



**Harrington Group**  
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**SAN DIEGO CENTER FOR CHILDREN  
AND AFFILIATE**

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**CONSOLIDATED FINANCIAL STATEMENTS,  
and  
SUPPLEMENTAL SCHEDULES**

**JUNE 30, 2008**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
San Diego Center for Children and Affiliate

We have audited the accompanying Consolidated Statement of Financial Position of San Diego Center for Children (a nonprofit organization) and Affiliate as of June 30, 2008 and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These consolidated financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from San Diego Center for Children and Affiliate's June 30, 2007 financial statements, and in our report dated October 15, 2007 we expressed an unqualified opinion on those financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of San Diego Center for Children and Affiliate as of June 30, 2008 and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Harrington Group*

San Marino, California  
September 15, 2008

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2008

With comparative totals at June 30, 2007

	2008	2007
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 271,435	\$ 530,747
Accounts receivable, less allowance for doubtful receivables of \$15,147	2,250,494	2,024,497
Pledges receivable (Note 3)	249,754	876,892
Prepaid expenses	155,542	127,113
Investments (Note 4)	400,285	275,000
<b>Total current assets</b>	<b>3,327,510</b>	<b>3,834,249</b>
Investments, less current portion	2,002,673	2,061,021
Pledges receivable, less current portion	-	349,365
Property and equipment (Note 5)	6,590,666	6,632,324
<b>Total assets</b>	<b>\$ 11,920,849</b>	<b>\$ 12,876,959</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 598,526	\$ 675,050
Accrued liabilities (Note 6)	1,105,883	998,559
Accrued unemployment liability (Note 7)	24,811	24,802
Line of credit (Note 8)	-	600,000
Current portion of capital lease obligation (Note 9)	17,219	-
Note payable (Note 10)	118,800	111,993
<b>Total current liabilities</b>	<b>1,865,239</b>	<b>2,410,404</b>
Note payable, less current portion	3,020,941	3,137,040
Capital lease obligation (Note 9)	40,805	-
<b>Total liabilities</b>	<b>4,926,985</b>	<b>5,547,444</b>
<b>Net assets</b>		
Unrestricted	4,885,148	4,175,860
Temporarily restricted (Note 13)	495,937	1,540,876
Permanently restricted (Note 14)	1,612,779	1,612,779
<b>Total net assets</b>	<b>6,993,864</b>	<b>7,329,515</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,920,849</b>	<b>\$ 12,876,959</b>

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

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

With comparative totals for the year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008</u>	<u>2007</u>
<b>Revenue and support</b>					
Fees from government agencies (Note 12)	\$ 13,888,599	\$ -	\$ -	\$ 13,888,599	\$ 13,662,409
Contributions	904,590	99,099		1,003,689	889,857
Grants	228,699			228,699	127,143
Other income	135,182			135,182	234,447
In-kind contributions (Note 2)	133,242			133,242	20,558
Special events revenue (net of expenses of \$103,034)	131,660			131,660	95,369
Interest income	72,862			72,862	84,043
Forgiveness of loan payable				-	184,027
Change on discount of pledges receivable				-	(2,000)
Net assets released from restrictions of time or purpose	861,630	(861,630)		-	-
Gain (loss) on investments	(155,557)	(32,408)		(187,965)	191,281
<b>Total revenue and support</b>	<u>16,200,907</u>	<u>(794,939)</u>	<u>-</u>	<u>15,405,968</u>	<u>15,487,134</u>
<b>Expenses</b>					
Program services	12,231,644			12,231,644	11,503,231
General and administrative	2,812,017			2,812,017	3,152,727
Fundraising	432,979			432,979	523,735
<b>Total expenses</b>	<u>15,476,640</u>			<u>15,476,640</u>	<u>15,179,693</u>
<b>Change in net assets from continuing operations</b>	<u>724,267</u>	<u>(794,939)</u>	<u>-</u>	<u>(70,672)</u>	<u>307,441</u>
<b>Loss from discontinued operations (Note 15)</b>	(14,979)			(14,979)	(77,231)
<b>Allowance for pledge receivable litigation (Note 3)</b>		(250,000)		(250,000)	-
<b>Change in net assets</b>	709,288	(1,044,939)	-	(335,651)	230,210
<b>Net assets, beginning of year</b>	<u>4,175,860</u>	<u>1,540,876</u>	<u>1,612,779</u>	<u>7,329,515</u>	<u>7,099,305</u>
<b>Net assets, end of year</b>	<u>\$ 4,885,148</u>	<u>\$ 495,937</u>	<u>\$ 1,612,779</u>	<u>\$ 6,993,864</u>	<u>\$ 7,329,515</u>

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

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2008

With comparative totals for the year ended June 30, 2007

	<u>Program</u>	<u>General and</u>		<u>Total Expenses</u>	
	<u>Services</u>	<u>Administration</u>		<u>Fundraising</u>	<u>2008</u>
Salaries	\$ 7,902,764	\$ 1,085,862	\$ 233,795	\$ 9,222,421	\$ 8,612,754
Payroll taxes and employee benefits	1,710,616	154,199	40,209	1,905,024	1,812,840
Total personnel costs	<u>9,613,380</u>	<u>1,240,061</u>	<u>274,004</u>	<u>11,127,445</u>	<u>10,425,594</u>
Children related	948,946			948,946	1,363,134
Professional fees	286,509	191,022	45,555	523,086	797,075
Repairs and maintenance	286,483	155,519	6	442,008	284,528
Other	141,024	118,296	95,897	355,217	343,158
Occupancy	180,598	125,672		306,270	316,435
Depreciation	20,574	285,173		305,747	273,404
Interest		227,795		227,795	228,013
Insurance		216,217		216,217	222,820
Food	168,878	269	23	169,170	160,114
Recruitment	103,586	31,674	2,722	137,982	110,035
In-kind expense (Note 2)	133,242			133,242	20,558
Travel expense	81,182	33,608	387	115,177	116,435
Office	74,629	27,304	13	101,946	103,036
Equipment and automobile lease	35,035	60,366	705	96,106	96,206
Telephone	40,189	28,754		68,943	62,365
Training	45,461	5,345		50,806	62,508
Licenses and taxes	11,491	20,432	10,547	42,470	34,450
Educational	35,296			35,296	47,852
Dues and subscriptions	16,690	18,338	50	35,078	41,513
Postage and shipping	2,516	17,117	1,110	20,743	27,812
Printing and publications	5,935	9,055	1,960	16,950	42,648
<b>Total 2008 functional expenses</b>	<b><u>\$ 12,231,644</u></b>	<b><u>\$ 2,812,017</u></b>	<b><u>\$ 432,979</u></b>	<b><u>\$ 15,476,640</u></b>	
<b>Total 2007 functional expenses</b>	<b><u>\$ 11,503,231</u></b>	<b><u>\$ 3,152,727</u></b>	<b><u>\$ 523,735</u></b>		<b><u>\$ 15,179,693</u></b>

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

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended June 30, 2008

With comparative totals for the year ended June 30, 2007

	2008	2007
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (335,651)	\$ 230,210
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	305,747	273,404
(Gain) loss on investments	187,965	(191,281)
Forgiveness of loan payable	-	(184,027)
Dividends reinvested	-	(47,173)
Change in allowance for doubtful receivables	-	(3,122)
Change in discount of pledges receivable	37,611	2,000
Allowance for pledge receivable litigation	250,000	-
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(225,997)	(111,488)
(Increase) decrease in pledges receivable	688,892	(203,506)
(Increase) decrease in prepaid expenses	(28,429)	50,476
Increase (decrease) in accounts payable	(76,524)	359,290
Increase (decrease) in accrued liabilities	107,324	(70,479)
Increase (decrease) in accrued unemployment liability	9	(32,098)
<b>Net cash provided by operating activities</b>	<u>910,947</u>	<u>72,206</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(197,491)	(132,995)
Proceeds from sale of investments	1,626,087	-
Purchase of investments	(1,880,989)	-
<b>Net cash (used) by investing activities</b>	<u>(452,393)</u>	<u>(132,995)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(109,292)	(293,760)
New borrowing on line of credit	3,375,000	3,510,000
Principal payments on line of credit	(3,975,000)	(3,370,000)
Principal payments on capital lease	(8,574)	-
<b>Net cash (used) by financing activities</b>	<u>(717,866)</u>	<u>(153,760)</u>
<b>Net (decrease) in cash and cash equivalents</b>	<u>(259,312)</u>	<u>(214,549)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>530,747</u>	<u>745,296</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 271,435</u>	<u>\$ 530,747</u>
<b>Supplemental disclosure:</b>		
Operating activities reflect interest paid of:	<u>\$ 227,794</u>	<u>\$ 228,013</u>
<b>Non-cash investing and financing transactions:</b>		
Acquisition of equipment with capital lease obligation	<u>\$ 66,598</u>	<u>\$ -</u>

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

# SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Organization

San Diego Center for Children and Affiliate (the "Center") includes San Diego Center for Children ("SDCC") and Hawaii Center for Children ("HCC"). SDCC and HCC are governed by separate Boards, with SDCC being the sole voting member of HCC.

SDCC provides residential treatment, partial hospitalization, non-public school, day treatment, foster care and other therapeutic programs for "at-risk" children, adolescents and their families in the San Diego area. HCC provides residential treatment and other therapeutic services in the Hawaii area.

HCC operated under contract with Child and Adolescent Mental Health Division ("CAMHD") of the State of Hawaii which expired on June 30, 2006. HCC was asked to continue the residential program past the June 30, 2006 closure date until the last child in residence could be placed elsewhere. Accordingly, the program officially closed on July 30, 2006. Expenses for HCC continued through June 30, 2008.

In September 1994, the Accounting Standards Division of the American Institute of Certified Public Accountants issued a Statement of Position ("SOP") 94-3, "Reporting of Related Entities by Not-for-Profit Organizations." This statement provides guidance for the reporting and disclosure of financially interrelated not-for-profit organizations. Based upon the nature of the relationship between SDCC and HCC consolidated financial statements are presented.

### 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

#### Principles of Consolidation

The consolidated financial statements include the accounts of SDCC and HCC. HCC is consolidated since SDCC has both an economic interest in HCC and control of the organization through a majority voting interest in its governing board. All inter-organization transactions have been eliminated.

#### Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

#### Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Center are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

continued

# SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

**Unrestricted.** These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted.** The Center reports gifts of cash and other assets as temporarily 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated Statement of Activities as net assets released from program or capital restrictions.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Center to expend all of the income (or other economic benefits) derived from the donated assets.

#### **Cash and Cash Equivalents**

The Center has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less.

#### **Accounts Receivable**

The Center uses the allowance method in order to reserve for potentially uncollectible accounts receivable.

#### **Contributions and Pledges Receivable**

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenue in the period the pledge is received. The Center reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

#### **Investments**

The Center values its investments at fair value. Gains or losses (including investments bought, sold, and held during the year) are reflected in the consolidated Statement of Activities as gain (loss) on investments.

continued

# SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from two to forty years. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

#### **Donated Materials and Services**

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2008 the Center recorded in-kind contributions of \$133,242.

#### **Concentration of Credit Risks**

The Center places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Center has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2008 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risk with respect to trade receivables are limited, as the majority of the Center's receivables consist of earned fees from contract programs granted by governmental agencies.

The Center holds investments in the form of short-term money market investments, common stocks of publicly held companies, equity securities and mutual funds. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Board of Directors.

#### **Income Taxes**

The Center is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

#### **Functional Allocation of Expenses**

Costs of providing the Center's programs and other activities have been presented in the consolidated Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

continued

# SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 2. Summary of Significant Accounting Policies, continued

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented.

#### Concentrations

For the year ended, June 30, 2008, the Center received 40% of its revenue and support from its residential programs, 33% of its revenue and support from its mental health programs, and 14% of its revenue and support from its non-public school program fees.

### 3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at estimated fair value at June 30, 2008.

In 2004 the Center received a pledge from a Foundation for a total amount of \$1,000,000. The outstanding balance at June 30, 2008 on this pledge was \$880,000, of which \$380,000 is past due. During the fiscal year, the Center initiated litigation against the Foundation to collect all amounts due and owing under the terms of the pledge agreement. The Center intends to vigorously pursue this matter and has filed a lawsuit against the Foundation to enforce the terms of the pledge agreement. The present value of the pledge receivable at June 30, 2008 is \$241,754.

However, due to uncertainty of the results of litigation, the Center has made a litigation provision for the pledge receivable. The additional amount of allowance recorded by the Center in the fiscal year ending June 30, 2008 was \$250,000.

The remaining amount of the pledges receivable at June 30, 2008 of \$8,000 is expected to be collected within the next year.

### 4. Investments

Investments at June 30, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Mutual funds	\$ 846,389	\$1,002,454
Money market funds	592,502	350,370
Equity securities	500,714	75,448
Certificates of deposit	400,285	454,795
Common stock		395,757
Other	<u>63,068</u>	<u>57,197</u>
	<u>\$2,402,958</u>	<u>\$2,336,021</u>

continued

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**4. Investments, continued**

Gains or losses (including investments bought, sold, and held during the year) reflected in the consolidated Statement of Activities at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Realized gain	\$ 8,899	\$ 63,478
Unrealized gain(loss)	<u>(196,864)</u>	<u>127,803</u>
Gain(loss) on investment	<u>(\$187,965)</u>	<u>\$191,281</u>

**5. Property and Equipment**

Property and equipment at June 30, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 32,361	\$ 32,360
Buildings and building improvements	9,359,920	9,182,184
Furniture and equipment	641,467	579,353
Computer equipment	232,958	214,632
Vehicles	<u>158,853</u>	<u>158,853</u>
	10,425,559	10,167,382
Less: accumulated depreciation	<u>(3,834,893)</u>	<u>3,535,058)</u>
	<u>\$ 6,590,666</u>	<u>\$ 6,632,324</u>

**6. Accrued Liabilities**

Accrued liabilities at June 30, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Accrued salaries and wages	\$ 601,411	\$534,632
Accrued vacation	393,286	321,154
Deferred revenue	60,538	93,353
Other accrued liabilities	<u>50,648</u>	<u>49,420</u>
	<u>\$1,105,883</u>	<u>\$998,559</u>

**7. Accrued Unemployment Liability**

The Center has elected to be self-insured for the purposes of California State Unemployment Insurance. Accrued unemployment liability at June 30, 2008 of \$24,811 represents estimated future claims arising from payroll paid to June 30, 2008. Unemployment expense for the year ended June 30, 2008 was \$65,551.

continued

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**8. Line of Credit**

The Center has a revolving line of credit with a bank in the amount of \$1,000,000, bearing interest at prime rate plus 1%. There was no amount outstanding on the line of credit at June 30, 2008.

**9. Capital Lease Obligation**

The Center leases a phone system under a capital lease.

The cost of the phone system under the capital lease at June 30, 2008 consists of the following:

Phone system	\$66,598
Less: accumulated depreciation	<u>(5,550)</u>
	<u>\$61,048</u>

Future minimum payments under this lease at June 30, 2008 are as follows:

<u>Year ended June 30,</u>	
2009	\$ 17,219
2010	17,219
2011	17,219
2012	17,219
2013	<u>2,944</u>
Total minimum lease payments	71,820
Less: interest expense	(13,796)
Less: current portion	<u>(17,219)</u>
	<u>\$ 40,805</u>

**10. Note Payable**

The Center has a note payable to a financial institution, secured by real property, monthly payments of \$25,329 including interest at 6%, due December 2014. The outstanding balance at June 30, 2008 was \$ 3,139,741.

Principal payments on note payable are as follows:

<u>Year ended June 30,</u>	
2009	\$ 118,800
2010	126,126
2011	133,906
2012	142,165
2013	150,933
Thereafter	<u>2,467,811</u>
	<u>\$3,139,741</u>

continued

# SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 10. Note Payable, continued

As required by the terms of the note, the Center is required to satisfy certain restrictive covenants which, among other terms, require the maintenance of certain financial ratios and operational levels and places limits on other indebtedness. For the year ended June 30, 2008, the Center met all debt covenants.

### 11. Commitments and Contingencies

#### Obligations Under Operating Leases

The Center leases real property and equipment under operating leases expiring in various years. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended June 30,</u>	
2009	\$149,200
2010	35,600
2011	19,300
2012	18,200
2013	<u>3,000</u>
	<u>\$225,300</u>

Rent expense under operating leases for the year ended June 30, 2008 was \$149,458.

#### Contracts

The Center's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Center has no provisions for the possible disallowance of program costs on its financial statements.

#### Litigation

HCC is a defendant in a lawsuit. Management intends to defend the agency vigorously in this matter. It is not possible at this time to predict the probable outcome or the extent of HCC's liability, if any.

With respect to the pledge receivable litigation described in Note 3, the Center has been named in a cross complaint filed by the Foundation who is seeking their original cash payments of \$120,000 and any applicable interest.

continued

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**12. Fees From Government Agencies**

Fees from government agencies for the year ended June 30, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Foster care –Title IV-E	\$ 6,207,027	\$ 6,566,623
Mental health	5,037,825	4,708,859
Non-public school	2,086,781	1,994,937
Other	<u>556,966</u>	<u>391,990</u>
	<u>\$13,888,599</u>	<u>\$13,662,409</u>

**13. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2008 and 2007 consist of:

	<u>2008</u>	<u>2007</u>
Pledges receivable	\$249,754	\$1,226,257
Various	133,340	104,499
Wraparound program	53,444	115,296
Building repairs	48,472	51,475
Iris Auxiliary fund	6,031	16,324
Mary Seller fund	<u>4,896</u>	<u>27,025</u>
	<u>\$495,937</u>	<u>\$1,540,876</u>

**14. Permanently Restricted Net Assets**

Permanently restricted net assets at June 30, 2008 of \$1,612,779 consist of endowment gifts which are restricted to investments in perpetuity and are included in investments in the accompanying consolidated statements of financial position. The principal is restricted to remain intact in perpetuity and income earned on these funds is available to support the Center's program.

**15. Discontinued operations**

HCC operated for several years under a contract from CAMHD of the State of Hawaii which expired on June 30, 2006. HCC continued, as the request of CAMHD, to operate the program through July 30, 2006. Expenses continued through the end of June 2008. Total net loss from discontinued operations for the year ended June 30, 2008 was \$14,979.

**SUPPLEMENTAL SCHEDULES**

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2008

	<u>SDCC</u>	<u>HCC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 264,737	\$ 6,698	\$ -	\$ 271,435
Accounts receivable, less allowance for doubtful receivables of \$15,147	2,250,494			2,250,494
Pledges receivable	249,754			249,754
Receivable from parent		34,306	(34,306)	-
Prepaid expenses	155,542			155,542
Investments	400,285			400,285
<b>Total current assets</b>	<u>3,320,812</u>	<u>41,004</u>	<u>(34,306)</u>	<u>3,327,510</u>
Investments, less current portion	2,002,673			2,002,673
Pledges receivable, less current portion	-			-
Property and equipment	6,590,666			6,590,666
<b>Total assets</b>	<u>\$ 11,914,151</u>	<u>\$ 41,004</u>	<u>\$ (34,306)</u>	<u>\$ 11,920,849</u>
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 598,526	\$ -	\$ -	\$ 598,526
Accrued liabilities	1,048,538	57,345		1,105,883
Accrued unemployment liability	24,811			24,811
Payable to affiliate	34,306		(34,306)	-
Line of credit	-			-
Current portion of capital lease obligation	17,219			17,219
Note payable	118,800			118,800
<b>Total current liabilities</b>	<u>1,842,200</u>	<u>57,345</u>	<u>(34,306)</u>	<u>1,865,239</u>
Note payable, less current portion	3,020,941			3,020,941
Capital lease obligation	40,805			40,805
<b>Total liabilities</b>	<u>4,903,946</u>	<u>57,345</u>	<u>(34,306)</u>	<u>4,926,985</u>
<b>Net assets</b>				
Unrestricted	4,901,489	(16,341)		4,885,148
Temporarily restricted	495,937			495,937
Permanently restricted	1,612,779			1,612,779
<b>Total net assets</b>	<u>7,010,205</u>	<u>(16,341)</u>	<u>-</u>	<u>6,993,864</u>
<b>Total liabilities and net assets</b>	<u>\$ 11,914,151</u>	<u>\$ 41,004</u>	<u>\$ (34,306)</u>	<u>\$ 11,920,849</u>

See independent auditor's report

**SAN DIEGO CENTER FOR CHILDREN AND AFFILIATE**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

For the year ended June 30, 2008

	<u>SDCC</u>	<u>HCC</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenue and support</b>				
Fees from government agencies	\$ 13,888,599	\$ -	\$ -	\$ 13,888,599
Contributions	1,003,689			1,003,689
Grants	228,699			228,699
Other income	135,182			135,182
In-kind contributions	133,242			133,242
Special events revenue (net of expenses of \$103,034)	131,660			131,660
Interest income	72,862			72,862
Loss on investments	(187,965)			(187,965)
<b>Total revenue and support</b>	<u>15,405,968</u>	<u>-</u>	<u>-</u>	<u>15,405,968</u>
<b>Expenses</b>				
Program services	12,231,644			12,231,644
General and administrative	2,812,017			2,812,017
Fundraising	432,979			432,979
<b>Total expenses</b>	<u>15,476,640</u>			<u>15,476,640</u>
<b>Change in net assets from continuing operations</b>	<u>(70,672)</u>	<u>-</u>	<u>-</u>	<u>(70,672)</u>
<b>Loss from discontinued operations</b>		(14,979)		(14,979)
<b>Allowance for pledge receivable litigation</b>	<u>(250,000)</u>			<u>(250,000)</u>
<b>Change in net assets</b>	(320,672)	(14,979)	-	(335,651)
<b>Net assets, beginning of year</b>	<u>7,330,877</u>	<u>(1,362)</u>		<u>7,329,515</u>
<b>Net assets, end of year</b>	<u>\$ 7,010,205</u>	<u>\$ (16,341)</u>	<u>\$ -</u>	<u>\$ 6,993,864</u>

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