

**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, 2010 and 2009

**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, 2010 and 2009 and the related consolidated 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, 2010 and 2009 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 18, 2011

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

Consolidated Statements of Financial Position as of December 31, 2010 and 2009

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	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents ( <i>Notes 2 and 3</i> )	\$ 969,617	\$ 727,043
Certificates of deposit		400,000
Inventory	68,832	74,245
Prepaid expenses and other assets	8,422	8,468
Pledges receivable	61,588	124,613
Investments ( <i>Note 3</i> )	2,130,666	862,400
Property, net ( <i>Note 4</i> )	<u>578,309</u>	<u>606,889</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,817,434</u></b>	<b><u>\$ 2,803,658</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 26,757</u>	<u>\$ 27,907</u>
Net assets:		
Unrestricted ( <i>Note 5</i> )	3,164,909	2,172,014
Temporarily restricted ( <i>Note 6</i> )	428,899	413,628
Permanently restricted ( <i>Notes 7 and 8</i> )	<u>196,869</u>	<u>190,109</u>
Total net assets	<u>3,790,677</u>	<u>2,775,751</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,817,434</u></b>	<b><u>\$ 2,803,658</u></b>

*See accompanying notes to consolidated financial statements.*

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

Consolidated Statement of Activities for the year ended December 31, 2010

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING REVENUE:</b>				
Contributions ( <i>Note 10</i> )	\$ 1,685,173	\$ 472,114		\$ 2,157,287
Special event	144,828			144,828
Direct donor benefit costs	(27,930)			(27,930)
Sunshine resale shop sales	341,930			341,930
Operating investment return ( <i>Note 3</i> )	<u>5,183</u>	<u>35,667</u>		<u>40,850</u>
Total operating revenue	2,149,184	507,781		2,656,965
Net assets released from restrictions:				
Program expenditures	<u>589,996</u>	<u>(589,996)</u>		<u>                    </u>
Total	<u>2,739,180</u>	<u>(82,215)</u>		<u>2,656,965</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Emergency Services	1,048,158			1,048,158
Gethsemane Food Pantry	663,861			663,861
Back to School	325,806			325,806
Sunshine Resale Shop	269,746			269,746
JobNet	121,056			121,056
Martha's Way	97,909			97,909
Louise J. Moran Vision Care	62,990			62,990
Jingle Bell Express	<u>61,098</u>			<u>61,098</u>
Total program services	2,650,624			2,650,624
Supporting services:				
Management and general	147,226			147,226
Fundraising	<u>92,089</u>			<u>92,089</u>
Total operating expenses	<u>2,889,939</u>			<u>2,889,939</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	(150,759)	(82,215)		(232,974)
<b>OTHER CHANGES IN NET ASSETS:</b>				
Contributions to Endowment	1,012,343		\$ 6,760	1,019,103
Endowment investment return ( <i>Note 3</i> )	<u>131,311</u>	<u>97,486</u>		<u>228,797</u>
<b>CHANGES IN NET ASSETS</b>	992,895	15,271	6,760	1,014,926
Net assets, beginning of year	<u>2,172,014</u>	<u>413,628</u>	<u>190,109</u>	<u>2,775,751</u>
Net assets, end of year	<u>\$ 3,164,909</u>	<u>\$ 428,899</u>	<u>\$ 196,869</u>	<u>\$ 3,790,677</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>
<b>OPERATING REVENUE:</b>				
Contributions ( <i>Note 10</i> )	\$ 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 ( <i>Note 3</i> )	<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>
<b>OPERATING EXPENSES:</b>				
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
Louise J. Moran Vision Care	56,060			56,060
Jingle Bell Express	<u>65,063</u>			<u>65,063</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>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	137,679	(93,297)		44,382
<b>OTHER CHANGES IN NET ASSETS:</b>				
Contributions to Endowment	318,847		\$ 1,853	320,700
Endowment investment return ( <i>Note 3</i> )	<u>37,885</u>	<u>103,526</u>		<u>141,411</u>
<b>CHANGES IN NET ASSETS</b>	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 Statements of Cash Flows for the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 1,014,926	\$ 506,493
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	43,875	42,721
Net realized and unrealized gain on investments	(235,809)	(129,373)
Contributions restricted for permanent endowment	(6,760)	(1,853)
Changes in operating assets and liabilities:		
Inventory	5,413	(26,858)
Prepaid expenses and other assets	46	19,295
Pledges receivable	63,025	45,356
Accounts payable and accrued expenses	<u>(1,150)</u>	<u>(8,557)</u>
Net cash provided by operating activities	<u>883,566</u>	<u>447,224</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(1,550,611)	(351,262)
Proceeds from sales of investments	397,786	165,650
Net change in money market mutual funds	120,368	(124,952)
Net change in certificates of deposit	400,000	(6,000)
Purchases of property	<u>(15,295)</u>	<u>(19,088)</u>
Net cash used by investing activities	<u>(647,752)</u>	<u>(335,652)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for permanent endowment	<u>6,760</u>	<u>1,853</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>242,574</b>	<b>113,425</b>
Cash and cash equivalents, beginning of year	<u>727,043</u>	<u>613,618</u>
Cash and cash equivalents, end of year	<u>\$ 969,617</u>	<u>\$ 727,043</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, 2010

<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>LOUISE J. MORAN VISION CARE</u>	<u>JINGLE BELL EXPRESS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 838,527	\$ 591,739	\$ 288,388		\$ 2,744		\$ 30,837	\$ 26,189			\$1,778,424
Salaries and related costs	109,190	47,891	24,434	\$ 88,959	72,745	\$ 71,148	24,457	24,435	\$ 109,434	\$ 74,927	647,620
Occupancy	7,843	490	490	130,381	3,780	572	490	490	1,450		145,986
Professional and contract services	35,348	15,538	966	12,852	2,479	8,967		1,596	14,978		92,724
Supplies	6,054	3,305	4,633	3,544	12,024	12,202	1,556	1,972	2,444	3,389	51,123
Depreciation	18,207	266	1,963	6,622	9,596	254	996	1,963	3,047	961	43,875
Insurance	8,386	282	1,462	9,499	4,214	446	1,462	1,462	3,886	1,287	32,386
Repairs and maintenance	13,904	1,223	688	2,929	4,319	947	676	688	2,403	10	27,787
Printing and postage	2,091	1,044	1,599	3,981	1,143	1,277	968	1,132	1,417	9,924	24,576
Fees and licenses	1,943	768	588	6,135	3,546	1,063	595	599	5,843	1,094	22,174
Telephone	4,973	353	356	3,162	3,982	240	361	354	1,017	100	14,898
Other	1,692	962	239	1,682	484	793	592	218	1,307	397	8,366
<b>Total</b>	<b>\$1,048,158</b>	<b>\$ 663,861</b>	<b>\$ 325,806</b>	<b>\$ 269,746</b>	<b>\$ 121,056</b>	<b>\$ 97,909</b>	<b>\$ 62,990</b>	<b>\$ 61,098</b>	<b>\$ 147,226</b>	<b>\$ 92,089</b>	<b>\$2,889,939</b>

*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

EXPENSES	EMERGENCY SERVICES	GETHSEMANE FOOD PANTRY	BACK TO SCHOOL	SUNSHINE RESALE SHOP	JOBNET	MARTHA'S WAY	LOUISE J. MORAN VISION CARE	JINGLE BELL EXPRESS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Direct assistance	\$ 782,618	\$ 330,631	\$ 261,096		\$ 3,184		\$ 26,402	\$ 32,418			\$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	7,880	433	521	126,523	4,127	441	471	1,167	1,522		143,085
Professional and contract services	36,250	13,606	287	10,293	3,376	7,984		772	15,666		88,234
Supplies	6,132	5,950	3,146	5,007	5,496	8,332	1,221	1,532	3,665	6,181	46,662
Depreciation	17,494	14	1,693	9,616	8,752	14	613	1,693	2,228	604	42,721
Insurance	8,392	278	1,492	10,470	3,923	278	1,492	1,492	3,255	835	31,907
Repairs and maintenance	16,374	1,141	921	2,621	5,184	1,320	819	925	2,983	72	32,360
Printing and postage	1,910	915	1,338	2,794	1,007	930	806	1,024	2,061	7,883	20,668
Fees and licenses	2,018	675	594	5,416	1,685	1,028	585	575	5,410	1,079	19,065
Telephone	2,008	384	452	2,902	3,990	139	442	387	1,058		11,762
Direct assistance for Hurricane Ike	105,965										105,965
Other	<u>3,491</u>	<u>876</u>	<u>709</u>	<u>1,412</u>	<u>2,697</u>	<u>2,433</u>	<u>382</u>	<u>251</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>\$ 56,060</u>	<u>\$ 65,063</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**

Notes to Consolidated Financial Statements for the years ended December 31, 2010 and 2009

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### **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* provides food, clothing, financial assistance and referrals to residents of 24 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 22,577 persons in crisis during 2010 and 22,365 during 2009.
- *Gethsemane Food Pantry* expanded to three days of operation in 2009, working to address hunger in the southwest Houston community. In 2010, the pantry provided assistance for 21,831 persons from 5,547 households. Of those served, 55% of client households included one or more employed adults. In 2009, the pantry assisted 18,380 persons from 4,723 households.
- *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 6,160 and 6,036 students received assistance in 2010 and 2009, respectively.
- *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 375 and 509 unemployed/underemployed job seekers in 2010 and 2009, respectively.
- *Martha's Way* is a 42-hour curriculum that teaches women to become small business owners in the field of domestic housecleaning. Students totaling 158 in 2010 and 131 in 2009 were aided on their road to vocational success.
- *Louise J. Moran Vision Care* partnered with local elementary schools to provide screening services to 1,642 children. In 2010, 409 students then benefited from professional eye exams at University Eye Institute, with 373 receiving new prescription glasses. In 2009, 393 students benefited from professional eye exams at University Eye Institute with 347 receiving new prescription glasses.
- *Jingle Bell Express* collects, purchases, and provides food, toys, and books to needy local area families during the Christmas holiday season. In 2010, 3,224 children were aided through this program with 967 families receiving holiday food packages. In 2009, 3,083 children were aided through this program with 948 families receiving holiday food packages.

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 to the Endowment 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 reported at face value.

Inventory is reported 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 reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. At December 31, 2010, pledges receivable are due within one year.

Investments are reported at fair value. Investment return is recognized 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 recognized as an increase in temporarily restricted net assets.

Property is reported at cost if purchased or at fair value at the date of gift if donated. CCSC capitalizes all expenditures for property 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 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.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

## NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 901,146	\$ 157,248
Money market mutual funds	<u>68,471</u>	<u>569,795</u>
Total cash and cash equivalents	<u>\$ 969,617</u>	<u>\$ 727,043</u>

## NOTE 3 – INVESTMENTS AND 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, 2010 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
TPF Large-Cap Equity Fund (a)		\$ 801,561		\$ 801,561
TPF Short Duration Income Fund (b)		329,496		329,496
TPF Fixed Income Fund (c)		325,462		325,462
TPF International Equity Fund (d)		324,104		324,104
TPF Small-Cap Equity Fund (e)		237,589		237,589
TPF Emerging Markets Equity Fund (f)		105,677		105,677
TPF Money Market Mutual Fund	\$ 6,777	_____		6,777
Total investments measured at fair value	6,777	2,123,889		2,130,666
Money market mutual funds	68,471	_____		68,471
Total assets measured at fair value	<u>\$ 75,248</u>	<u>\$ 2,123,889</u>	<u>\$ 0</u>	<u>\$ 2,199,137</u>

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>
TPF Large-Cap Equity Fund (a)		\$ 270,245		\$ 270,245
TPF Fixed Income Fund (c)		240,060		240,060
TPF International Equity Fund (d)		107,246		107,246
TPF Small-Cap Equity Fund (e)		77,643		77,643
TPF Emerging Markets Equity Fund (f)		40,061		40,061
TPF Money Market Mutual Fund	\$ 127,145	_____		127,145
Total investments measured at fair value	127,145	735,255		862,400
Money market mutual funds	569,795	_____		569,795
Total assets measured at fair value	<u>\$ 696,940</u>	<u>\$ 735,255</u>	<u>\$ 0</u>	<u>\$ 1,432,195</u>

- (a) This fund is a broadly diversified portfolio of mostly U. S. and some international stocks that seeks to provide opportunities for long-term capital growth, while avoiding speculation and undue risk. Withdrawals may be made on the last business day of the month by written request with one day notice.
- (b) This fund is a diversified portfolio of high quality short-maturity government and corporate bonds, mortgages and other fixed income instruments seeking reasonable current yields consistent with safety of principal and low volatility. Withdrawals may be made on the last business day of the month by written request with one day notice.
- (c) This fund is an actively managed diversified bond portfolio with a total return strategy, designed to serve as the fixed income component for most permanent funds. Withdrawals may be made on the last business day of the month by written request with one day notice.
- (d) This fund is a broadly diversified portfolio of large, high quality non-U. S. companies that are either ordinary shares traded on securities exchanges around the world or American Depository Receipts traded on U. S. exchanges. Withdrawals may be made on the last business day of the month by written request with one day notice.

- (e) This fund is a blended-style portfolio of small U. S. companies allocated among managers with distinct growth, value and core strategies. Withdrawals may be made on the last business day of the month by written request with one day notice.
- (f) This fund is a broadly diversified portfolio of smaller companies in markets with greater political and economic instability, presenting more exposure to operational and liquidity risks than in developed countries, and with currency risks that are not easily hedged. Withdrawals may be made on the last business day of the month by written request with one day notice.

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 on a monthly basis and by the annual audited financial statements of the Texas Presbyterian Foundation (TPF), an ecumenical nonprofit foundation that holds and manages 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.

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>2010</u>	<u>2009</u>
Net realized and unrealized gain	\$ 235,809	\$ 129,373
Interest and dividends	<u>33,838</u>	<u>18,995</u>
Total investment return	<u>\$ 269,647</u>	<u>\$ 148,368</u>

Investment management and custodial fees of between .5% and .7% of CCSC's average monthly fund assets are deducted from CCSC's share of investment return of the total portfolio.

#### **NOTE 4 – PROPERTY**

Property consists of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 179,600	\$ 179,600
Buildings and leasehold improvements	687,794	687,794
Equipment	230,558	215,263
Vehicles	<u>22,843</u>	<u>22,843</u>
Total property, at cost	1,120,795	1,105,500
Accumulated depreciation	<u>(542,486)</u>	<u>(498,611)</u>
Property, net	<u>\$ 578,309</u>	<u>\$ 606,889</u>

**NOTE 5 – UNRESTRICTED NET ASSETS**

Unrestricted net assets include the following:

	<u>2010</u>	<u>2009</u>
Undesignated	\$ 1,019,738	\$ 1,141,918
Property, net	578,309	606,889
Designated by the board for the Endowment	<u>1,566,862</u>	<u>423,207</u>
Total unrestricted net assets	<u>\$ 3,164,909</u>	<u>\$ 2,172,014</u>

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Accumulated earnings on general endowment	\$ 360,362	\$ 270,118
Louise J. Moran Vision Care	35,000	67,359
Gethsemane Food Pantry		51,606
Martha's Way	23,338	21,588
Accumulated earnings on Freeman Fund for blankets and clothing	<u>10,199</u>	<u>2,957</u>
Total temporarily restricted net assets	<u>\$ 428,899</u>	<u>\$ 413,628</u>

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
General endowment	\$ 138,694	\$ 131,934
Freeman Fund for blankets and clothing	<u>58,175</u>	<u>58,175</u>
Total permanently restricted net assets	<u>\$ 196,869</u>	<u>\$ 190,109</u>

**NOTE 8 – ENDOWMENT**

The Endowment was established for the purpose of assisting the Center in meeting its operating needs and includes donor-restricted endowments and a board-designated endowment created by the Center. 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 the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as 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, 2010 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 370,561	\$ 196,869	\$ 567,430
Board-designated general endowment	<u>\$ 1,566,861</u>	_____	_____	<u>1,566,861</u>
Endowment net assets	<u>\$ 1,566,861</u>	<u>\$ 370,561</u>	<u>\$ 196,869</u>	<u>\$ 2,134,291</u>

Endowment net asset composition as of December 31, 2009 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 273,075	\$ 190,109	\$ 463,184
Board-designated general endowment	<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>

Changes in Endowment net assets are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, January 1, 2009	<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	318,847		1,853	320,700
Appropriation for distribution	_____	(1,674)	_____	(1,674)
Endowment net assets, December 31, 2009	<u>423,207</u>	<u>273,075</u>	<u>190,109</u>	<u>886,391</u>
Investment return:				
Interest and dividends	14,097	14,558		28,655
Net realized and unrealized gain	<u>117,214</u>	<u>118,595</u>		<u>235,809</u>
Total investment return	<u>131,311</u>	<u>133,153</u>		<u>264,464</u>
Contributions	1,012,343		6,760	1,019,103
Appropriation for distribution	_____	(35,667)	_____	(35,667)
Endowment net assets, December 31, 2010	<u>\$ 1,566,861</u>	<u>\$ 370,561</u>	<u>\$ 196,869</u>	<u>\$ 2,134,291</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 asset 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

Annually, the Endowment will distribute 4% of the average market value of the Endowment's funds under management for the preceding twelve quarters. The annual distribution will be disbursed over four quarters. Excluded from funds under management will be any restricted funds that do not qualify as distributable for the upcoming year. The Freeman Fund distributes income on a quarterly basis to provide warm clothing for the needy. In conjunction with the authorization of the annual distribution, the Board will review this policy in light of current and expected market conditions and the rate of inflation. Other distributions may be made from time to time at the discretion of the Board. These policies are consistent with the organization's objectives to preserve the corpus of the Endowment, grow the total value of the Endowment through investments and gifts, and financially support the mission and activities of the Center.

### **NOTE 9 – LEASES**

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

2011	\$ 98,603
2012	<u>98,603</u>
Total	<u>\$ 197,206</u>

Total lease expense was approximately \$123,000 in both 2010 and 2009.

### **NOTE 10 – CONTRIBUTED SERVICES AND MATERIALS**

The majority of food distributed by the Center is received by contribution from donors and from discounted food provided by a local food bank. The estimated fair value of these contributions is recognized 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 \$904,630 in 2010 and \$763,729 in 2009. The total value of contributed clothing was \$207,996 in 2010 and \$185,987 in 2009.

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 hours in 2010 and 2009.

**NOTE 11 – EMPLOYEE BENEFIT PLANS**

The Center maintains a defined-contribution §403(b) plan. After one year of service, the Center contributes 3% of each qualified employee's 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 \$20,000 and \$18,000 to the plan in 2010 and 2009, respectively.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 18, 2011, 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.

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