

CASCADE CHRISTIAN SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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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, 2011 and 2010, 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.

May 17, 2012

CASCADE CHRISTIAN SERVICES  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2011 AND 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 833,623	\$ 731,543
Accounts receivable	439,738	331,433
Inventory	5,360	5,360
Prepaid expenses	15,643	10,886
Employee advances	1,718	
Total current assets	<u>1,296,082</u>	<u>1,079,222</u>
PROPERTY AND EQUIPMENT, net	810,551	821,834
<b>OTHER ASSETS</b>		
Deposits	<u>4,000</u>	<u>4,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,110,633</u></u>	<u><u>\$ 1,905,056</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 23,838	\$ 9,846
Accrued liabilities	<u>409,153</u>	<u>338,345</u>
Total current liabilities	432,991	348,191
<b>TOTAL LIABILITIES</b>	<u>432,991</u>	<u>348,191</u>
<b>NET ASSETS</b>		
Temporarily restricted	43,211	75,837
Unrestricted	<u>1,634,431</u>	<u>1,481,028</u>
<b>TOTAL NET ASSETS</b>	1,677,642	1,556,865
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,110,633</u></u>	<u><u>\$ 1,905,056</u></u>

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
UNRESTRICTED NET ASSETS:		
SUPPORT, REVENUE AND RECLASSIFICATIONS:		
Government funding for services to clients	\$ 2,848,090	\$ 2,636,910
Janitorial services-government agencies	537,218	516,418
Janitorial services-private contracts	214,825	218,557
Client participation funding	169,449	162,132
Rental income	15,040	14,940
Contributions, gifts, and grants	66,996	48,552
Other services	46,560	48,568
Vocational services-private contracts	3,150	
Homecare services-private contracts	15,319	
Miscellaneous income	8,079	4,032
Interest income	5,318	4,535
Special Events, less direct costs, \$5,239	-	(3,123)
Retail sales, less cost of goods, \$502 and \$2,566	-	(1,432)
Total support and revenue	3,930,044	3,650,089
Reclassifications of funds used for designated purpose	39,501	23,415
Total support, revenue and reclassifications	3,969,545	3,673,504
EXPENSES		
Program services	3,480,636	3,239,769
Administrative	324,667	347,875
Fundraising	10,839	13,528
Total expenses	3,816,142	3,601,172
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	153,403	72,332
TEMPORARILY RESTRICTED NET ASSETS:		
Grants and contributions	6,875	64,403
Reclassified when used for designated purpose	(39,501)	(23,415)
Increase in temporarily restricted net assets	(32,626)	40,988
INCREASE IN NET ASSETS	120,777	113,320
NET ASSETS, beginning of year	1,556,865	1,443,545
NET ASSETS, end of year	\$ 1,677,642	\$ 1,556,865

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2011

	Program Services	Administrative	Fund Raising	2011 Totals
Salaries and wages	\$ 2,371,998	\$ 120,670	\$ 4,215	\$ 2,496,883
Payroll taxes	305,404	10,275	392	316,071
Employee benefits	232,349	44,581	1,441	278,371
Occupancy	145,279	33,135		178,414
Office expenses	31,375	24,833	1,310	57,518
Transportation	92,806	2,648		95,454
Client activities	100,391			100,391
Depreciation	89,462			89,462
Administrative	-	9,295		9,295
Insurance	17,230	3,832		21,062
Hiring expense	5,629			5,629
Conferences/ meetings	33,164	759		33,923
Professional fees	30,973	65,803		96,776
Business taxes	21,884			21,884
Advertising		72	3,481	3,553
Information technology	2,692	8,067		10,759
Miscellaneous				-
Interest		697		697
<b>TOTAL EXPENSES</b>	<b><u>\$ 3,480,636</u></b>	<b><u>\$ 324,667</u></b>	<b><u>\$ 10,839</u></b>	<b><u>\$ 3,816,142</u></b>

See independent 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
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>\$ 3,239,769</b>	<b>\$ 347,875</b>	<b>\$ 13,528</b>	<b>\$ 3,601,172</b>

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

Increase (Decrease) In Cash	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 120,777	\$ 113,320
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	89,462	84,648
(Gain) Loss on disposition of equipment		4,343
Changes in operating assets and liabilities:		
Accounts receivable	(108,305)	(15,866)
Prepaid expenses	(4,757)	(1,259)
Accounts payable	13,992	(12,529)
Accrued liabilities	70,808	52,919
Net cash provided by operating activities	181,977	225,576
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(78,179)	(101,247)
Net cash used in investing activities	(78,179)	(101,247)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances to employees	(1,718)	
Payments of principal on long-term debt		(108,749)
Net cash from financing activities	(1,718)	(108,749)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	102,080	15,580
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	731,543	715,963
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 833,623	\$ 731,543

See independent 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 individuals 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.

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis and follow the recommendations of the Financial Accounting Standards Board in its ASC 958, formerly Statement of Financial Accounting Standards No. 117 “Financial Statements of Not-For-Profit Organizations.” Under ASC 958 the organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. This category of net assets includes amounts designated by the Board for long-term investment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Agency. The Agency is permitted to use the income earned on the related investments for general or specified operating purposes. The Agency did not have any permanently restricted net assets as of December 31, 2011 and 2010.

Concentration of credit risk – At December 31, 2011 and 2010, the Agency had cash deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

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.

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, 2011 and 2010, 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.

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

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.

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 \$34,782 and \$32,188 for the years ended December 31, 2011 and 2010, respectively.

NOTE 3. MISCELLANEOUS INCOME

Miscellaneous income consists of the following:

	2011	2010
Vocational services	\$ 3,150	\$ -
Other income/(expense)	8,079	4,032
Total	\$ 11,229	\$ 4,032

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

	2011	2010
Land and land improvements	\$ 121,424	\$ 113,655
Buildings	1,452,686	1,400,740
Vehicles	187,417	174,415
Furniture and fixtures	15,598	17,426
Machinery and equipment	21,976	19,433
Total property and equipment	<u>1,799,101</u>	<u>1,725,669</u>
Less accumulated depreciation	<u>(988,550)</u>	<u>(903,835)</u>
Net property and equipment	<u>\$ 810,551</u>	<u>\$ 821,834</u>

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,	
2012	\$ 55,200
2013	55,200
2014	<u>36,800</u>
Total minimum future rental obligations	<u>\$ 147,200</u>

Rent expense, including triple-net charges, under this operating lease totaled \$63,600 and \$64,540 during the years ended December 31, 2011 and 2010, respectively.

CASCADE CHRISTIAN SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Donors designated contributions that were used for the following:

	<u>2011</u>	<u>2010</u>
Bequeathed to Cascade Christian Home	\$ 28,404	\$ 17,658
Purchases of AEDs	-	5,757
Bequeathed to Crestview Home	<u>11,097</u>	<u>-</u>
Total	<u>\$ 39,501</u>	<u>\$ 23,415</u>

NOTE 8. SUBSEQUENT EVENTS

Management of the Agency has evaluated events and transactions occurring after December 31, 2011 through May 17, 2012, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. Effective April 15, 2012, The Agency entered into a noncancellable operating lease for office space in Ferndale, Washington. The lease provides for minimum monthly rental payments of \$2,800, expiring April 30, 2017.

NOTE 9. RELATED PARTY TRANSACTIONS

The Agency periodically does business with vendors that are affiliated with certain Agency staff members, using a competitive bidding process. During 2011 and 2010 such transactions totaled \$18,988 and \$44,541, respectively.

NOTE 10. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2012 is as follows:

Less than 30 days	\$ 321,975
31-60 days	112,097
61-90 days	123
Over 90 days	<u>5,543</u>
Total	\$ 439,738