

**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, 2009 and 2008

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, 2009 and 2008 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, 2009 and 2008 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.

Blazek & Vetterling

July 19, 2010

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

Consolidated Statements of Financial Position as of December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents <i>(Notes 2 and 5)</i>	\$ 727,043	\$ 613,618
Certificates of deposit	400,000	394,000
Inventory	74,245	47,387
Prepaid expenses and other assets	8,468	27,763
Pledges receivable, net <i>(Note 3)</i>	124,613	169,969
Investments <i>(Notes 4 and 5)</i>	862,400	422,463
Property, net <i>(Note 6)</i>	<u>606,889</u>	<u>630,522</u>
TOTAL ASSETS	<u>\$ 2,803,658</u>	<u>\$ 2,305,722</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 27,907</u>	<u>\$ 36,464</u>
Net assets:		
Unrestricted <i>(Note 7)</i>	2,172,014	1,677,603
Temporarily restricted <i>(Note 8)</i>	413,628	403,399
Permanently restricted <i>(Notes 9 and 10)</i>	<u>190,109</u>	<u>188,256</u>
Total net assets	<u>2,775,751</u>	<u>2,269,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,803,658</u>	<u>\$ 2,305,722</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, 2009

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:				
Contributions (Note 12)	\$ 1,663,365	\$ 508,019		\$ 2,171,384
Special event	125,106			125,106
Direct donor benefit costs	(27,788)			(27,788)
Sunshine resale shop sales	396,320			396,320
Operating investment return (Note 4)	<u>5,283</u>	<u>1,674</u>		<u>6,957</u>
Total operating revenue	2,162,286	509,693		2,671,979
Net assets released from restrictions:				
Program expenditures	<u>602,990</u>	<u>(602,990)</u>		<u> </u>
Total	<u>2,765,276</u>	<u>(93,297)</u>		<u>2,671,979</u>
OPERATING EXPENSES:				
Program services:				
Emergency Services	1,102,842			1,102,842
Gethsemane Food Pantry	393,369			393,369
Back to School	296,063			296,063
Sunshine Resale Shop	264,592			264,592
JobNet	107,532			107,532
Martha's Way	89,096			89,096
Jingle Bell Express	65,063			65,063
Louise J. Moran Vision Care	<u>56,060</u>			<u>56,060</u>
Total program services	2,374,617			2,374,617
Supporting services:				
Management and general	157,178			157,178
Fundraising	<u>95,802</u>			<u>95,802</u>
Total operating expenses	<u>2,627,597</u>			<u>2,627,597</u>
CHANGES IN NET ASSETS FROM OPERATIONS	137,679	(93,297)		44,382
OTHER CHANGES IN NET ASSETS:				
Contributions to Endowment	318,847		\$ 1,853	320,700
Endowment investment return (Note 4)	<u>37,885</u>	<u>103,526</u>		<u>141,411</u>
CHANGES IN NET ASSETS	494,411	10,229	1,853	506,493
Net assets, beginning of year	<u>1,677,603</u>	<u>403,399</u>	<u>188,256</u>	<u>2,269,258</u>
Net assets, end of year	<u>\$ 2,172,014</u>	<u>\$ 413,628</u>	<u>\$ 190,109</u>	<u>\$ 2,775,751</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 4</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
Gethsemane Food Pantry	127,684			127,684
Back to School	336,872			336,872
Sunshine Resale Shop	283,639			283,639
JobNet	137,780			137,780
Martha's Way	62,144			62,144
Jingle Bell Express	62,581			62,581
Louise J. Moran Vision Care	<u>60,234</u>			<u>60,234</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:				
Contributions to Endowment			\$ 6,222	6,222
Endowment investment return (<i>Note 4</i>)	<u>(33,676)</u>	<u>(111,067)</u>	<u> </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 Statements of Cash Flows for the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 506,493	\$ 26,046
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	42,721	46,058
Net realized and unrealized (gain) loss on investments	(129,373)	156,585
Contributions restricted for permanent endowment	(1,853)	(6,222)
Changes in operating assets and liabilities:		
Inventory	(26,858)	4,343
Prepaid expenses and other assets	19,295	(19,116)
Pledges receivable	45,356	(40,138)
Accounts payable and accrued expenses	<u>(8,557)</u>	<u>1,466</u>
Net cash provided by operating activities	<u>447,224</u>	<u>169,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(351,262)	(27,445)
Proceeds from sales of investments	165,650	
Net change in money market investments	(124,952)	10,472
Net change in certificates of deposit	(6,000)	(17,156)
Purchases of property	<u>(19,088)</u>	<u>(13,453)</u>
Net cash used by investing activities	<u>(335,652)</u>	<u>(47,582)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for permanent endowment	<u>1,853</u>	<u>6,222</u>
Net cash provided by financing activities	<u>1,853</u>	<u>6,222</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	113,425	127,662
Cash and cash equivalents, beginning of year	<u>613,618</u>	<u>485,956</u>
Cash and cash equivalents, end of year	<u>\$ 727,043</u>	<u>\$ 613,618</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, 2009

<u>EXPENSES</u>	<u>EMERGENCY SERVICES</u>	<u>GETHSEMANE FOOD PANTRY</u>	<u>BACK TO SCHOOL</u>	<u>SUNSHINE RESALE SHOP</u>	<u>JOBNET</u>	<u>MARTHA'S WAY</u>	<u>JINGLE BELL EXPRESS</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 782,618	\$ 330,631	\$ 261,096		\$ 3,184		\$ 32,418	\$ 26,402			\$1,436,349
Salaries and related costs	112,310	38,466	23,814	\$ 87,538	64,111	\$ 66,197	22,827	22,827	\$ 118,063	\$ 79,060	635,213
Occupancy	35,415	6,740	521	126,523	4,127	441	1,167	471	1,522		176,927
Direct assistance for Hurricane Ike	105,965										105,965
Supplies	6,132	5,950	3,146	5,007	5,496	8,332	1,532	1,221	3,665	6,181	46,662
Professional and contract services	8,715	7,299	287	10,293	1,078		772		15,666		44,110
Depreciation	17,494	14	1,693	9,616	8,752	14	1,693	613	2,228	604	42,721
Repairs and maintenance	16,374	1,141	921	2,621	5,184	1,320	925	819	2,983	72	32,360
Insurance	8,392	278	1,492	10,470	3,923	278	1,492	1,492	3,255	835	31,907
Printing and postage	1,910	915	1,338	2,794	1,007	930	1,024	806	2,061	7,883	20,668
Fees and licenses	2,018	675	594	5,416	1,685	1,028	575	585	5,410	1,079	19,065
Telephone	2,008	384	452	2,902	3,990	139	387	442	1,058		11,762
Job skills instruction costs					2,298	7,984					10,282
Other	<u>3,491</u>	<u>876</u>	<u>709</u>	<u>1,412</u>	<u>2,697</u>	<u>2,433</u>	<u>251</u>	<u>382</u>	<u>1,267</u>	<u>88</u>	<u>13,606</u>
Total	<u>\$1,102,842</u>	<u>\$ 393,369</u>	<u>\$ 296,063</u>	<u>\$ 264,592</u>	<u>\$ 107,532</u>	<u>\$ 89,096</u>	<u>\$ 65,063</u>	<u>\$ 56,060</u>	<u>\$ 157,178</u>	<u>\$ 95,802</u>	<u>\$2,627,597</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>GETHSEMANE FOOD PANTRY</u>	<u>BACK TO SCHOOL</u>	<u>SUNSHINE RESALE SHOP</u>	<u>JOBNET</u>	<u>MARTHA'S WAY</u>	<u>JINGLE BELL EXPRESS</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 466,099	\$ 40,524	\$ 296,190		\$ 3,103		\$ 22,909	\$ 23,350			\$ 852,175
Salaries and related costs	122,335	3,467	24,234	\$ 99,726	82,567	\$ 41,949	26,096	25,461	\$ 108,951	\$ 77,151	611,937
Occupancy	41,036	118	903	129,945	7,916		1,186	736	2,675		184,515
Direct assistance for Hurricane Ike	125,714	74,096									199,810
Supplies	11,131	2,881	3,252	4,549	7,148	4,868	1,606	1,619	3,242	5,139	45,435
Professional and contract services	14,536	1,710	508	9,595	324		743		15,761	59	43,236
Depreciation	17,804		2,137	10,068	9,148		2,137	1,056	2,652	1,056	46,058
Repairs and maintenance	17,152	3,647	4,311	5,324	11,867	3,691	4,450	4,299	6,002	3,779	64,522
Insurance	7,782	296	1,394	9,969	3,731	350	1,394	1,394	3,219	945	30,474
Printing and postage	2,039	513	1,093	3,934	990	1,145	626	605	1,485	6,477	18,907
Fees and licenses	2,037	90	698	5,311	1,869	881	707	705	4,315	1,325	17,938
Telephone	1,788		527	2,748	3,462		462	628	893		10,508
Job skills instruction costs					3,300	7,950					11,250
Other	<u>3,750</u>	<u>342</u>	<u>1,625</u>	<u>2,470</u>	<u>2,355</u>	<u>1,310</u>	<u>265</u>	<u>381</u>	<u>1,405</u>	<u>139</u>	<u>14,042</u>
Total	<u>\$ 833,203</u>	<u>\$ 127,684</u>	<u>\$ 336,872</u>	<u>\$ 283,639</u>	<u>\$ 137,780</u>	<u>\$ 62,144</u>	<u>\$ 62,581</u>	<u>\$ 60,234</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

Notes to Consolidated Financial Statements for the years ended December 31, 2009 and 2008

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 22,365 persons in crisis during 2009.
- *Gethsemane Food Pantry* expanded to three days of operation in 2009, working to address hunger in the southwest Houston community. In 2009, the pantry provided assistance for 18,380 persons from 4,723 households. Of those served, 51% of client households included one or more employed adults.
- *Back to School* program provides disadvantaged students with grade-appropriate school supplies, new and gently used clothing at the start of each school year. A total of 6,036 students received assistance in 2009.
- *Sunshine Resale Shop* sells donated used clothing, furniture and household items at a substantially reduced price to families in need served by the Center 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 509 unemployed/underemployed job seekers in 2009.
- *Martha's Way* is a 42-hour curriculum that teaches women to become small business owners in the field of domestic housecleaning. 131 students were aided on their road to vocational success in 2009. A total of 87 students completed the training and 58 job contracts were secured through the Center's connections.
- *Jingle Bell Express* collects, purchases, and provides food, toys, and books to needy local area families during the Christmas holiday season. A total of 3,083 children were aided through this program with 948 families receiving holiday food packages.
- *Louise J. Moran Vision Care* partnered with local elementary schools to provide screening service to 1,659 children. A total of 393 students then benefited from professional eye exams at University Eye Institute, with 347 receiving new prescription glasses.

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, including bequest contributions that are transferred from the Center, separate from other revenue and expenses. Endowment investment return approved by the Endowment Board of Directors for Center operations are recorded as operating revenue. Revenue and expenses, except those in the Endowment, are reported as operating.

Federal income 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.

Certificates of deposit are non-negotiable bank certificates that are recorded at face value.

Inventory is carried at the lower of cost or fair value. 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 are recorded at fair value. 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.

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>2009</u>	<u>2008</u>
Money market mutual funds	\$ 569,795	\$ 423,816
Demand deposits	<u>157,248</u>	<u>189,802</u>
Total cash and cash equivalents	<u>\$ 727,043</u>	<u>\$ 613,618</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>2009</u>	<u>2008</u>
Pledges receivable	\$ 127,254	\$ 176,495
Discount to net present value at 4%	<u>(2,641)</u>	<u>(6,526)</u>
Pledges receivable, net	<u>\$ 124,613</u>	<u>\$ 169,969</u>

Pledges receivable at December 31, 2009 are due to be collected as follows:

2010	\$ 92,254
2011	<u>35,000</u>
Total pledges receivable	<u>\$ 127,254</u>

NOTE 4 – 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>2009</u>	<u>2008</u>
Pooled investment funds:		
Domestic equity fund	\$ 347,888	\$ 155,358
Fixed income fund	240,060	197,217
International equity fund	147,307	67,695
Money market fund	<u>127,145</u>	<u>2,193</u>
Total investments	<u>\$ 862,400</u>	<u>\$ 422,463</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 includes earnings on cash and cash equivalents and consists of the following:

	<u>2009</u>	<u>2008</u>
Net realized and unrealized gain (loss)	\$ 129,373	\$ (156,585)
Interest and dividends	<u>18,995</u>	<u>37,880</u>
Total investment return	<u>\$ 148,368</u>	<u>\$ (118,705)</u>

Investment management and custodial fees of .62% of CCSC's average monthly fund assets are deducted from CCSC's share of investment return of the total portfolio.

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted 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* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2009 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Pooled investment funds		\$ 862,400		\$ 862,400
Money market mutual funds	<u>\$ 569,795</u>	_____	_____	<u>569,795</u>
Total assets measured at fair value	<u>\$ 569,795</u>	<u>\$ 862,400</u>	<u>\$ 0</u>	<u>\$ 1,432,195</u>

Assets measured at fair value at December 31, 2008 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Pooled investment funds		\$ 422,463		\$ 422,463
Money market mutual funds	<u>\$ 423,816</u>	_____	_____	<u>423,816</u>
Total assets measured at fair value	<u>\$ 423,816</u>	<u>\$ 422,463</u>	<u>\$ 0</u>	<u>\$ 846,279</u>

Valuation methods used for assets measured at fair value are as follows:

- *Pooled investment funds* are valued at net asset values provided by the fund management and derived from the audited financial statements of the nonprofit foundation that holds the pooled investments.
- *Mutual funds* are valued at the reported net asset value.

These 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 CCSC 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.

NOTE 6 – PROPERTY

Property consists of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 179,600	\$ 179,600
Buildings and leasehold improvements	687,794	676,542
Equipment	215,263	207,427
Vehicles	<u>22,843</u>	<u>22,843</u>
Total property, at cost	1,105,500	1,086,412
Accumulated depreciation	<u>(498,611)</u>	<u>(455,890)</u>
Property, net	<u>\$ 606,889</u>	<u>\$ 630,522</u>

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets include the following:

	<u>2009</u>	<u>2008</u>
Undesignated	\$ 1,141,918	\$ 978,932
Property and equipment	606,889	630,522
Designated by the board for the Endowment	<u>423,207</u>	<u>68,149</u>
Total unrestricted net assets	<u>\$ 2,172,014</u>	<u>\$ 1,677,603</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Accumulated earnings on general endowment	\$ 270,118	\$ 169,549
Louise J. Moran Vision Care	67,359	98,474
Gethsemane Food Pantry	51,606	114,639
Martha's Way	21,588	
Accumulated earnings on Freeman endowment for blankets and clothing	2,957	
Other		<u>20,737</u>
Total temporarily restricted net assets	<u>\$ 413,628</u>	<u>\$ 403,399</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
General endowment	\$ 131,934	\$ 130,081
Freeman endowment for blankets and clothing	<u>58,175</u>	<u>58,175</u>
Total permanently restricted net assets	<u>\$ 190,109</u>	<u>\$ 188,256</u>

NOTE 10 – ENDOWMENT

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 the original value of all gifts donated to the Endowment. 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 funds
- 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, 2009 is as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds		\$ 273,075	\$ 190,109	\$ 463,184
Board-designated general endowment funds	<u>\$ 423,207</u>	_____	_____	<u>423,207</u>
Endowment net assets	<u>\$ 423,207</u>	<u>\$ 273,075</u>	<u>\$ 190,109</u>	<u>\$ 886,391</u>

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

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>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>78,135</u>
Endowment net assets	<u>\$ 68,149</u>	<u>\$ 169,549</u>	<u>\$ 188,256</u>	<u>\$ 425,954</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, 2008	<u>\$ 101,825</u>	<u>\$ 280,616</u>	<u>\$ 182,034</u>	<u>\$ 564,475</u>
Investment return:				
Interest and dividends	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>(1,508)</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 return:				
Interest and dividends	2,237	9,801		12,038
Net realized and unrealized gain	<u>33,974</u>	<u>95,399</u>		<u>129,373</u>
Total investment return	<u>36,211</u>	<u>105,200</u>		<u>141,411</u>
Contributions/transfer from Center	318,847		1,853	320,700
Appropriation for distribution	_____	<u>(1,674)</u>	_____	<u>(1,674)</u>
Endowment net assets, December 31, 2009	<u>\$ 423,207</u>	<u>\$ 273,075</u>	<u>\$ 190,109</u>	<u>\$ 886,391</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 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:

2010	\$ 98,603
2011	98,603
2012	98,603
2013	<u>320</u>
Total	<u>\$ 296,129</u>

Total rent expense was approximately \$123,000 in 2009 and \$113,000 in 2008.

NOTE 12 – CONTRIBUTED SERVICES AND MATERIALS

The majority of food distributed by the Center is received by contribution from donors and from food provided by a local food bank. 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 food bank is based on their cost as provided for each shipment. All other donated food is valued based on an average fair value per standard bag of food distributed. Donated clothing is used in the Center'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 \$763,729 in 2009 and \$314,698 in 2008. The total value of contributed clothing was \$185,987 in 2009 and \$160,058 in 2008.

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 43,000 in 2009 and 40,000 hours in 2008.

NOTE 13 – EMPLOYEE BENEFIT PLANS

The Center maintains a defined contribution §403(b) Plan. After one year of service, the Center 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 \$18,000 and \$17,000 to the plan in 2009 and 2008, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 19, 2010, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
