

**Christian Community Service Center, Inc.
and
Christian Community Service Center
Memorial Endowment**

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2008 and 2007

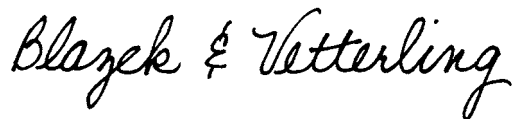
Independent Auditors' Report

To the Board of Directors of
Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment:

We have audited the accompanying consolidated statements of financial position of Christian Community Service Center, Inc. (the Center) and Christian Community Service Center Memorial Endowment (the Endowment) as of December 31, 2008 and 2007 and the related statements of activities, of cash flows, and of functional expenses for the years then ended. These financial statements are the responsibility of the management of the Center and the Endowment. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center and the Endowment as of December 31, 2008 and 2007 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



July 20, 2009

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statements of Financial Position as of December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents (<i>Note 2</i>)	\$ 613,618	\$ 485,956
Certificates of deposit	394,000	376,844
Inventory	47,387	51,730
Prepaid expenses and other assets	27,763	8,647
Pledges receivable, net (<i>Note 3</i>)	169,969	129,831
Investments (<i>Note 5</i>)	422,463	562,075
Property, net (<i>Note 6</i>)	<u>630,522</u>	<u>663,127</u>
TOTAL ASSETS	<u>\$ 2,305,722</u>	<u>\$ 2,278,210</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 36,464</u>	<u>\$ 34,998</u>
Net assets:		
Unrestricted (<i>Note 7</i>)	1,677,603	1,642,588
Temporarily restricted (<i>Note 8</i>)	403,399	418,590
Permanently restricted (<i>Note 9</i>)	<u>188,256</u>	<u>182,034</u>
Total net assets	<u>2,269,258</u>	<u>2,243,212</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,305,722</u>	<u>\$ 2,278,210</u>

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Activities for the year ended December 31, 2008

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:				
Contributions <i>(Note 12)</i>	\$ 945,900	\$ 848,389		\$ 1,794,289
Special event	135,846			135,846
Direct donor benefit costs	(26,398)			(26,398)
Sunshine resale shop sales	385,599			385,599
Operating investment return <i>(Note 5)</i>	<u>24,530</u>	<u>1,508</u>		<u>26,038</u>
Total operating revenue	1,465,477	849,897		2,315,374
Net assets released from restrictions:				
Program expenditures	<u>754,021</u>	<u>(754,021)</u>		<u> </u>
Total	<u>2,219,498</u>	<u>95,876</u>		<u>2,315,374</u>
OPERATING EXPENSES:				
Program services:				
Emergency services	833,203			833,203
Back to School	336,872			336,872
Sunshine Resale Shop	283,639			283,639
JobNet	137,780			137,780
Jingle Bell Express	62,581			62,581
Martha's Way	62,144			62,144
Louise J. Moran Vision Care	60,234			60,234
Gethsemane Food Pantry	<u>127,684</u>			<u>127,684</u>
Total program services	1,904,137			1,904,137
Supporting services:				
Management and general	150,600			150,600
Fundraising	<u>96,070</u>			<u>96,070</u>
Total operating expenses	<u>2,150,807</u>			<u>2,150,807</u>
CHANGES IN NET ASSETS FROM OPERATIONS	68,691	95,876		164,567
OTHER CHANGES IN NET ASSETS:				
Endowment contributions			\$ 6,222	6,222
Endowment investment return <i>(Note 5)</i>	<u>(33,676)</u>	<u>(111,067)</u>		<u>(144,743)</u>
CHANGES IN NET ASSETS	35,015	(15,191)	6,222	26,046
Net assets, beginning of year	<u>1,642,588</u>	<u>418,590</u>	<u>182,034</u>	<u>2,243,212</u>
Net assets, end of year	<u>\$ 1,677,603</u>	<u>\$ 403,399</u>	<u>\$ 188,256</u>	<u>\$ 2,269,258</u>

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Activities for the year ended December 31, 2007

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:				
Contributions <i>(Note 12)</i>	\$ 757,243	\$ 622,974		\$ 1,380,217
Special event	122,352			122,352
Direct donor benefit costs	(24,462)			(24,462)
Sunshine resale shop sales	423,497			423,497
Operating investment return <i>(Note 5)</i>	<u>36,366</u>	<u>2,652</u>		<u>39,018</u>
Total operating revenue	1,314,996	625,626		1,940,622
Net assets released from restrictions:				
Program expenditures	<u>675,585</u>	<u>(675,585)</u>		<u> </u>
Total	<u>1,990,581</u>	<u>(49,959)</u>		<u>1,940,622</u>
OPERATING EXPENSES:				
Program services:				
Emergency services	816,847			816,847
Back to School	326,912			326,912
Sunshine Resale Shop	277,854			277,854
JobNet	127,561			127,561
Jingle Bell Express	57,068			57,068
Martha's Way	35,944			35,944
Louise J. Moran Vision Care	<u>57,346</u>			<u>57,346</u>
Total program services	1,699,532			1,699,532
Supporting services:				
Management and general	143,746			143,746
Fundraising	<u>92,037</u>			<u>92,037</u>
Total operating expenses	<u>1,935,315</u>			<u>1,935,315</u>
CHANGES IN NET ASSETS FROM OPERATIONS	55,266	(49,959)		5,307
OTHER CHANGES IN NET ASSETS:				
Endowment contributions			\$ 12,000	12,000
Endowment investment return <i>(Note 5)</i>	<u>7,367</u>	<u>35,532</u>		<u>42,899</u>
CHANGES IN NET ASSETS	62,633	(14,427)	12,000	60,206
Reclassification of net assets <i>(Note 10)</i>	(240,558)	240,558		
Net assets, beginning of year	<u>1,820,513</u>	<u>192,459</u>	<u>170,034</u>	<u>2,183,006</u>
Net assets, end of year	<u>\$ 1,642,588</u>	<u>\$ 418,590</u>	<u>\$ 182,034</u>	<u>\$ 2,243,212</u>

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statements of Cash Flows for the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 26,046	\$ 60,206
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	46,058	42,925
Net realized and unrealized (gain) loss on investments	156,585	(27,219)
Contributions restricted for permanent endowment	(6,222)	(12,000)
Changes in operating assets and liabilities:		
Inventory	4,343	(7,142)
Prepaid expenses and other assets	(19,116)	(87)
Pledges receivable	(40,138)	17,870
Accounts payable and accrued expenses	<u>1,466</u>	<u>(33)</u>
Net cash provided by operating activities	<u>169,022</u>	<u>74,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(27,445)	(667,323)
Proceeds from sales of investments		550,896
Net change in money market investments	10,472	(10,815)
Net change in certificates of deposit	(17,156)	139,266
Purchases of property	<u>(13,453)</u>	<u>(20,588)</u>
Net cash used by investing activities	<u>(47,582)</u>	<u>(8,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for permanent endowment	<u>6,222</u>	<u>12,000</u>
Net cash provided by financing activities	<u>6,222</u>	<u>12,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	127,662	77,956
Cash and cash equivalents, beginning of year	<u>485,956</u>	<u>408,000</u>
Cash and cash equivalents, end of year	<u>\$ 613,618</u>	<u>\$ 485,956</u>

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Functional Expenses for the year ended December 31, 2008

<u>EXPENSES</u>	<u>EMERGENCY SERVICES</u>	<u>BACK TO SCHOOL</u>	<u>SUNSHINE RESALE SHOP</u>	<u>JOBNET</u>	<u>JINGLE BELL EXPRESS</u>	<u>MARTHA'S WAY</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>GETHSEMANE FOOD PANTRY</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Direct assistance	\$ 466,099	\$ 296,190		\$ 3,103	\$ 22,909		\$ 23,350	\$ 40,524			\$ 852,175
Direct assistance for Hurricane Ike	125,714							74,096			199,810
Salaries and related costs	122,335	24,234	\$ 99,726	82,567	26,096	\$ 41,949	25,461	3,467	\$ 108,951	\$ 77,151	611,937
Occupancy	41,036	903	129,945	7,916	1,186		736	118	2,675		184,515
Repairs and maintenance	17,152	4,311	5,324	11,867	4,450	3,691	4,299	3,647	6,002	3,779	64,522
Depreciation	17,804	2,137	10,068	9,148	2,137		1,056		2,652	1,056	46,058
Supplies	11,131	3,252	4,549	7,148	1,606	4,868	1,619	2,881	3,242	5,139	45,435
Insurance	7,782	1,394	9,969	3,731	1,394	350	1,394	296	3,219	945	30,474
Professional and contract services	14,536	508	9,595	324	743			1,710	15,761	59	43,236
Printing and postage	2,039	1,093	3,934	990	626	1,145	605	513	1,485	6,477	18,907
Fees and licenses	2,037	698	5,311	1,869	707	881	705	90	4,315	1,325	17,938
Job skills instruction costs				3,300		7,950					11,250
Telephone	1,788	527	2,748	3,462	462		628		893		10,508
Other	<u>3,750</u>	<u>1,625</u>	<u>2,470</u>	<u>2,355</u>	<u>265</u>	<u>1,310</u>	<u>381</u>	<u>342</u>	<u>1,405</u>	<u>139</u>	<u>14,042</u>
Total	<u>\$ 833,203</u>	<u>\$ 336,872</u>	<u>\$ 283,639</u>	<u>\$ 137,780</u>	<u>\$ 62,581</u>	<u>\$ 62,144</u>	<u>\$ 60,234</u>	<u>\$ 127,684</u>	<u>\$ 150,600</u>	<u>\$ 96,070</u>	<u>\$2,150,807</u>

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Functional Expenses for the year ended December 31, 2007

<u>EXPENSES</u>	<u>EMERGENCY SERVICES</u>	<u>BACK TO SCHOOL</u>	<u>SUNSHINE RESALE SHOP</u>	<u>JOBNET</u>	<u>JINGLE BELL EXPRESS</u>	<u>MARTHA'S WAY</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Direct assistance	\$ 597,639	\$ 288,988			\$ 22,343		\$ 23,259			\$ 932,229
Salaries and related costs	111,849	24,548	\$ 97,671	\$ 80,034	23,203	\$ 17,802	25,254	\$ 99,997	\$ 74,227	554,585
Occupancy	39,770	645	120,042	7,006	637		724	2,346		171,170
Repairs and maintenance	11,263	504	6,012	5,053	657		479	2,111	196	26,275
Depreciation	17,348	2,136	10,069	6,472	2,136		1,056	2,652	1,056	42,925
Supplies	12,020	4,253	9,698	10,662	2,936	3,565	2,662	6,411	6,371	58,578
Insurance	6,456	1,548	9,129	2,803	1,548	448	1,476	3,022	1,183	27,613
Professional and contract services	12,320	439	10,466	1,003	1,411	144	113	19,212	125	45,233
Printing and postage	3,107	1,594	4,421	1,291	715	1,416	561	1,238	7,383	21,726
Fees and licenses	1,648	599	5,345	1,042	582	5,271	596	3,333	1,204	19,620
Job skills instruction costs				2,460		6,270				8,730
Telephone	1,889	564	3,136	3,778	579		563	944		11,453
Other	<u>1,538</u>	<u>1,094</u>	<u>1,865</u>	<u>5,957</u>	<u>321</u>	<u>1,028</u>	<u>603</u>	<u>2,480</u>	<u>292</u>	<u>15,178</u>
Total	<u>\$ 816,847</u>	<u>\$ 326,912</u>	<u>\$ 277,854</u>	<u>\$ 127,561</u>	<u>\$ 57,068</u>	<u>\$ 35,944</u>	<u>\$ 57,346</u>	<u>\$ 143,746</u>	<u>\$ 92,037</u>	<u>\$ 1,935,315</u>

See accompanying notes to consolidated financial statements.

Christian Community Service Center, Inc. and Christian Community Service Center Memorial Endowment

Notes to Consolidated Financial Statements for the years ended December 31, 2008 and 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Christian Community Service Center, Inc. (the Center) is an ecumenical, nonprofit corporation organized by member churches in the Houston area to provide food and services to people in need in the midtown and southwest Houston community. The Center provides services to the community through the following programs:

- *Emergency Services (ES)* provides food, clothing, financial assistance and referrals to residents of 23 zip code areas of Houston. Financial assistance is targeted to help with a family's rent, utilities, prescriptions or other medical needs. Services were provided to 15,050 persons in crisis during 2008.
- *Back to School* program provides disadvantaged students with grade-appropriate school supplies, new clothing and gently used clothing at the start of each school year. A total of 7,995 students received assistance in 2008.
- *Sunshine Resale Shop* sells donated used clothing, furniture and household items at a substantially reduced price to families in need served by CCSC and others in the community.
- *JobNet* assists the unemployed to conduct an effective job search through career counseling/coaching, computer classes, job leads, access to office equipment and interviewing clothes to local area residents. Services were provided to 472 unemployed/underemployed job seekers in 2008.
- *Jingle Bell Express* collects, purchases, and provides food, toys, and books to needy local area families during the Christmas holiday season. A total of 3,132 children were aided through this program with 987 families receiving holiday food packages.
- *Martha's Way* is a 42 hour curriculum that teaches women to become small business owners in the field of domestic housecleaning. 77 students were aided on their road to vocational success in 2008. A total of 48 students completed the training and 101 job contracts were secured through CCSC connections.
- *Louise J. Moran Vision Care* program provides eyesight screening, professional eye exams and glasses to children free of charge. In 2008, approximately 313 children benefited from the program with 284 of them receiving new prescription glasses.
- *Gethsemane Food Pantry* was established in August 2008 to help residents of four additional zip codes. Open two days per week, the pantry provided assistance for 4,950 persons from 1,220 households. Of those clients, 52% were children, and 60% of these households included one or more employed adults.

Christian Community Service Center Memorial Endowment (the Endowment) was created in 1998 to provide financial support for the programs of the Center. The majority of the Endowment's board of directors are appointed by the board of directors of the Center.

Basis of consolidation – These financial statements include the consolidated statements of financial position, of activities, of cash flows and of functional expenses for the Center and the Endowment (collectively CCSC). All balances and transactions between the consolidated entities have been eliminated.

Operating revenue and expenses – CCSC reports activities related to its endowment, except for endowment investment return approved by the endowment Board of Directors for operating purposes, separate from other revenues and expenses. Revenue and expenses except those in the endowment are reported as operating.

Federal tax status – The Center and the Endowment are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. The Center is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Endowment is classified as a Type I supporting organization under §509(a)(3).

Cash equivalents include highly liquid financial instruments with original maturities of three months or less.

Inventory is carried at the lower of cost or market. Donated resale shop merchandise is valued at estimated fair value at the time of the donation.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows.

Investments in marketable securities are recorded at fair value. Investment return includes interest, dividends, and realized and unrealized gains and losses, net of investment management fees. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of income is limited by donor imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Property is recorded at cost if purchased or at fair value at the date of gift if donated. CCSC capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 40 years.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or future time periods. When a donor restriction expires, that is, when a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return is available to purchase clothing and support the operations of CCSC.

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support.

Donated materials, use of facilities and services are recorded at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles.

Resale shop sales are recognized at the time of sale.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2008</u>	<u>2007</u>
Money market mutual funds	\$ 423,816	\$ 409,384
Demand deposits	<u>189,802</u>	<u>76,572</u>
Total cash and cash equivalents	<u>\$ 613,618</u>	<u>\$ 485,956</u>

At times, bank deposits exceed the federally insured limit per depositor per institution.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are comprised of the following:

	<u>2008</u>	<u>2007</u>
Pledges receivable	\$ 176,495	\$ 141,439
Discount to net present value at 4%	<u>(6,526)</u>	<u>(11,608)</u>
Pledges receivable, net	<u>\$ 169,969</u>	<u>\$ 129,831</u>

Pledges receivable at December 31, 2008 are due to be collected as follows:

2009	\$ 106,495
2010	35,000
2011	<u>35,000</u>
Total pledges receivable	<u>\$ 176,495</u>

NOTE 4 – FAIR VALUE MEASUREMENTS

Effective January 1, 2008, CCSC adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). Fair value is the price that would be received to sell assets or paid to transfer a liability in an orderly transaction between market participants at the reporting date. SFAS 157 establishes a three-tier hierarchy that prioritizes the assumptions, referred to as inputs, used in valuation techniques to measure fair value.

The three levels of the fair value hierarchy defined by SFAS 157 are as follows:

- *Level 1* – Pricing inputs include quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Pricing inputs other than quoted prices included in Level 1, that are either directly observable or that can be derived from or corroborated by observable market data as of the reporting date.
- *Level 3* – Pricing inputs include those that are unobservable for the asset or liability and reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

Estimated fair value for Level 3 assets is based on valuations provided by the fund managers and on the audited financial statements, presented at fair value as of December 31, 2008, of the nonprofit foundation that holds the pooled investments of which the Center holds a share. The pooled investments are managed by fund managers and are invested in domestic and international equities and debt securities traded in public markets. The Center’s investment in this pooled fund is calculated based on the percentage of total shares held by the Center, applied to the total net asset value of the pooled fund.

The valuation methods may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis at December 31, 2008:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments			\$ 422,463	\$ 422,463
Money market mutual funds held as cash equivalents	\$ 423,816	_____	_____	423,816
Total	<u>\$ 423,816</u>	<u>\$ _____</u>	<u>\$ 422,463</u>	<u>\$ 846,279</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

January 1, 2008	\$ 562,075
Contributions	6,222
Interest and dividends	10,751
Net unrealized loss	<u>(156,585)</u>
December 31, 2008	<u>\$ 422,463</u>

NOTE 5 – INVESTMENTS

Investments consist of CCSC's share of a pooled investment portfolio managed by an ecumenical, nonprofit foundation. The pooled investments are managed by fund managers and are invested in domestic and international equities and debt securities traded in public markets. Investments consist of the following:

	<u>2008</u>	<u>2007</u>
Fixed income mutual fund	\$ 197,217	\$ 194,765
Equity mutual fund	155,358	241,916
International mutual fund	67,695	112,729
Money market fund	<u>2,193</u>	<u>12,665</u>
Total investments	<u>\$ 422,463</u>	<u>\$ 562,075</u>

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return including earnings on cash and cash equivalents consists of the following:

	<u>2008</u>	<u>2007</u>
Net realized and unrealized gain (loss)	\$ (156,585)	\$ 27,219
Interest and dividends	<u>37,880</u>	<u>54,698</u>
Total investment return	<u>\$ (118,705)</u>	<u>\$ 81,917</u>

Investment management and custodial fees of .70% of the Center's average monthly fund assets are deducted from the Center's share of investment return of the total portfolio.

NOTE 6 – PROPERTY

Property consists of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 179,600	\$ 179,600
Buildings and leasehold improvements	676,542	676,542
Equipment	207,427	193,974
Vehicles	<u>22,843</u>	<u>22,843</u>
Total property, at cost	1,086,412	1,072,959
Accumulated depreciation	<u>(455,890)</u>	<u>(409,832)</u>
Property, net	<u>\$ 630,522</u>	<u>\$ 663,127</u>

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets include the following:

	<u>2008</u>	<u>2007</u>
Undesignated	\$ 978,932	\$ 877,636
Property and equipment	630,522	663,127
Designated by the board for the Endowment	<u>68,149</u>	<u>101,825</u>
Total unrestricted net assets	<u>\$ 1,677,603</u>	<u>\$ 1,642,588</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Gethsemane Food Pantry	\$ 114,639	
Louise J. Moran Vision Care	98,474	\$ 128,392
Hurricane Ike	20,737	
Emergency services		9,582
Direct assistance – blankets and clothing		7,939
Accumulated earnings on general endowment available for operations	<u>169,549</u>	<u>272,677</u>
Total temporarily restricted net assets	<u>\$ 403,399</u>	<u>\$ 418,590</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	<u>2008</u>	<u>2007</u>
General endowment	\$ 130,081	\$ 123,859
Freeman endowment for blankets and clothing	<u>58,175</u>	<u>58,175</u>
Total permanently restricted net assets	<u>\$ 188,256</u>	<u>\$ 182,034</u>

NOTE 10 – ENDOWMENT

During 2008, CCSC adopted FASB Staff Position No. 117-1 (FSP 117-1), which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. Additionally, it provides expanded disclosures about an organization's donor-restricted endowment funds and board-designated endowment funds.

The Endowment was established for the purpose of assisting the Center in meeting its operating needs. The Board of Directors of the Endowment has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Endowment classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, and (c) accumulation to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Endowment considers the following factors in making a determination to appropriate accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Endowment

Endowment net asset composition as of December 31, 2008 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor restricted endowment funds	\$ (9,986)	\$ 169,549	\$ 188,256	\$ 347,819
Board designated general endowment funds	<u>78,135</u>	<u> </u>	<u> </u>	<u>78,135</u>
Endowment net assets	<u>\$ 68,149</u>	<u>\$ 169,549</u>	<u>\$ 188,256</u>	<u>\$ 425,954</u>

Endowment net asset composition as of December 31, 2007 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor restricted endowment funds		\$ 280,616	\$ 182,034	\$ 462,650
Board designated general endowment funds	<u>\$ 101,825</u>	<u> </u>	<u> </u>	<u>101,825</u>
Endowment net assets	<u>\$ 101,825</u>	<u>\$ 280,616</u>	<u>\$ 182,034</u>	<u>\$ 564,475</u>

Changes in Endowment net assets are as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, January 1, 2007	\$ 256,558	\$ 4,526	\$ 170,034	\$ 431,118
Net asset reclassification based on change in law	<u>(240,558)</u>	<u>240,558</u>	<u> </u>	<u> </u>
Endowment net assets after reclassification	<u>16,000</u>	<u>245,084</u>	<u>170,034</u>	<u>431,118</u>
Investment return:				
Investment income	2,969	15,363		18,332
Net realized and unrealized gain	<u>4,398</u>	<u>22,821</u>		<u>27,219</u>
Total investment return	<u>7,367</u>	<u>38,184</u>		<u>45,551</u>
Contributions	83,300		12,000	95,300
Appropriation for distribution	<u>(4,842)</u>	<u>(2,652)</u>	<u> </u>	<u>(7,494)</u>
Endowment net assets, December 31, 2007	<u>101,825</u>	<u>280,616</u>	<u>182,034</u>	<u>564,475</u>
Investment return:				
Investment income	2,206	11,144		13,350
Net realized and unrealized loss	<u>(35,882)</u>	<u>(120,703)</u>		<u>(156,585)</u>
Total investment return	<u>(33,676)</u>	<u>(109,559)</u>		<u>(143,235)</u>
Contributions			6,222	6,222
Appropriation for distribution	<u> </u>	<u>(1,508)</u>	<u> </u>	<u>(1,508)</u>
Endowment net assets, December 31, 2008	<u>\$ 68,149</u>	<u>\$ 169,549</u>	<u>\$ 188,256</u>	<u>\$ 425,954</u>

Investment Policies and Strategy

The purpose of the Endowment is to provide long-term financial support to the Center. Accordingly, the Endowment's strategic asset allocation is based on this long-term perspective.

The Board recognizes the difficulty of achieving the Endowment's investment objectives in light of the uncertainties and complexities of investment markets. It also recognizes that some risk must be assumed to achieve long-term investment objectives. The target performance objective is that, over a complete market cycle, the overall annualized total return should outperform their relevant benchmarks. Performance objectives have been based upon the assumption that future rates of return will approximate historical rates of return experienced for various assets classes. The Board realizes that market performance varies and that a real rate of return may not be achievable during short-term periods.

Spending Policy

The Endowment's objective is asset preservation until the general endowment fund has exceeded \$1,000,000. However, in the event that the Center is unable to fulfill their current mission, the Board may authorize distributions to meet the Center's objectives. The Freeman Endowment distributes income only on a quarterly basis to provide warm clothing for the needy. These policies are consistent with the organization's objective to maintain the purchasing power of the investments held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

NOTE 11 – LEASES

The Center has noncancellable operating leases for its resale shop and for certain office equipment. Future minimum lease payments are as follows:

2009	\$ 98,603
2010	98,123
2011	97,963
2012	<u>97,963</u>
Total	<u>\$ 392,652</u>

Total rent expense was approximately \$113,000 in 2008 and \$105,000 in 2007.

NOTE 12 – CONTRIBUTED SERVICES AND MATERIALS

The majority of food distributed by CCSC is received by contribution from donors and from food provided by the Houston Food Bank for an administrative fee only. The estimated fair value of these contributions is recorded in the financial statements as contribution revenue and program expense. The estimated fair value of food donated by the Houston Food Bank is based on cost provided by the Houston Food Bank. All other donated food is valued based on an average fair value per standard bag of food distributed. Donated clothing is used in CCSC's Emergency services and Back to School programs and valued based on an estimated fair value per item of clothing distributed. The total value of contributed food was \$314,698 in 2008 and \$227,940 in 2007. The total value of contributed clothing was \$160,058 in 2008 and \$97,124 in 2007.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and clerical support for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles. The estimated hours contributed as volunteer services approximated 40,000 in 2008 and 32,000 hours in 2007.

NOTE 13 – EMPLOYEE BENEFIT PLANS

CCSC maintains a defined contribution 403(b) Plan. After one year of service, CCSC contributes 3% of each qualified employees' salary to the plan and also matches 50% of employee contributions up to 2% of compensation. Employees are fully-vested in the Center's contributions immediately. The Center contributed approximately \$17,000 and \$12,000 to the plan in 2008 and 2007, respectively.
