

**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, 2011 and 2010

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, 2011 and 2010 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, 2011 and 2010 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 30, 2012

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

Consolidated Statements of Financial Position as of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (<i>Notes 3 and 5</i>)	\$ 966,504	\$ 969,617
Inventory	60,887	68,832
Prepaid expenses and other assets	18,570	8,422
Pledges receivable (<i>Note 4</i>)	235,000	61,588
Investments (<i>Note 5</i>)	2,069,763	2,130,666
Property, net (<i>Note 6</i>)	<u>544,744</u>	<u>578,309</u>
TOTAL ASSETS	<u>\$ 3,895,468</u>	<u>\$ 3,817,434</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 21,784</u>	<u>\$ 26,757</u>
Net assets (<i>Note 10</i>):		
Unrestricted (<i>Note 7</i>)	3,110,974	3,214,918
Temporarily restricted (<i>Note 8</i>)	564,016	378,890
Permanently restricted (<i>Note 9</i>)	<u>198,694</u>	<u>196,869</u>
Total net assets	<u>3,873,684</u>	<u>3,790,677</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,895,468</u>	<u>\$ 3,817,434</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, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:				
Contributions	\$ 629,445	\$ 724,853		\$ 1,354,298
In-kind contributions (Note 11)	1,106,290			1,106,290
Special event	125,186			125,186
Direct donor benefit costs	(33,410)			(33,410)
Sunshine resale shop sales	356,088			356,088
Operating investment return (Note 5)	<u>54,799</u>	<u>17,938</u>		<u>72,737</u>
Total operating revenue	2,238,398	742,791		2,981,189
Net assets released from restrictions:				
Program expenditures	<u>541,129</u>	<u>(541,129)</u>		
Total	<u>2,779,527</u>	<u>201,662</u>		<u>2,981,189</u>
OPERATING EXPENSES:				
Program services:				
Emergency Services	1,103,200			1,103,200
Gethsemane Food Pantry	595,322			595,322
Back to School	302,890			302,890
Sunshine Resale Shop	259,361			259,361
JobNet	117,044			117,044
Martha's Way	95,337			95,337
Jingle Bell Express	67,274			67,274
Louise J. Moran Vision Care	<u>56,168</u>			<u>56,168</u>
Total program services	2,596,596			2,596,596
Supporting services:				
Management and general	143,658			143,658
Fundraising	<u>94,084</u>			<u>94,084</u>
Total operating expenses	<u>2,834,338</u>			<u>2,834,338</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(54,811)	201,662		146,851
OTHER CHANGES IN NET ASSETS:				
Contributions to Endowment			\$ 1,825	1,825
Endowment investment return (Note 5)	<u>(49,133)</u>	<u>(16,536)</u>		<u>(65,669)</u>
CHANGES IN NET ASSETS	(103,944)	185,126	1,825	83,007
Net assets, beginning of year (Note 2)	<u>3,214,918</u>	<u>378,890</u>	<u>196,869</u>	<u>3,790,677</u>
Net assets, end of year	<u>\$ 3,110,974</u>	<u>\$ 564,016</u>	<u>\$ 198,694</u>	<u>\$ 3,873,684</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, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:				
Contributions	\$ 572,547	\$ 472,114		\$ 1,044,661
In-kind contributions (<i>Note 11</i>)	1,112,626			1,112,626
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 5</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>		
Total	<u>2,739,180</u>	<u>(82,215)</u>		<u>2,656,965</u>
OPERATING EXPENSES:				
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
Jingle Bell Express	61,098			61,098
Louise J. Moran Vision Care	<u>62,990</u>			<u>62,990</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>
CHANGES IN NET ASSETS FROM OPERATIONS	(150,759)	(82,215)		(232,974)
OTHER CHANGES IN NET ASSETS:				
Contributions to Endowment	1,012,343		\$ 6,760	1,019,103
Endowment investment return (<i>Notes 2 and 5</i>)	<u>181,320</u>	<u>47,477</u>		<u>228,797</u>
CHANGES IN NET ASSETS	1,042,904	(34,738)	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>\$ 3,214,918</u>	<u>\$ 378,890</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 Statements of Cash Flows for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 83,007	\$ 1,014,926
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	38,682	43,875
Net realized and unrealized (gain) loss on investments	21,290	(235,809)
Contributions restricted for permanent endowment	(1,825)	(6,760)
Changes in operating assets and liabilities:		
Inventory	7,945	5,413
Prepaid expenses and other assets	(10,148)	46
Pledges receivable	(173,412)	63,025
Accounts payable and accrued expenses	<u>(4,973)</u>	<u>(1,150)</u>
Net cash provided (used) by operating activities	<u>(39,434)</u>	<u>883,566</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(63,473)	(1,550,611)
Proceeds from sales of investments	426,462	397,786
Net change in money market mutual funds	(323,376)	120,368
Net change in certificates of deposit		400,000
Purchases of property	<u>(5,117)</u>	<u>(15,295)</u>
Net cash provided (used) by investing activities	<u>34,496</u>	<u>(647,752)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for permanent endowment	<u>1,825</u>	<u>6,760</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,113)	242,574
Cash and cash equivalents, beginning of year	<u>969,617</u>	<u>727,043</u>
Cash and cash equivalents, end of year	<u>\$ 966,504</u>	<u>\$ 969,617</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, 2011

EXPENSES	EMERGENCY SERVICES	GETHSEMANE FOOD PANTRY	BACK TO SCHOOL	SUNSHINE RESALE SHOP	JOBNET	MARTHA'S WAY	JINGLE BELL EXPRESS	LOUISE J. MORAN VISION CARE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Direct assistance	\$ 891,255	\$ 516,222	\$ 263,931		\$ 3,188		\$ 31,874	\$ 24,928			\$1,731,398
Salaries and related costs	108,442	49,368	24,391	\$ 91,215	70,207	\$ 69,067	24,401	24,753	\$ 106,608	\$ 70,628	639,080
Occupancy	7,782	732	354	122,993	4,213	612	354	354	1,695		139,089
Professional and contract services	35,937	17,249	1,801	9,340	4,500	8,941	1,809	25	15,939	309	95,850
Supplies	6,036	3,369	6,148	3,366	8,871	9,514	2,764	1,120	2,419	7,519	51,126
Depreciation	18,022	272	1,440	5,296	8,658	264	1,438	472	2,388	432	38,682
Repairs and maintenance	16,641	2,585	1,227	1,934	5,354	2,328	1,229	1,133	3,304	375	36,110
Insurance	8,251	1,985	1,233	9,664	4,222	1,329	1,233	1,233	2,386	1,123	32,659
Printing and postage	2,108	1,113	1,355	3,857	1,124	1,167	1,160	1,011	1,299	11,511	25,705
Fees and licenses	2,275	755	560	6,466	2,494	1,035	559	560	5,491	1,639	21,834
Telephone	5,041	394	341	3,429	3,925	261	341	316	1,033	101	15,182
Other	1,410	1,278	109	1,801	288	819	112	263	1,096	447	7,623
Total expenses	<u>\$1,103,200</u>	<u>\$ 595,322</u>	<u>\$ 302,890</u>	<u>\$ 259,361</u>	<u>\$ 117,044</u>	<u>\$ 95,337</u>	<u>\$ 67,274</u>	<u>\$ 56,168</u>	<u>\$ 143,658</u>	<u>\$ 94,084</u>	<u>\$2,834,338</u>

Note:

Program services as a percent of total expenses	92%
Management and general as a percent of total expenses	5%
Fundraising as a percent of total expenses	3%

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

Note:

Program services as a percent of total expenses	92%
Management and general as a percent of total expenses	5%
Fundraising as a percent of total expenses	3%

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, 2011 and 2010

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 in 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 24,918 persons in crisis during 2011 and 22,577 during 2010.
- *Gethsemane Food Pantry* expanded to five days of operation in 2011, working to address hunger in four zip codes in the southwest Houston community. In 2011, the pantry provided assistance for 21,218 persons from 5,414 households. Of those served, 56% of client households included one or more employed adults. 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.
- *Back to School* program provides disadvantaged students with grade-appropriate school supplies and new clothing at the start of each school year. A total of 6,204 and 6,160 students received assistance in 2011 and 2010, 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 443 and 375 unemployed/underemployed job seekers in 2011 and 2010, 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 155 in 2011 and 158 in 2010 were aided on their road to vocational success.
- *Jingle Bell Express* collects, purchases, and provides food, toys, and books to needy local area families during the Christmas holiday season. In 2011, 2,802 children were aided through this program with 892 families receiving holiday food packages. In 2010, 3,224 children were aided through this program with 967 families receiving holiday food packages.
- *Louise J. Moran Vision Care* partnered with local elementary schools to provide screening services to 1,056 children. In 2011, 327 students then benefited from professional eye exams at University Eye Institute, with 304 receiving new prescription glasses. In 2010, 409 students then benefited from professional eye exams at University Eye Institute, with 373 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 to the Endowment from the Center, as non-operating revenue and expenses. Endowment investment return approved by the Endowment Board of Directors for Center operations are reported as operating revenue. Revenue and expenses, except those related to 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). The Center and the Endowment file annual federal information returns and are subject to routine examinations of their returns; however, there are no examinations for any tax periods currently in progress. The Center and the Endowment believe they are no longer subject to examinations of returns for tax years ending before December 31, 2008.

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

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.

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 reported 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 and investment return 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 recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support.

Donated materials, use of facilities and services are recognized 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 – RESTATEMENT OF ENDOWMENT INVESTMENT RETURN

Temporarily restricted and unrestricted endowment investment return for fiscal 2010 has been adjusted to reflect a correction of the allocation of the investment income. The effect of the adjustment to the change in temporarily restricted net assets and temporarily restricted net assets as of December 31, 2010 was a decrease of \$50,009 and the effect to the change in unrestricted net assets and unrestricted net assets as of December 31, 2010 was an increase of \$50,009.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 893,044	\$ 901,146
TPF money market mutual fund	<u>73,460</u>	<u>68,471</u>
Total cash and cash equivalents	<u>\$ 966,504</u>	<u>\$ 969,617</u>

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2011 are expected to be collected as follows:

2012	\$ 85,000
2013	75,000
2014	<u>75,000</u>
Total pledges receivable	<u>\$ 235,000</u>

NOTE 5 – 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, 2011 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Pooled investment funds:				
TPF Large-Cap Equity Fund (a)		\$ 820,584		\$ 820,584
TPF Money Market Mutual Fund		330,153		330,153
TPF Fixed Income Fund (b)		325,721		325,721
TPF International Equity Fund (c)		292,684		292,684
TPF Small-Cap Equity Fund (d)		208,991		208,991
TPF Emerging Markets Equity Fund (e)		<u>91,630</u>		<u>91,630</u>
Total investments measured at fair value		2,069,763		2,069,763
TPF money market mutual fund	<u> </u>	<u>73,460</u>	<u> </u>	<u>73,460</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 2,143,223</u>	<u>\$ 0</u>	<u>\$ 2,143,223</u>

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

- (a) This fund is a broadly diversified portfolio of mostly U. S. and some international stocks that seek 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 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.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.

Pooled investment funds are valued at net asset values provided by the fund management and by the annual audited financial statements of the Texas Presbyterian Foundation (TPF), an ecumenical nonprofit foundation that holds and manages the pooled investments. This valuation method 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 method is 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>2011</u>	<u>2010</u>
Net realized and unrealized gain (loss)	\$ (21,290)	\$ 235,809
Interest and dividends	<u>28,358</u>	<u>33,838</u>
Total investment return	<u>\$ 7,068</u>	<u>\$ 269,647</u>

Investment management and custodial fees 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 6 – PROPERTY

Property consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 179,600	\$ 179,600
Buildings and leasehold improvements	687,794	687,794
Equipment	235,675	230,558
Vehicles	<u>22,843</u>	<u>22,843</u>
Total property, at cost	1,125,912	1,120,795
Accumulated depreciation	<u>(581,168)</u>	<u>(542,486)</u>
Property, net	<u>\$ 544,744</u>	<u>\$ 578,309</u>

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2011</u>	<u>2010</u>
Designated by the Board of Directors for the Endowment	\$ 1,567,737	\$ 1,616,870
Undesignated	998,493	1,019,739
Property, net	<u>544,744</u>	<u>578,309</u>
Total unrestricted net assets	<u>\$ 3,110,974</u>	<u>\$ 3,214,918</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Accumulated earnings on general endowment	\$ 291,975	\$ 307,824
Louise J. Moran Vision Care	150,000	35,000
Back to School program	75,000	
Martha's Way	35,000	23,338
Accumulated earnings on Freeman Fund for blankets and clothing	<u>12,041</u>	<u>12,728</u>
Total temporarily restricted net assets	<u>\$ 564,016</u>	<u>\$ 378,890</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested to support the following:

	<u>2011</u>	<u>2010</u>
General endowment	\$ 140,519	\$ 138,694
Freeman Fund for blankets and clothing	<u>58,175</u>	<u>58,175</u>
Total permanently restricted net assets	<u>\$ 198,694</u>	<u>\$ 196,869</u>

NOTE 10 – 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, 2011 is as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 304,016	\$ 198,694	\$ 502,710
Board-designated general endowment	<u>\$ 1,567,737</u>	_____	_____	<u>1,567,737</u>
Endowment net assets	<u>\$ 1,567,737</u>	<u>\$ 304,016</u>	<u>\$ 198,694</u>	<u>\$ 2,070,447</u>

Endowment net asset composition as of December 31, 2010 is as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 320,552	\$ 196,869	\$ 517,421
Board-designated general endowment	<u>\$ 1,616,870</u>	_____	_____	<u>1,616,870</u>
Endowment net assets	<u>\$ 1,616,870</u>	<u>\$ 320,552</u>	<u>\$ 196,869</u>	<u>\$ 2,134,291</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, 2010	<u>\$ 423,207</u>	<u>\$ 273,075</u>	<u>\$ 190,109</u>	<u>\$ 886,391</u>
Investment return:				
Interest and dividends	19,646	9,009		28,655
Net realized and unrealized gain	<u>161,674</u>	<u>74,135</u>		<u>235,809</u>
Total investment return	<u>181,320</u>	<u>83,144</u>		<u>264,464</u>
Contributions	1,012,343		6,760	1,019,103
Appropriation for distribution	_____	<u>(35,667)</u>	_____	<u>(35,667)</u>
Endowment net assets, December 31, 2010	<u>1,616,870</u>	<u>320,552</u>	<u>196,869</u>	<u>2,134,291</u>
Investment return:				
Interest and dividends	20,585	6,529		27,114
Net realized and unrealized loss	<u>(16,163)</u>	<u>(5,127)</u>		<u>(21,290)</u>
Total investment return	<u>4,422</u>	<u>1,402</u>		<u>5,824</u>
Contributions			1,825	1,825
Appropriation for distribution	<u>(53,555)</u>	<u>(17,938)</u>	_____	<u>(71,493)</u>
Endowment net assets, December 31, 2011	<u>\$ 1,567,737</u>	<u>\$ 304,016</u>	<u>\$ 198,694</u>	<u>\$ 2,070,447</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 Endowment Board of Directors 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 Endowment Board of Directors 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 Endowment Board of Directors 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 Endowment Board of Directors. These policies are consistent with CCSC'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 11 – 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 \$903,067 in 2011 and \$904,630 in 2010. The total value of contributed clothing was \$203,223 in 2011 and \$207,996 in 2010.

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 44,000 hours in 2011 and 43,000 hours in 2010.

NOTE 12 – 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 \$23,000 and \$20,000 to the plan in 2011 and 2010, respectively.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 30, 2012, 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.
