

CASCADE CHRISTIAN SERVICES
FINANCIAL STATEMENTS

DECEMBER 31, 2009

CASCADE CHRISTIAN SERVICES

DECEMBER 31, 2009

Table of Contents

ACCOUNTANTS' REPORT

FINANCIAL STATEMENTS:

2	Statements of Financial Position
3	Statements of Activities
4-5	Statements of Functional Expenses
6	Statements of Cash Flows
7-11	Notes to Financial Statements

June 22, 2010

Padgett & Padgett PLLC

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 U.S. generally accepted accounting principles.

A review consists principally of inquiries of Agency personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

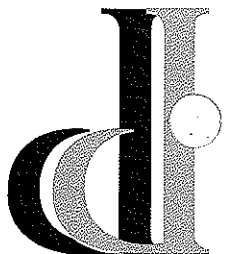
We have reviewed the accompanying statements of financial position of Cascade Christian Services, as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Cascade Christian Services.

To The Board of Directors
Cascade Christian Services

ACCOUNTANT'S REPORT

Ray Padgett, CPA
Steve Padgett, CPA

PADGETT & PADGETT
CERTIFIED PUBLIC ACCOUNTANTS
PLLC



www.padgettcpa.com

1302 Cleveland Avenue
Mount Vernon, WA 98273

360-424-1040
800-844-1109
Fax 360-424-4293

CASCADE CHRISTIAN SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 715,963	\$ 370,779
Accounts receivable	315,567	464,990
Inventory	5,360	5,360
Prepaid expenses	9,627	8,488
Total current assets	1,046,517	849,617
PROPERTY AND EQUIPMENT, net	809,578	872,346
OTHER ASSETS		
Deposits	4,000	4,000
TOTAL ASSETS	\$ 1,860,095	\$ 1,725,963
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,375	\$ 16,223
Accrued liabilities	285,426	319,068
Current maturities of long-term debt	8,359	3,365
Total current liabilities	316,160	338,656
LONG TERM DEBT, less current maturities	100,390	146,256
TOTAL LIABILITIES	416,550	484,912
NET ASSETS		
Temporarily restricted	34,849	-
Unrestricted	1,408,696	1,241,051
TOTAL NET ASSETS	1,443,545	1,241,051
TOTAL LIABILITIES AND NET ASSETS	\$ 1,860,095	\$ 1,725,963

See accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008

UNRESTRICTED NET ASSETS:				
Government funding for services to clients	\$ 2,377,930	\$ 2,240,063		
Janitorial services-government agencies	495,327	371,372		
Janitorial services-private contracts	221,028	183,904		
Rental income	182,617	170,089		
Contributions, gifts, and grants	58,881	51,457		
Other services-private contracts	75,255	80,281		
Miscellaneous income	13,175	23,187		
Interest income	5,192	6,515		
Special Events, less direct costs, \$3,017 and \$1,872	1,746	1,063		
Retail sales, less cost of goods, \$1,595 and \$1,588	159	129		
Total support and revenue	<u>3,431,310</u>	<u>3,128,060</u>		
Reclassifications of funds used for designated purpose	31,688	54,050		
Total support, revenue and reclassifications	<u>3,462,998</u>	<u>3,182,110</u>		
EXPENSES				
Program services	2,924,862	2,718,165		
Administrative	357,516	328,744		
Fundraising	12,975	11,171		
Total expenses	<u>3,295,353</u>	<u>3,058,080</u>		
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	167,645	124,030		
TEMPORARILY RESTRICTED NET ASSETS:				
Grants and contributions	66,537	54,050		
Reclassified when used for designated purpose	(31,688)	(54,050)		
Increase in temporarily restricted net assets	<u>34,849</u>	<u>-</u>		
INCREASE IN NET ASSETS	202,494	124,030		
NET ASSETS, beginning of year	1,241,051	1,117,021		
NET ASSETS, end of year	<u>\$ 1,443,545</u>	<u>\$ 1,241,051</u>		

See accountants' report and accompanying notes to financial statements.

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

	Program	Administrative	Fund	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
TOTAL EXPENSES	\$ 2,924,862	\$ 357,516	\$ 12,975	\$ 3,295,353

See accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	Program	Administrative	Fund	2008 Totals
Salaries and wages	\$ 1,806,128	\$ 145,590	\$ 3,968	\$ 1,955,686
Payroll taxes	240,901	12,566	367	253,834
Employee benefits	191,294	39,812	1,402	232,508
Occupancy	102,157	45,225	-	147,382
Office expenses	27,070	23,241	1,373	51,684
Transportation	71,026	2,265	-	73,291
Client activities	114,490	-	-	114,490
Depreciation	84,141	-	-	84,141
Administrative	-	7,676	-	7,676
Insurance	16,355	3,115	-	19,470
Telephone	2,322	4,417	-	6,739
Hiring expense	10,369	-	-	10,369
Conferences/ meetings	19,346	-	-	19,346
Professional fees	16,077	43,246	-	59,323
Advertising	-	293	4,061	4,354
Miscellaneous	387	758	-	1,145
Interest	16,102	540	-	16,642
TOTAL EXPENSES	\$ 2,718,165	\$ 328,744	\$ 11,171	\$ 3,058,080

See accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Increase (Decrease) In Cash	202,494	\$ 124,030
CASH FLOWS FROM OPERATING ACTIVITIES	88,540	84,141
Adjustments to reconcile change in net assets to net cash from operating activities:	(2,846)	1,775
Depreciation	149,423	(146,720)
Accounts receivable	(1,139)	(945)
Prepaid expenses	6,152	(2,366)
Accounts payable	(33,642)	50,035
Accrued liabilities	408,982	109,950
Net cash provided by operating activities	<u>500</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	(23,426)	(100,368)
Proceeds from disposition of property	(22,926)	(100,368)
Purchase of property and equipment	(40,872)	(76,875)
Payments of principal on long-term debt	(40,872)	(76,875)
Net cash from financing activities	345,184	(67,293)
CHANGE IN CASH AND CASH EQUIVALENTS	370,779	438,072
CASH AND CASH EQUIVALENTS, beginning of year	<u>\$ 715,963</u>	<u>\$ 370,779</u>
CASH AND CASH EQUIVALENTS, end of year		

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. There are no temporarily restricted net assets as of December 31, 2009 and 2008.

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, 2009 and 2008.

Concentration of credit risk – At December 31, 2009 and 2008, 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.

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 \$1,000.

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, 2009 and 2008, 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 \$30,186 and \$33,738 for the years ended December 31, 2009 and 2008, 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:

	2009	2008
Vocational services	\$ 1,999	\$ 2,107
Food stamps	11,827	13,773
Other income/(expense)	(651)	7,307
Total	<u>\$ 13,175</u>	<u>\$ 23,187</u>

NOTE 4. PROPERTY AND EQUIPMENT

	2009	2008
Land and land improvements	\$ 113,655	\$ 113,655
Buildings	1,344,548	1,329,327
Vehicles	149,048	156,717
Furniture and fixtures	17,426	72,440
Machinery and equipment	11,466	8,872
Construction in progress	6,688	-
Total property and equipment	<u>1,642,831</u>	<u>1,681,011</u>
Less accumulated depreciation	<u>(833,253)</u>	<u>(808,665)</u>
Net property and equipment	<u>\$ 809,578</u>	<u>\$ 872,346</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,	Total minimum future rental obligations
2010	\$ 55,200
2011	55,200
2012	55,200
2013	55,200
2014	36,800
	<u>\$ 257,600</u>

Rent expense under this operating lease totaled \$50,400 and \$48,000 during each year ended December 31, 2009 and 2008.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Donors designated contributions that were used for the following:

	2009	2008
Bequeathed to Cascade Christian Home	\$ 6,688	\$ -
Payments on group home mortgage	25,000	54,050
Total	<u>\$ 31,688</u>	<u>\$ 54,050</u>

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

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

	2009	2008			
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, 2008 and 2007. Collateralized by a deed of trust on real estate with a carrying value of \$352,610 and \$365,034 at December 31, 2009 and 2008, respectively; maturing August 2016.	\$ 108,749	\$ 149,621			

TOTAL LONG-TERM DEBT

Less current maturities	\$ 8,359	\$ 3,365			
Long-term debt, less current maturities	\$ 100,390	\$ 146,256			

Following are scheduled maturities of principal over each of the next five years and in total until maturity: Years ending December 31;

2010 2011 2012 2013 2014 After 2014	\$ 8,359	\$ 8,996	\$ 9,682	\$ 10,419	\$ 11,214
Total long-term debt	\$ 108,749	\$ 60,079			