

CASCADE CHRISTIAN SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors  
Cascade Christian Services

We have reviewed the accompanying balance sheet of Cascade Christian Services, as of December 31, 2010 and 2009, and the related statements of income and retained earnings and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Agency management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

June 28, 2011

CASCADE CHRISTIAN SERVICES  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

	<u>ASSETS</u>	
	2010	2009
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 731,543	\$ 715,963
Accounts receivable	331,433	315,567
Inventory	5,360	5,360
Prepaid expenses	10,886	9,627
Total current assets	1,079,222	1,046,517
<b>PROPERTY AND EQUIPMENT, net</b>	821,834	809,578
<b>OTHER ASSETS</b>		
Deposits	4,000	4,000
<b>TOTAL ASSETS</b>	\$ 1,905,056	\$ 1,860,095
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,846	\$ 22,375
Accrued liabilities	338,345	285,426
Current maturities of long-term debt	-	8,359
Total current liabilities	348,191	316,160
<b>LONG TERM DEBT, less current maturities</b>	-	100,390
<b>TOTAL LIABILITIES</b>	348,191	416,550
<b>NET ASSETS</b>		
Temporarily restricted	75,837	34,849
Unrestricted	1,481,028	1,408,696
<b>TOTAL NET ASSETS</b>	1,556,865	1,443,545
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,905,056	\$ 1,860,095

See accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
UNRESTRICTED NET ASSETS:		
SUPPORT, REVENUE AND RECLASSIFICATIONS:		
Government funding for services to clients	\$ 2,636,910	\$ 2,377,930
Janitorial services-government agencies	516,418	495,327
Janitorial services-private contracts	218,557	221,028
Rental income	177,072	182,617
Contributions, gifts, and grants	48,552	58,881
Other services-private contracts	48,568	75,255
Miscellaneous income	4,032	13,175
Interest income	4,535	5,192
Special Events, less direct costs, \$5,239 and \$3,017	(3,123)	1,746
Retail sales, less cost of goods, \$2,566 and \$1,595	(1,432)	159
Total support and revenue	3,650,089	3,431,310
Reclassifications of funds used for designated purpose	23,415	31,688
Total support, revenue and reclassifications	3,673,504	3,462,998
EXPENSES		
Program services	3,239,769	2,924,862
Administrative	347,875	357,516
Fundraising	13,528	12,975
Total expenses	3,601,172	3,295,353
INCREASE (DECREASE) IN UNRESTRCTED NET ASSETS	72,332	167,645
TEMPORARILY RESTRICTED NET ASSETS:		
Grants and contributions	64,403	66,537
Reclassified when used for designated purpose	(23,415)	(31,688)
Increase in temporarily restricted net assets	40,988	34,849
INCREASE IN NET ASSETS	113,320	202,494
NET ASSETS, beginning of year	1,443,545	1,241,051
NET ASSETS, end of year	\$ 1,556,865	\$ 1,443,545

See accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2010

	Program Services	Administrative	Fund Raising	2010 Totals
Salaries and wages	\$ 2,173,219	\$ 154,382	\$ 4,215	\$ 2,331,816
Payroll taxes	308,346	13,347	392	322,085
Employee benefits	209,557	41,945	1,441	252,943
Occupancy	135,588	39,797	-	175,385
Office expenses	30,496	22,303	3,374	56,173
Transportation	78,033	3,642	-	81,675
Client activities	106,614	-	-	106,614
Depreciation	84,648	-	-	84,648
Administrative	-	6,512	-	6,512
Insurance	15,449	3,688	-	19,137
Telephone	-	-	-	-
Hiring expense	7,574	-	-	7,574
Conferences/ meetings	26,494	1,333	-	27,827
Professional fees	59,472	46,372	-	105,844
Advertising	-	635	4,106	4,741
Information technology	3,115	10,344	-	13,459
Miscellaneous	-	2,879	-	2,879
Interest	1,164	696	-	1,860
<b>TOTAL EXPENSES</b>	<b><u>\$ 3,239,769</u></b>	<b><u>\$ 347,875</u></b>	<b><u>\$ 13,528</u></b>	<b><u>\$ 3,601,172</u></b>

See accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2009

	Program Services	Administrative	Fund Raising	2009 Totals
Salaries and wages	\$ 1,973,284	\$ 167,740	\$ 4,216	\$ 2,145,240
Payroll taxes	263,325	13,874	390	277,589
Employee benefits	211,871	39,368	1,441	252,680
Occupancy	108,320	51,533	-	159,853
Office expenses	29,588	21,235	1,847	52,670
Transportation	57,111	1,407	-	58,518
Client activities	113,201	-	-	113,201
Depreciation	88,540	-	-	88,540
Administrative	-	6,918	-	6,918
Insurance	17,900	3,506	-	21,406
Telephone	2,389	7,710	-	10,099
Hiring expense	5,450	-	-	5,450
Conferences/ meetings	15,528	-	-	15,528
Professional fees	28,006	39,001	-	67,007
Advertising	-	1,053	5,081	6,134
Miscellaneous	-	3,786	-	3,786
Interest	10,349	385	-	10,734
<b>TOTAL EXPENSES</b>	<b><u>\$ 2,924,862</u></b>	<b><u>\$ 357,516</u></b>	<b><u>\$ 12,975</u></b>	<b><u>\$ 3,295,353</u></b>

See accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

Increase (Decrease) In Cash	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 113,320	\$ 202,494
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	84,648	88,540
(Gain) Loss on disposition of equipment	4,343	(2,846)
Changes in operating assets and liabilities:		
Accounts receivable	(15,866)	149,423
Prepaid expenses	(1,259)	(1,139)
Accounts payable	(12,529)	6,152
Accrued liabilities	52,919	(33,642)
Net cash provided by operating activities	225,576	408,982
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposition of property	-	500
Purchase of property and equipment	(101,247)	(23,426)
Net cash used in investing activities	(101,247)	(22,926)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of principal on long-term debt	(108,749)	(40,872)
Net cash from financing activities	(108,749)	(40,872)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	15,580	345,184
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	715,963	370,779
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 731,543	\$ 715,963

See accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Cascade Christian Services the Agency, is a not-for-profit corporation that is committed to the well-being of the disabled population in Western Washington, specifically serving adults with disabilities in Whatcom and Skagit Counties. The Agency provides community-based residential and individualized vocational services to people with disabilities. The different branches of the Agency are the following: Cascade Christian Home, Cascade Vocational Services, Cascade Supported Living, Cascade Home Care, Pine Street Home, and Crestview.

Net assets – Net assets are classified according to the nature and purpose of the resources and in compliance with limitations and restrictions placed on the use.

*Unrestricted net assets* consist of net assets available for current operations and expenditures for current programs. The assets have no donor imposed stipulations.

*Temporarily restricted net assets* consist of net assets resulting from contributions whose use by the Agency is limited by stipulations of the donor that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations.

*Permanently restricted net assets* consist of net assets resulting from contributions whose use by the Agency is limited by stipulations of the donor that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency. There are no permanently restricted net assets as of December 31, 2010 and 2009.

Concentration of credit risk – At December 31, 2010 and 2009, the Agency had cash deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Accounts receivable – Accounts receivable are recorded at net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management bases its estimates of doubtful accounts on several factors. These factors include prior experience collecting receivables, the aging of the receivables at the year end, the debtor's ability to repay the amount owed, and management's appraisal of current economic conditions. Based on the above factors, management considers all receivables to be fully collectible and therefore has not made any allowance for uncollectibility. Substantially all receivables are current.

The Agency does not accrue finance charge income on past due accounts receivable.

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Cash and cash equivalents – The Agency considers investments in financial instruments with a maturity of less than three months to be cash equivalents.

Property and equipment - Property and equipment are recorded at cost. Repair and maintenance expenditures are charged against operations; renewals and betterments that materially extend the life of the assets are capitalized. Gains or losses on dispositions of property and equipment are included in operations in the year of disposal. The Agency's policy is to capitalize property and equipment when cost exceeds \$2,000.

Depreciation – Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

Donated materials, equipment, and services – Accounting standards require donated materials and equipment, as well as services contributed by professionals and craftsmen that require specialized skills, to be recognized as in-kind income and expenses. For the years ended December 31, 2010 and 2009, there were no such donated items or services. Contributed services for that do not require specialized skills are not recognized in the financial statements. A substantial number of volunteers have donated significant amounts of time to the Agency's programs and operations.

Leases – Leases meeting certain criteria are considered capital leases and the related asset and lease obligation are recorded at their present value in the financial statements. Other leases not meeting such criteria are operating leases and the related rentals are charged to expense as incurred.

Federal income tax – The Agency is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and therefore is subject to income taxes on unrelated business income, if any. Revenue related to its organizational purpose is exempt from federal tax.

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 2. RETIREMENT PLAN

The Agency sponsors a defined contribution retirement plan under Internal Revenue Code Section 401(k). The Plan covers substantially all employees and features an elective salary deferral program. The Agency will match employee's elective salary deferral contributions to the Plan up to a maximum of 3 to 6 percent of an employee's annual compensation based on hours worked and years of service. The amount contributed by the Agency totaled \$32,188 and \$33,738 for the years ended December 31, 2010 and 2009, respectively. The Agency converted a former 403(b) plan to a 401(k) plan with similar provisions in January 2009.

NOTE 3. MISCELLANEOUS INCOME

Miscellaneous income consists of the following:

	<u>2010</u>	<u>2009</u>
Vocational services	\$ -	\$ 1,999
Food stamps	-	11,827
Other income/(expense)	4,032	(651)
Total	<u>\$ 4,032</u>	<u>\$ 13,175</u>

NOTE 4. PROPERTY AND EQUIPMENT

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 113,655	\$ 113,655
Buildings	1,400,740	1,344,548
Vehicles	174,415	149,048
Furniture and fixtures	17,426	17,426
Machinery and equipment	19,433	11,466
Construction in progress	-	6,688
Total property and equipment	<u>1,725,669</u>	<u>1,642,831</u>
Less accumulated depreciation	<u>(903,835)</u>	<u>(833,253)</u>
Net property and equipment	<u>\$ 821,834</u>	<u>\$ 809,578</u>

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CONCENTRATION

The Agency receives a substantial amount of its support and revenue from federal, Washington State, and Whatcom County funding to provide residential and vocational services to adults with disabilities. These funding sources are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

NOTE 6. OPERATING LEASE

The Agency has entered into a lease for its main office space. The lease is classified as an operating lease and requires monthly rental payments of \$4,600, expiring August 31, 2014. Following are minimum annual rental payments under this noncancelable operating lease over each year until it expires:

Years ending December 31,		
2011	\$	55,200
2012		55,200
2013		55,200
2014		36,800
Total minimum future rental obligations	\$	<u>202,400</u>

Rent expense, including triple-net charges, under this operating lease totaled \$64,540 and \$59,325 during the years ended December 31, 2010 and 2009, respectively.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Donors designated contributions that were used for the following:

	<u>2010</u>	<u>2009</u>
Bequeathed to Cascade Christian Home	\$ 17,658	\$ 6,688
Purchases of AEDs	5,757	
Payments on group home mortgage	-	25,000
Total	<u>\$ 23,415</u>	<u>\$ 31,688</u>

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

Long-term debt at year-end consists of the following:

	2010	2009
Note payable to a commercial bank, due in monthly installments of \$1,525, including interest at the index rate of the Five Year Treasury Securities Index plus 2.5% (7.37% at December 31, 2009). Collateralized by a deed of trust on real estate with a carrying value of \$352,610 at December 31, 2009, paid in full during 2010.	\$ -	\$ 108,749
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ -</b>	<b>\$ 108,749</b>
Less current maturities	-	8,359
Long-term debt, less current maturities	<b>\$ -</b>	<b>\$ 100,390</b>

NOTE 9. SUBSEQUENT EVENTS

Management of the Agency has evaluated events and transactions occurring after December 31, 2010 through June 28, 2011, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosures in the financial statements