15,135,915    | -                         | -                         | 15,135,915    |
| Supporting services:                   |               |                           |                           |               |
| General and administration             | 1,742,515     | -                         | -                         | 1,742,515     |
| Fund-raising                           | 154,349       | -                         | -                         | 154,349       |
| Total expenses                         | 17,032,779    | -                         | -                         | 17,032,779    |
| Changes in net assets                  | (44,175)      | (51,385)                  | -                         | (95,560)      |
| Net assets, beginning of year          | 3,560,130     | 97,918                    | 1,500                     | 3,659,548     |
| Net assets, end of year                | \$ 3,515,955  | \$ 46,533                 | \$ 1,500                  | \$ 3,563,988  |

See independent auditors' report and accompanying notes.

## CHILD &amp; FAMILY RESOURCES, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Support and revenue:                    |                     |                           |                           |                     |
| Contracts from governmental agencies    | \$ 16,565,363       | \$ 5,000                  | \$ -                      | \$ 16,570,363       |
| Other grants                            | 863,880             | 48,850                    | -                         | 912,730             |
| Parent fees                             | 901,031             | -                         | -                         | 901,031             |
| United Way                              | 194,843             | 139,200                   | -                         | 334,043             |
| Contributions                           | 340,193             | -                         | -                         | 340,193             |
| Other revenue                           | 84,648              | -                         | -                         | 84,648              |
| Special events, net                     | 46,283              | -                         | -                         | 46,283              |
| Investment income, net                  | 471                 | -                         | -                         | 471                 |
| Net assets released from restrictions:  |                     |                           |                           |                     |
| Satisfaction of grant restrictions      | 204,507             | (204,507)                 | -                         | -                   |
| Total support and revenue               | 19,201,219          | (11,457)                  | -                         | 19,189,762          |
| Expenses:                               |                     |                           |                           |                     |
| Program services                        | 17,190,740          | -                         | -                         | 17,190,740          |
| Supporting services:                    |                     |                           |                           |                     |
| General and administration              | 1,903,358           | -                         | -                         | 1,903,358           |
| Fund-raising                            | 164,203             | -                         | -                         | 164,203             |
| Total expenses                          | 19,258,301          | -                         | -                         | 19,258,301          |
| Changes in net assets                   | (57,082)            | (11,457)                  | -                         | (68,539)            |
| Net assets, beginning of year, restated | 3,617,212           | 109,375                   | 1,500                     | 3,728,087           |
| Net assets, end of year                 | <u>\$ 3,560,130</u> | <u>\$ 97,918</u>          | <u>\$ 1,500</u>           | <u>\$ 3,659,548</u> |

See independent auditors' report and accompanying notes.

CHILD & FAMILY RESOURCES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2009

|   | Early<br>Childcare<br>and<br>Education<br>Services | Family and<br>Community<br>Services | Child Care        | Nutrition        | Total<br>Program<br>Services | General<br>and<br>Administrative | Fund-raising      | Total                |
|---|--|-------------------------------------|-------------------|------------------|------------------------------|----------------------------------|-------------------|----------------------|
| Personnel costs                         | \$ 1,127,671                                       | \$ 4,164,149                        | \$ 286,142        | \$ 28,300        | \$ 5,606,262                 | \$ 718,929                       | \$ 96,934         | \$ 6,422,125         |
| Employee related costs                  | 254,598  | 882,479                             | 44,633            | 4,414            | 1,186,124                    | 104,833                          | 17,196            | 1,308,153            |
| Materials and supplies                  | 265,593  | 453,704                             | 43,651            | 182              | 763,130                      | 96,252                           | 21,314            | 880,696              |
| Other operating expenses                | 92,887   | 238,146                             | 53,761            | 4,756            | 389,550                      | 493,256                          | 4,698             | 887,504              |
| Occupancy costs                         | 114,861  | 352,411                             | 33,206            | 3,284            | 503,762                      | 72,766                           | 8,328             | 584,856              |
| Travel and related                      | 53,025   | 308,488                             | -                 | -                | 361,513                      | 18,987                           | 692               | 381,192              |
| Professional and outside services       | 97,642   | 367,665                             | 6,406             | 634              | 472,347                      | 201,970                          | 343               | 674,660              |
| Equipment                               | 21,579   | 117,619                             | 12,543            | 1,241            | 152,982                      | 35,522                           | 4,344             | 192,848              |
| Assistance to individuals               | -  | 60,256                              | -                 | -                | 60,256                       | -                                | 500               | 60,756               |
| Payments to subrecipients and providers | 3,467,199  | 2,172,790                           | -                 | -                | 5,639,989                    | -                                | -                 | 5,639,989            |
| Total expenses                          | <u>\$ 5,495,055</u>                                | <u>\$ 9,117,707</u>                 | <u>\$ 480,342</u> | <u>\$ 42,811</u> | <u>\$ 15,135,915</u>         | <u>\$ 1,742,515</u>              | <u>\$ 154,349</u> | <u>\$ 17,032,779</u> |

See independent auditors' report and accompanying notes.

## CHILD &amp; FAMILY RESOURCES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2008

|   | Early<br>Childcare<br>and<br>Education<br>Services | Family and<br>Community<br>Services | Child Care        | Nutrition        | Total<br>Program<br>Services | General<br>and<br>Administrative | Fund-raising      | Total                |
|---|--|-------------------------------------|-------------------|------------------|------------------------------|----------------------------------|-------------------|----------------------|
| Personnel costs                         | \$ 1,580,376                                       | \$ 4,366,497                        | \$ 316,388        | \$ 31,292        | \$ 6,294,553                 | \$ 743,583                       | \$ 79,841         | \$ 7,117,977         |
| Employee related costs                  | 351,287  | 965,373                             | 46,731            | 4,622            | 1,368,013                    | 142,066                          | 14,488            | 1,524,567            |
| Materials and supplies                  | 387,363  | 416,158                             | 60,931            | 146              | 864,598                      | 150,415                          | 48,137            | 1,063,150            |
| Other operating expenses                | 178,474  | 200,137                             | 72,095            | 5,644            | 456,350                      | 477,482                          | 5,913             | 939,745              |
| Occupancy costs                         | 125,887  | 480,550                             | 53,122            | 5,253            | 664,812                      | 62,632                           | 5,767             | 733,211              |
| Travel and related                      | 113,457  | 397,348                             | -                 | -                | 510,805                      | 24,335                           | 1,964             | 537,104              |
| Professional and outside services       | 77,597   | 163,275                             | 4,206             | 416              | 245,494                      | 267,813                          | 4,678             | 517,985              |
| Equipment                               | 26,032   | 83,933                              | 15,163            | 1,500            | 126,628                      | 33,805                           | 3,415             | 163,848              |
| Assistance to individuals               | 41   | 60,348                              | -                 | -                | 60,389                       | 1,227                            | -                 | 61,616               |
| Payments to subrecipients and providers | 3,048,632  | 3,550,466                           | -                 | -                | 6,599,098                    | -                                | -                 | 6,599,098            |
| <b>Total expenses</b>                   | <b>\$ 5,889,146</b>                                | <b>\$ 10,684,085</b>                | <b>\$ 568,636</b> | <b>\$ 48,873</b> | <b>\$ 17,190,740</b>         | <b>\$ 1,903,358</b>              | <b>\$ 164,203</b> | <b>\$ 19,258,301</b> |

See independent auditors' report and accompanying notes.

## CHILD &amp; FAMILY RESOURCES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the years ended June 30, 2009 and 2008

|  | 2009        | 2008        |
|--|-------------|-------------|
| Cash flows from operating activities:  |             |             |
| Change in net assets   | \$ (95,560) | \$ (68,539) |
| Adjustments to reconcile change in net assets<br>to net cash (used in) provided by operating activities: |             |             |
| Depreciation and amortization  | 297,621     | 293,982     |
| Net realized and unrealized loss on investments  | 99,924      | 38,400      |
| Reinvested interest and dividend income  | (21,512)    | (24,129)    |
| Changes in operating assets and liabilities:   |             |             |
| Grants and accounts receivable   | 282,609     | 169,936     |
| Prepaid expenses   | (3,469)     | 16,167      |
| Other assets   | 19,887      | (24,863)    |
| Accounts payable   | (714,180)   | (40,820)    |
| Accrued expenses   | (129,930)   | 97,190      |
| Deferred revenue   | 74          | (60,646)    |
| Total adjustments  | (168,976)   | 465,217     |
| Net cash (used in) provided by operating activities  | (264,536)   | 396,678     |
| Cash flows from investing activities:  |             |             |
| Purchases of property and equipment  | (62,453)    | (230,141)   |
| Purchases of investments   | (248,584)   | (161,852)   |
| Proceeds from sale of investments  | 258,496     | 169,716     |
| Net cash used in investing activities  | (52,541)    | (222,277)   |
| Cash flows from financing activities:  |             |             |
| Advances on lines of credit, net   | 34,315      | 4,184       |
| Principal payments on capital lease  | (10,065)    | (3,268)     |
| Principal payments on long-term debt   | (35,715)    | (18,656)    |
| Net cash used in financing activities  | (11,465)    | (17,740)    |
| Net change in cash and cash equivalents  | (328,542)   | 156,661     |
| Cash and cash equivalents, beginning of year   | 652,997     | 496,336     |
| Cash and cash equivalents, end of year   | \$ 324,455  | \$ 652,997  |
| Supplemental disclosure of statement of cash flow information:   |             |             |
| Cash paid for interest   | \$ 66,855   | \$ 67,005   |
| Purchase of equipment with capital lease payable   | \$ -        | \$ 31,000   |
| Property and equipment purchased with long-term debt   | \$ -        | \$ 484,052  |
| Reinvested interest and dividend income  | \$ 21,512   | \$ 24,129   |

See independent auditors' report and accompanying notes.

CHILD & FAMILY RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. Organization

Child & Family Resources, Inc. (CFR) was incorporated in Arizona in August 1970 as a private nonprofit, community-based organization whose goal is to promote the strength and stability of families, to afford children and youth a supportive environment and to maximize the child's physical, intellectual and emotional development. The Organization documents community needs, develops innovative solutions and programs to resolve unmet needs and implements programs where there are no available resources. The mission of the Organization is to enhance the quality of life for children and their families. Child & Family Resources, Inc. operates primarily in southern Arizona with offices in Tucson, Phoenix, Sierra Vista, Douglas, Nogales, Yuma and Safford.

In March 2006, the Organization entered an affiliation agreement with Tucson Nursery Schools and Child Care Centers, Inc. (TNS), which provides low cost child care for low-income working families, in order to further the Organization's mission. TNS is a corporation organized to operate exclusively for education, scientific, literary and charitable purposes. The agreement required each organization to complete certain administrative and legal steps in order to complete the formal affiliation. In July 2006, the Organization completed all steps of the agreement and the Organization became the sole member of TNS.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Child & Family Resources, Inc. and its commonly controlled subsidiary, Tucson Nursery Schools and Child Care Centers, Inc. (collectively referred to as the Organization). All intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the three classes of net assets (unrestricted, temporarily restricted, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. A portion of the unrestricted net assets have been designated by the board of directors as expended for property and equipment to reflect the total carrying value after accumulated depreciation of all property and equipment, net of directly related liabilities. Remaining unrestricted net assets are available for general operations of the Organization.
- Temporarily restricted net assets – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CHILD & FAMILY RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies, Continued

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services, Materials and Facilities

Donated materials and facilities are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and are provided by individuals possessing those skills;
- The services would typically need to be purchased if not donated.

Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by other reasonable methods.

Advertising

TNS uses advertising to promote its programs and attract new employees. The costs of advertising are expensed as incurred. During the year ended June 30, 2009 and 2008, advertising costs totaled \$3,581 and \$2,780, respectively.

Income Taxes

Child & Family Resources, Inc. and Tucson Nursery Schools and Child Care Centers, Inc. are nonprofit organizations under Internal Revenue Code Section 501(c)(3), and as such are exempt from both Federal and Arizona income taxes. Therefore, no provision has been made for income taxes in the accompanying consolidated financial statements.

Child & Family Resources, Inc. and Tucson Nursery Schools and Child Care Centers, Inc. are also public charities under the Internal Revenue Code Sections 509(a)(1). This classification allows for donations to both organizations to be deductible as charitable contributions on income tax returns.

Cash and Cash Equivalents

The Organization considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

CHILD & FAMILY RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies, Continued

Grants and Accounts Receivable

The Organization grants unsecured credit under contracts to its customers that are primarily governmental agencies in Arizona. The Organization considers accounts over 30 days past due to be delinquent. At June 30, 2009 and 2008, the balance of accounts receivable included \$122,789 and \$1,604,521, respectively, of amounts over 30 days past due. Based on historical collections, accounts receivable are considered fully collectible by management; therefore, no allowance for doubtful accounts has been provided.

Property and Equipment

Purchased property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated 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 donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The cost of repairs and maintenance is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets are capitalized and depreciated. The Organization's policy is to capitalize expenditures for property and equipment that exceed \$1,000. Property and equipment is depreciated using the straight-line method over the following estimated useful lives of the assets:

|                                   |            |
|-----------------------------------|------------|
| Buildings                         | 40 years   |
| Building improvements             | 10 years   |
| Leasehold improvements            | 10 years   |
| Furniture, fixtures and equipment | 3-15 years |
| Vehicles                          | 5 years    |

Investments

In accordance with generally accepted accounting principles applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included with the change in net assets.

Reclassifications

Certain items from 2008 have been reclassified to conform to the 2009 financial statement presentation.

3. Concentration of Risk

As of June 30, 2009, the Federal Deposit Insurance Corporation (FDIC) insured interest-bearing cash accounts at banks up to \$250,000 per institution. Non-interest bearing accounts are fully insured. As of June 30, 2008, the FDIC insured cash accounts at banks up to \$100,000 per institution. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time. At June 30, 2009 and 2008, the Organization had cash and investments in the amount of \$-0- and \$760,593, respectively, at various banks and institutions in excess of FDIC and SIPC limitations in place at that time.

## CHILD &amp; FAMILY RESOURCES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Grants and Accounts Receivable

Grants and accounts receivable consists of:

|   | 2009                | 2008                |
|---|---------------------|---------------------|
| Arizona Department of Economic Security | \$ 534,399          | \$ 1,093,478        |
| Arizona First Things First              | 222,676             | -                   |
| Arizona Department of Education         | 357,034             | 308,552             |
| Other governmental agencies             | 226,471             | 107,619             |
| Other receivables                       | 227,677             | 341,217             |
| Total grants and accounts receivable    | <u>\$ 1,568,257</u> | <u>\$ 1,850,866</u> |

5. Investments

Investments stated at fair value at June 30, 2009 consist of:

|                   | 2009              |                   |
|-------------------|-------------------|-------------------|
|                   | Cost              | Fair Value        |
| Stocks            | \$ 269,419        | \$ 237,865        |
| Bonds             | 169,607           | 177,892           |
| Mutual funds      | 64,904            | 46,737            |
| Total investments | <u>\$ 503,930</u> | <u>\$ 462,494</u> |

Investment loss for the year ended June 30, 2009 is:

|  |                    |
|--|--------------------|
| Interest and dividend income             | \$ 23,695          |
| Realized and unrealized (loss) gain, net | (99,924)           |
| Total investment loss, net               | <u>\$ (76,229)</u> |

Investments stated at fair value at June 30, 2008 consist of:

|                    | 2008              |                   |
|--------------------|-------------------|-------------------|
|                    | Cost              | Fair Value        |
| Stocks             | \$ 260,077        | \$ 261,696        |
| Bonds              | 227,232           | 231,837           |
| Mutual funds       | 60,799            | 57,285            |
| Total mutual funds | <u>\$ 548,108</u> | <u>\$ 550,818</u> |

Investment income for the year ended June 30, 2008 is:

|  |               |
|--|---------------|
| Interest and dividend income             | \$ 38,871     |
| Realized and unrealized (loss) gain, net | (38,400)      |
| Total investment income, net             | <u>\$ 471</u> |

CHILD & FAMILY RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Fair values of investment assets measured on a recurring basis at June 30, 2009 are:

| Assets at Fair Value as of June 30, 2009 |                   |             |             |                   |
|--|-------------------|-------------|-------------|-------------------|
|  | Level 1           | Level 2     | Level 3     | Total             |
| Stocks                                   | \$ 237,865        | \$ -        | \$ -        | \$ 237,865        |
| Bonds                                    | 177,892           | -           | -           | 177,892           |
| Mutual funds                             | 46,737            | -           | -           | 46,737            |
| Total investments                        | <u>\$ 462,494</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 462,494</u> |

Fair values of investment assets measured on a recurring basis at June 30, 2008 are:

| Assets at Fair Value as of June 30, 2008 |                   |             |             |                   |
|--|-------------------|-------------|-------------|-------------------|
|  | Level 1           | Level 2     | Level 3     | Total             |
| Stocks                                   | \$ 261,696        | \$ -        | \$ -        | \$ 261,696        |
| Bonds                                    | 231,837           | -           | -           | 231,837           |
| Mutual funds                             | 57,285            | -           | -           | 57,285            |
| Total investments                        | <u>\$ 550,818</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 550,818</u> |

## CHILD &amp; FAMILY RESOURCES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Property and Equipment

Property and equipment consists of:

|  | <u>2009</u>         | <u>2008</u>         |
|--|---------------------|---------------------|
| Land   | \$ 455,464          | \$ 455,464          |
| Buildings and improvements                             | 3,563,801           | 3,521,907           |
| Furniture, fixtures and equipment                      | 1,304,866           | 1,287,968           |
| Leasehold improvements                                 | 112,816             | 109,155             |
| Vehicles   | <u>25,617</u>       | <u>25,617</u>       |
| Total property and equipment, at cost or donated value | 5,462,564           | 5,400,111           |
| Less accumulated depreciation                          | <u>(2,120,573)</u>  | <u>(1,822,952)</u>  |
| Property and equipment, net                            | <u>\$ 3,341,991</u> | <u>\$ 3,577,159</u> |

8. Lines of Credit

CFR has a revolving line of credit with JP Morgan Chase Bank, which matures in February 2010. Interest is payable monthly at the prime rate (3.25% and 5% at June 30, 2009 and 2008) less .75%. If CFR defaults on any terms of the note, the interest rate increases to the prime rate plus 3%. The line of credit is primarily collateralized by grants and accounts receivable. The outstanding balance at June 30, 2009 and 2008 was \$291,000 and \$266,000, respectively.

Under the terms of this agreement, CFR is required to maintain a debt service coverage ratio of at least 1.00. At June 30, 2009, CFR was in compliance with the debt service coverage ratio.

TNS has a \$40,000 line of credit with JP Morgan Chase Bank and \$25,000 line of credit with Compass Bank. These lines of credit require interest be paid on outstanding balances at variable annual interest rates of 4.25% and 5.75% at June 30, 2009, respectively and 5% and 7.5% at June 30, 2008, respectively. The combined outstanding balance at June 30, 2009 and 2008 was \$61,361 and \$52,046, respectively.

9. Capital Lease Payable

CFR is obligated under a capital lease. The total cost of office equipment under this lease is \$31,000 and accumulated depreciation is \$12,917 and \$2,583 at June 30, 2009 and 2008, respectively.

The capital lease payable consists of:

|                             |                 |                  |
|-----------------------------|-----------------|------------------|
| equipment                   | \$ 17,667       | \$ 27,732        |
| Capital leases, current     | <u>(10,458)</u> | <u>(10,058)</u>  |
| Capital leases, non-current | <u>\$ 7,209</u> | <u>\$ 17,674</u> |

## CHILD &amp; FAMILY RESOURCES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Capital Lease Payable, Continued

The future maximum lease payments due under this capital lease are:

|                            |                  |
|----------------------------|------------------|
| 2010                       | \$ 10,961        |
| 2011                       | <u>7,323</u>     |
| Total lease payments       | 18,284           |
| Less imputed interest      | <u>(617)</u>     |
| Net minimum lease payments | <u>\$ 17,667</u> |

11. Long-Term Debt

Long-term debt consists of:

|   | <u>2009</u>       | <u>2008</u>       |
|---|-------------------|-------------------|
| CFR mortgage payable to a financial institution, due in monthly installments of \$3,053 through February 2013, including interest at 5.75%, collateralized by a deed of trust.  | \$ 415,442        | \$ 427,476        |
| CFR note payable to a financial corporation for purchase of software, hardware and consulting services. Payments are due in monthly installments of \$1,338 through January 2012, including interest at 11%, collateralized by equipment. | 36,234            | 47,637            |
| TNS note payable, due in monthly installments of \$914 through February 2016, including interest of 8.13%, collateralized by deed of trust.   | 55,984            | 62,056            |
| TNS note payable, due in monthly installments of \$914 with a final balloon payment of \$217,255 due July 2011, including interest of 7.5%, collateralized by deed of trust.  | <u>232,789</u>    | <u>238,995</u>    |
| Total long-term debt  | 740,449           | 776,164           |
| Less current portion  | <u>(39,434)</u>   | <u>(36,396)</u>   |
| Non-current portion   | <u>\$ 701,015</u> | <u>\$ 739,768</u> |

Principal maturities of long-term debt are:

|            |                   |
|------------|-------------------|
| 2010       | \$ 39,434         |
| 2011       | 42,746            |
| 2012       | 249,614           |
| 2013       | 382,614           |
| Thereafter | <u>26,041</u>     |
|            | <u>\$ 740,449</u> |

## CHILD &amp; FAMILY RESOURCES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Governmental Agency Contract Revenue

Revenue from contracts with governmental agencies consists of:

|  | <u>2009</u>          | <u>2008</u>          |
|--|----------------------|----------------------|
| Arizona Department of Economic Security      | \$ 9,417,584         | \$ 11,872,664        |
| Arizona Department of Education              | 3,975,594            | 3,514,666            |
| U.S. Department of Health and Human Services | 446,798              | 546,296              |
| Other government contracts                   | 465,460              | 270,526              |
| Pima County                                  | 133,042              | 161,211              |
| City of Tucson                               | 184,450              | 205,000              |
| Total governmental agency contract revenue   | <u>\$ 14,622,928</u> | <u>\$ 16,570,363</u> |

12. Special Events

Special event activities consists of:

|             | <u>2009</u>      | <u>2008</u>      |
|-------------|------------------|------------------|
| Revenue     | \$ 68,015        | \$ 58,025        |
| Expense     | (35,754)         | (11,742)         |
| Net revenue | <u>\$ 32,261</u> | <u>\$ 46,283</u> |

13. Operating Leases

CFR leases offices and facilities for their programs and administrative offices under non-cancelable, long-term operating leases with various expirations through September 2012. One of the leases contains a one-year renewal. Three of the leases allow cancellation with 30 to 90 days notice if CFR can prove loss of grant funding for programs operated out of those locations. During the years ended June 30, 2009 and 2008, rent expense under these agreements was \$173,285 and \$216,146, respectively.

In March 2007, CFR entered into a sublease agreement to rent out a portion of their facilities through January 2010. The sublease can be canceled by the tenant giving 90 days notice. Total sublease income was \$27,284 and \$6,240 for the year ended June 30, 2009 and 2008, respectively.

Future minimum lease payments under these leases are:

|      |                   |
|------|-------------------|
| 2010 | \$ 163,497        |
| 2011 | 62,374            |
| 2012 | 33,832            |
| 2013 | 6,300             |
|      | <u>\$ 266,003</u> |

CHILD & FAMILY RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. Contingent Liabilities

The Organization participates in a number of federal, state and local grant programs and a significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Organization. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable. Certain of the governmental contracts are also subject to termination for convenience clauses. The Organization has received no such termination notices.

During the year ended June 30, 1999 TNS received a Community Development Block Grant of \$40,000 to purchase its infant center. Grant terms required that a lien be placed on the property. If the facility were disposed of prior to October 2009 the grant would have to be repaid in its entirety.

15. Post-Employment Benefits

In September 2004, CFR entered into an agreement whereby it would pay certain post-employment benefits to a former officer for recognition of years of service. An annual stipend of \$25,000 is to be paid in monthly installments for a period not more than five years with the condition that the former officer not engage in fundraising activities within Pima County, Arizona, nor solicit employment of any employees of CFR. Additionally, a supplemental medical benefit in the amount of \$3,000 per year is due until the death of the former officer.

16. Retirement Plan

CFR has a 401(k) and defined contribution pension plan. The plan allows eligible employees to contribute a portion of their wages on a pretax basis into the plan. The plan also allows for discretionary matching and/or profit sharing contributions by CFR. Total contributions for the year ended June 30, 2009 and 2008 was approximately \$70,000 and \$157,000, respectively.

17. Restatement

The beginning unrestricted net asset balance for CFR has been restated as of June 30, 2007. The previously reported amount of \$3,693,609 has been decreased to \$3,607,629. The decrease in net assets of \$85,980 was made in connection with an overpayment received from the Arizona Department of Education.

The beginning temporarily restricted net asset balance for CFR has been restated as of June 30, 2007. The previously reported amount of \$-0- has been increased to \$109,375. The increase was made to properly reflect grant and contribution income that contained time and/or purpose restrictions.

SUPPLEMENTARY INFORMATION

## CHILD &amp; FAMILY RESOURCES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
June 30, 2009ASSETS

|                                | Child & Family<br>Resources, Inc. | Tucson<br>Nursery<br>Schools, Inc. | Eliminating<br>Entries | Total               |
|--------------------------------|-----------------------------------|------------------------------------|------------------------|---------------------|
| Current assets:                |                                   |                                    |                        |                     |
| Cash and cash equivalents      | \$ 310,944                        | \$ 13,511                          | \$ -                   | \$ 324,455          |
| Grants and accounts receivable | 1,528,888                         | 39,369                             | -                      | 1,568,257           |
| Investments                    | 462,494                           | -                                  | -                      | 462,494             |
| Note receivable, related party | 100,000                           | -                                  | (100,000)              | -                   |
| Prepaid expenses               | 27,834                            | -                                  | -                      | 27,834              |
| Total current assets           | 2,430,160                         | 52,880                             | (100,000)              | 2,383,040           |
| Property and equipment, net    | 2,920,347                         | 421,644                            | -                      | 3,341,991           |
| Other assets                   | 40,175                            | -                                  | -                      | 40,175              |
| Total assets                   | <u>\$ 5,390,682</u>               | <u>\$ 474,524</u>                  | <u>\$ (100,000)</u>    | <u>\$ 5,765,206</u> |

LIABILITIES AND NET ASSETS

|  |                     |                   |                     |                     |
|--|---------------------|-------------------|---------------------|---------------------|
| Current liabilities:                       |                     |                   |                     |                     |
| Accounts payable                           | \$ 528,354          | \$ 10,681         | \$ -                | \$ 539,035          |
| Accrued expenses                           | 517,690             | 33,333            | -                   | 551,023             |
| Deferred revenue                           | 146                 | 537               | -                   | 683                 |
| Demand note, related party                 | -                   | 100,000           | (100,000)           | -                   |
| Lines of credit                            | 291,000             | 61,361            | -                   | 352,361             |
| Capital lease payable, current portion     | 10,458              | -                 | -                   | 10,458              |
| Long-term debt, current portion            | 25,799              | 13,635            | -                   | 39,434              |
| Total current liabilities                  | 1,373,447           | 219,547           | (100,000)           | 1,492,994           |
| Capital lease payable, non-current portion | 7,209               | -                 | -                   | 7,209               |
| Long-term debt, non-current portion        | 425,877             | 275,138           | -                   | 701,015             |
| Total liabilities                          | 1,806,533           | 494,685           | (100,000)           | 2,201,218           |
| Net assets:                                |                     |                   |                     |                     |
| Unrestricted:                              |                     |                   |                     |                     |
| General operating                          | 1,086,612           | (153,351)         | -                   | 933,261             |
| Investment in property and equipment       | 2,451,004           | 131,690           | -                   | 2,582,694           |
| Total unrestricted net assets              | 3,537,616           | (21,661)          | -                   | 3,515,955           |
| Temporarily restricted                     | 46,533              | -                 | -                   | 46,533              |
| Permanently restricted                     | -                   | 1,500             | -                   | 1,500               |
| Total net assets                           | 3,584,149           | (20,161)          | -                   | 3,563,988           |
| Total liabilities and net assets           | <u>\$ 5,390,682</u> | <u>\$ 474,524</u> | <u>\$ (100,000)</u> | <u>\$ 5,765,206</u> |

Supplementary Information.

See independent auditors' report

CHILD & FAMILY RESOURCES, INC.  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
June 30, 2008

ASSETS

|                                | Child & Family<br>Resources, Inc. | Tucson<br>Nursery<br>Schools, Inc. | Eliminating<br>Entries | Total               |
|--------------------------------|-----------------------------------|------------------------------------|------------------------|---------------------|
| Current assets:                |                                   |                                    |                        |                     |
| Cash and cash equivalents      | \$ 620,175                        | \$ 32,822                          | \$ -                   | \$ 652,997          |
| Grants and accounts receivable | 1,797,007                         | 53,859                             | -                      | 1,850,866           |
| Investments                    | 550,818                           | -                                  | -                      | 550,818             |
| Note receivable, related party | 100,000                           | -                                  | (100,000)              | -                   |
| Prepaid expenses               | 24,365                            | -                                  | -                      | 24,365              |
| Total current assets           | 3,092,365                         | 86,681                             | (100,000)              | 3,079,046           |
| Property and equipment, net    | 3,169,568                         | 407,591                            | -                      | 3,577,159           |
| Other assets                   | 60,062                            | -                                  | -                      | 60,062              |
| Total assets                   | <u>\$ 6,321,995</u>               | <u>\$ 494,272</u>                  | <u>\$ (100,000)</u>    | <u>\$ 6,716,267</u> |

LIABILITIES AND NET ASSETS

|  |                     |                   |                     |                     |
|--|---------------------|-------------------|---------------------|---------------------|
| Current liabilities:                       |                     |                   |                     |                     |
| Accounts payable                           | \$ 1,245,938        | \$ 7,277          | \$ -                | \$ 1,253,215        |
| Accrued expenses                           | 668,144             | 12,809            | -                   | 680,953             |
| Deferred revenue                           | -                   | 609               | -                   | 609                 |
| Demand note, related party                 | -                   | 100,000           | (100,000)           | -                   |
| Lines of credit                            | 266,000             | 52,046            | -                   | 318,046             |
| Capital lease payable, current portion     | 10,058              | -                 | -                   | 10,058              |
| Long-term debt, current portion            | 23,780              | 12,616            | -                   | 36,396              |
| Total current liabilities                  | 2,213,920           | 185,357           | (100,000)           | 2,299,277           |
| Capital lease payable, non-current portion | 17,674              | -                 | -                   | 17,674              |
| Long-term debt, non-current portion        | 451,333             | 288,435           | -                   | 739,768             |
| Total liabilities                          | 2,682,927           | 473,792           | (100,000)           | 3,056,719           |
| Net assets:                                |                     |                   |                     |                     |
| Unrestricted:                              |                     |                   |                     |                     |
| General operating                          | 874,427             | (87,560)          | -                   | 786,867             |
| Investment in property and equipment       | 2,666,723           | 106,540           | -                   | 2,773,263           |
| Total unrestricted net assets              | 3,541,150           | 18,980            | -                   | 3,560,130           |
| Temporarily restricted                     | 97,918              | -                 | -                   | 97,918              |
| Permanently restricted                     | -                   | 1,500             | -                   | 1,500               |
| Total net assets                           | 3,639,068           | 20,480            | -                   | 3,659,548           |
| Total liabilities and net assets           | <u>\$ 6,321,995</u> | <u>\$ 494,272</u> | <u>\$ (100,000)</u> | <u>\$ 6,716,267</u> |

Supplementary Information.

See independent auditors' report.

CHILD & FAMILY RESOURCES, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
For the year ended June 30, 2009

|  | Child & Family Resources, Inc. |                           |                     | Tucson Nursery Schools, Inc. |                           |                    | Eliminating<br>Entries | Total               |
|--|--------------------------------|---------------------------|---------------------|------------------------------|---------------------------|--------------------|------------------------|---------------------|
|  | Unrestricted                   | Temporarily<br>Restricted | Total<br>CFR        | Unrestricted                 | Permanently<br>Restricted | Total<br>TNS       |                        |                     |
| Support and revenue:                   |                                |                           |                     |                              |                           |                    |                        |                     |
| Contracts from governmental agencies   | \$ 14,214,889                  | \$ -                      | \$ 14,214,889       | \$ 408,039                   | \$ -                      | \$ 408,039         | \$ -                   | \$ 14,622,928       |
| Other grants                           | 836,609                        | 12,401                    | 849,010             | -                            | -                         | -                  | -                      | 849,010             |
| Parent fees                            | 731,383                        | -                         | 731,383             | 87,873                       | -                         | 87,873             | -                      | 819,256             |
| United Way                             | 299,617                        | 31,866                    | 331,483             | 18,059                       | -                         | 18,059             | -                      | 349,542             |
| Contributions                          | 257,623                        | -                         | 257,623             | 33,810                       | -                         | 33,810             | -                      | 291,433             |
| Other revenue                          | 49,018                         | -                         | 49,018              | -                            | -                         | -                  | -                      | 49,018              |
| Special events, net                    | 32,261                         | -                         | 32,261              | -                            | -                         | -                  | -                      | 32,261              |
| Investment loss, net                   | (76,229)                       | -                         | (76,229)            | -                            | -                         | -                  | -                      | (76,229)            |
| Net assets released from restrictions: |                                |                           |                     |                              |                           |                    |                        |                     |
| Satisfaction of grant restrictions     | 95,652                         | (95,652)                  | -                   | -                            | -                         | -                  | -                      | -                   |
| <b>Total support and revenue</b>       | <b>16,440,823</b>              | <b>(51,385)</b>           | <b>16,389,438</b>   | <b>547,781</b>               | <b>-</b>                  | <b>547,781</b>     | <b>-</b>               | <b>16,937,219</b>   |
| Expenses:                              |                                |                           |                     |                              |                           |                    |                        |                     |
| Program services                       | 14,612,762                     | -                         | 14,612,762          | 523,153                      | -                         | 523,153            | -                      | 15,135,915          |
| Supporting services:                   |                                |                           |                     |                              |                           |                    |                        |                     |
| General and administration             | 1,677,246                      | -                         | 1,677,246           | 65,269                       | -                         | 65,269             | -                      | 1,742,515           |
| Fund-raising                           | 154,349                        | -                         | 154,349             | -                            | -                         | -                  | -                      | 154,349             |
| <b>Total expenses</b>                  | <b>16,444,357</b>              | <b>-</b>                  | <b>16,444,357</b>   | <b>588,422</b>               | <b>-</b>                  | <b>588,422</b>     | <b>-</b>               | <b>17,032,779</b>   |
| Changes in net assets                  | (3,534)                        | (51,385)                  | (54,919)            | (40,641)                     | -                         | (40,641)           | -                      | (95,560)            |
| Net assets, beginning of year          | 3,541,150                      | 97,918                    | 3,639,068           | 18,980                       | 1,500                     | 20,480             | -                      | 3,659,548           |
| Net assets, end of year                | <u>\$ 3,537,616</u>            | <u>\$ 46,533</u>          | <u>\$ 3,584,149</u> | <u>\$ (21,661)</u>           | <u>\$ 1,500</u>           | <u>\$ (20,161)</u> | <u>\$ -</u>            | <u>\$ 3,563,988</u> |

Supplementary Information.  
See independent auditors' report.

CHILD & FAMILY RESOURCES, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
For the year ended June 30, 2008

|   | Child & Family Resources, Inc. |                           |                     | Tucson Nursery Schools, Inc. |                           |                  | Eliminating<br>Entries | Total               |
|---|--------------------------------|---------------------------|---------------------|------------------------------|---------------------------|------------------|------------------------|---------------------|
|   | Unrestricted                   | Temporarily<br>Restricted | Total<br>CFR        | Unrestricted                 | Permanently<br>Restricted | Total<br>TNS     |                        |                     |
| Support and revenue:                    |                                |                           |                     |                              |                           |                  |                        |                     |
| Contracts from governmental agencies    | \$ 16,066,122                  | \$ 5,000                  | \$ 16,071,122       | \$ 499,241                   | \$ -                      | \$ 499,241       | \$ -                   | \$ 16,570,363       |
| Other grants                            | 863,880                        | 48,850                    | 912,730             | -                            | -                         | -                | -                      | 912,730             |
| Parent fees                             | 748,824                        | -                         | 748,824             | 152,207                      | -                         | 152,207          | -                      | 901,031             |
| United Way                              | 174,422                        | 139,200                   | 313,622             | 20,421                       | -                         | 20,421           | -                      | 334,043             |
| Contributions                           | 310,813                        | -                         | 310,813             | 29,380                       | -                         | 29,380           | -                      | 340,193             |
| Other revenue                           | 84,648                         | -                         | 84,648              | -                            | -                         | -                | -                      | 84,648              |
| Special events, net                     | 46,283                         | -                         | 46,283              | -                            | -                         | -                | -                      | 46,283              |
| Investment income, net                  | 471                            | -                         | 471                 | -                            | -                         | -                | -                      | 471                 |
| Net assets released from restrictions:  |                                |                           |                     |                              |                           |                  |                        |                     |
| Satisfaction of grant restrictions      | 204,507                        | (204,507)                 | -                   | -                            | -                         | -                | -                      | -                   |
| <b>Total support and revenue</b>        | <b>18,499,970</b>              | <b>(11,457)</b>           | <b>18,488,513</b>   | <b>701,249</b>               | <b>-</b>                  | <b>701,249</b>   | <b>-</b>               | <b>19,189,762</b>   |
| Expenses:                               |                                |                           |                     |                              |                           |                  |                        |                     |
| Program services                        | 16,573,231                     | -                         | 16,573,231          | 617,509                      | -                         | 617,509          | -                      | 17,190,740          |
| Supporting services:                    |                                |                           |                     |                              |                           |                  |                        |                     |
| General and administration              | 1,829,015                      | -                         | 1,829,015           | 74,343                       | -                         | 74,343           | -                      | 1,903,358           |
| Fund-raising                            | 164,203                        | -                         | 164,203             | -                            | -                         | -                | -                      | 164,203             |
| <b>Total expenses</b>                   | <b>18,566,449</b>              | <b>-</b>                  | <b>18,566,449</b>   | <b>691,852</b>               | <b>-</b>                  | <b>691,852</b>   | <b>-</b>               | <b>19,258,301</b>   |
| Changes in net assets                   | (66,479)                       | (11,457)                  | (77,936)            | 9,397                        | -                         | 9,397            | -                      | (68,539)            |
| Net assets, beginning of year, restated | 3,607,629                      | 109,375                   | 3,717,004           | 9,583                        | 1,500                     | 11,083           | -                      | 3,728,087           |
| <b>Net assets, end of year</b>          | <b>\$ 3,541,150</b>            | <b>\$ 97,918</b>          | <b>\$ 3,639,068</b> | <b>\$ 18,980</b>             | <b>\$ 1,500</b>           | <b>\$ 20,480</b> | <b>\$ -</b>            | <b>\$ 3,659,548</b> |

Supplementary Information.  
See independent auditors' report.

