

**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, 2012 and 2011

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

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## 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 financial statements of Christian Community Service Center, Inc. (the Center) and Christian Community Service Center Memorial Endowment (the Endowment), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011 and the related consolidated statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the consolidated financial statements.

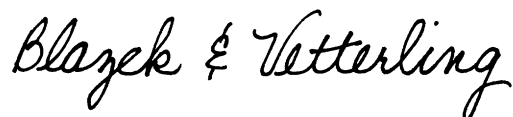
**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility** – 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion** – In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Center and the Endowment as of December 31, 2012 and 2011 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



August 5, 2013

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

Consolidated Statements of Financial Position as of December 31, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents ( <i>Notes 2 and 4</i> )	\$ 1,730,003	\$ 966,504
Inventory	54,085	60,887
Prepaid expenses and other assets	8,566	18,570
Bequest receivable	140,000	
Pledges receivable ( <i>Note 3</i> )	165,838	235,000
Investments ( <i>Note 4</i> )	2,304,697	2,069,763
Property, net ( <i>Note 5</i> )	<u>515,333</u>	<u>544,744</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,918,522</u></b>	<b><u>\$ 3,895,468</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 61,999</u>	<u>\$ 21,784</u>
Net assets ( <i>Note 9</i> ):		
Unrestricted ( <i>Note 6</i> )	4,103,309	3,110,974
Temporarily restricted ( <i>Note 7</i> )	550,680	564,016
Permanently restricted ( <i>Note 8</i> )	<u>202,534</u>	<u>198,694</u>
Total net assets	<u>4,856,523</u>	<u>3,873,684</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,918,522</u></b>	<b><u>\$ 3,895,468</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, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING REVENUE:</b>				
Contributions	\$ 996,351	\$ 572,322		\$ 1,568,673
In-kind contributions <i>(Note 11)</i>	1,070,546			1,070,546
Special event	162,825	20,177		183,002
Direct donor benefit costs	(37,506)			(37,506)
Sunshine Resale Shop sales	348,719			348,719
Operating investment return <i>(Note 4)</i>	<u>59,632</u>	<u>17,404</u>		<u>77,036</u>
Total operating revenue	2,600,567	609,903		3,210,470
Net assets released from restrictions:				
Program expenditures	<u>679,065</u>	<u>(679,065)</u>		<u>          </u>
Total	<u>3,279,632</u>	<u>(69,162)</u>		<u>3,210,470</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Emergency Services	1,119,685			1,119,685
Gethsemane Food Pantry	552,141			552,141
Back To School	321,987			321,987
Sunshine Resale Shop	275,755			275,755
JobNet	115,746			115,746
Martha's Way	101,087			101,087
Jingle Bell Express	69,557			69,557
Louise J. Moran Vision Care	<u>57,287</u>			<u>57,287</u>
Total program services	2,613,245			2,613,245
Supporting services:				
Management and general	159,817			159,817
Fundraising	<u>130,684</u>			<u>130,684</u>
Total operating expenses	<u>2,903,746</u>			<u>2,903,746</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	375,886	(69,162)		306,724
<b>OTHER CHANGES IN NET ASSETS:</b>				
Contributions to Endowment	445,956		\$ 3,840	449,796
Endowment investment return <i>(Note 4)</i>	<u>170,493</u>	<u>55,826</u>		<u>226,319</u>
<b>CHANGES IN NET ASSETS</b>	992,335	(13,336)	3,840	982,839
Net assets, beginning of year	<u>3,110,974</u>	<u>564,016</u>	<u>198,694</u>	<u>3,873,684</u>
Net assets, end of year	<u>\$ 4,103,309</u>	<u>\$ 550,680</u>	<u>\$ 202,534</u>	<u>\$ 4,856,523</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>
<b>OPERATING REVENUE:</b>				
Contributions	\$ 562,720	\$ 791,578		\$ 1,354,298
In-kind contributions <i>(Note 11)</i>	1,106,290			1,106,290
Special event	114,280	10,906		125,186
Direct donor benefit costs	(33,410)			(33,410)
Sunshine Resale Shop sales	356,088			356,088
Operating investment return <i>(Note 4)</i>	<u>54,799</u>	<u>17,938</u>		<u>72,737</u>
Total operating revenue	2,160,767	820,422		2,981,189
Net assets released from restrictions:				
Program expenditures	<u>618,760</u>	<u>(618,760)</u>		
Total	<u>2,779,527</u>	<u>201,662</u>		<u>2,981,189</u>
<b>OPERATING EXPENSES:</b>				
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>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	(54,811)	201,662		146,851
<b>OTHER CHANGES IN NET ASSETS:</b>				
Contributions to Endowment			\$ 1,825	1,825
Endowment investment return <i>(Note 4)</i>	<u>(49,133)</u>	<u>(16,536)</u>		<u>(65,669)</u>
<b>CHANGES IN NET ASSETS</b>	(103,944)	185,126	1,825	83,007
Net assets, beginning of year	<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 Statements of Cash Flows for the years ended December 31, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 982,839	\$ 83,007
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	34,884	38,682
Net realized and unrealized (gain) loss on investments	(266,820)	21,290
Changes in operating assets and liabilities:		
Inventory	6,802	7,945
Prepaid expenses and other assets	10,004	(10,148)
Pledges receivable	(70,838)	(173,412)
Accounts payable and accrued expenses	<u>40,215</u>	<u>(4,973)</u>
Net cash provided (used) by operating activities	<u>737,086</u>	<u>(37,609)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(226,192)	(63,473)
Proceeds from sales of investments	88,327	426,462
Net change in money market mutual funds	169,751	(323,376)
Purchases of property	<u>(5,473)</u>	<u>(5,117)</u>
Net cash provided by investing activities	<u>26,413</u>	<u>34,496</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>763,499</b>	<b>(3,113)</b>
Cash and cash equivalents, beginning of year	<u>966,504</u>	<u>969,617</u>
Cash and cash equivalents, end of year	<u>\$ 1,730,003</u>	<u>\$ 966,504</u>

*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 Functional Expenses for the year ended December 31, 2012

<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	\$ 902,206	\$ 470,244	\$ 286,661		\$ 2,097		\$ 34,985	\$ 25,447			\$1,721,640
Salaries and related costs	119,028	52,908	25,923	\$ 97,966	72,391	\$ 70,860	25,923	26,295	\$ 117,345	\$ 103,564	712,203
Occupancy	8,226	1,012	214	131,623	4,682	793	214	214	2,002		148,980
Professional and contract services	28,599	14,899	1,696	7,769	3,064	11,685	1,443	41	15,833	97	85,126
Supplies	9,224	4,697	2,012	4,107	6,794	9,730	1,344	533	2,300	7,064	47,805
Repairs and maintenance	16,711	2,450	1,066	5,590	6,051	2,294	1,039	1,066	4,163	505	40,935
Insurance	9,188	2,226	1,359	10,777	4,650	1,565	1,359	1,359	3,387	1,410	37,280
Depreciation	16,692	272	1,212	4,196	8,428	264	1,212	244	2,160	204	34,884
Fees and licenses	2,257	626	487	5,574	3,399	796	488	488	8,920	3,177	26,212
Printing and postage	1,560	975	926	956	930	1,101	929	924	1,366	14,142	23,809
Telephone	4,560	350	299	2,256	3,095	220	299	299	802	95	12,275
Other	<u>1,434</u>	<u>1,482</u>	<u>132</u>	<u>4,941</u>	<u>165</u>	<u>1,779</u>	<u>322</u>	<u>377</u>	<u>1,539</u>	<u>426</u>	<u>12,597</u>
Total operating expenses	<u>\$1,119,685</u>	<u>\$ 552,141</u>	<u>\$ 321,987</u>	<u>\$ 275,755</u>	<u>\$ 115,746</u>	<u>\$ 101,087</u>	<u>\$ 69,557</u>	<u>\$ 57,287</u>	<u>\$ 159,817</u>	<u>\$ 130,684</u>	2,903,746
Direct donor benefit costs											<u>37,506</u>
Total expenses											<u>\$2,941,252</u>

*Note:*

Program services as a percent of total operating expenses	90%
Management and general as a percent of total operating expenses	6%
Fundraising as a percent of total operating expenses	4%

*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

<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	\$ 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
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
Depreciation	18,022	272	1,440	5,296	8,658	264	1,438	472	2,388	432	38,682
Fees and licenses	2,275	755	560	6,466	2,494	1,035	559	560	5,491	1,639	21,834
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
Telephone	5,041	394	341	3,429	3,925	261	341	316	1,033	101	15,182
Other	<u>1,410</u>	<u>1,278</u>	<u>109</u>	<u>1,801</u>	<u>288</u>	<u>819</u>	<u>112</u>	<u>263</u>	<u>1,096</u>	<u>447</u>	<u>7,623</u>
Total operating 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>	2,834,338
Direct donor benefit costs											<u>33,410</u>
Total expenses											<u>\$2,867,748</u>

*Note:*

Program services as a percent of total operating expenses	92%
Management and general as a percent of total operating expenses	5%
Fundraising as a percent of total operating 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, 2012 and 2011

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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* addresses the community's basic needs by providing food, clothing, financial assistance and referrals to persons in crisis. This effort includes helping families avoid homelessness or substandard living conditions, providing medical assistance for eyeglasses, dental services and prescription medication, and distributing gently-used clothing. Services were provided to 22,490 persons in crisis during 2012 and 21,937 during 2011.
- *The Gethsemane Food Pantry* continues to feed hungry families in the southwest quadrant of our service area. In addition to addressing hunger needs, the majority of households are provided referral information to address urgent issues including employment, medical care and financial assistance. In 2012, the pantry provided assistance for 19,301 persons and 21,218 persons in 2011.
- *Back To School* provides students (Pre-K to 8<sup>th</sup> grade) with comprehensive school supplies, new school attire, and gently used shoes and clothing to prepare them to achieve academic success. This year's effort continued with strategic partnerships involving a variety of schools, making a concentrated impact on campuses in underserved areas.
- *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. During 2012, it moved to a larger retail space in the Bellaire Triangle.
- *JobNet* helps job-seekers through skill-building workshops, computer training, job leads, resume development, business attire and access to office equipment. The program's individualized design increases clients' skills and confidence, especially those who face employment barriers including limited education, lack of computer skills and transportation challenges.
- *Martha's Way* is a 42-hour residential housekeeping training program designed to teach women to become entrepreneurs in the field of housekeeping. A second program site was established in Spring Branch to reach additional participants. Over the years, job leads were shared with graduates, helping to launch their businesses.
- *Jingle Bell Express* provides children from low-income families with new toys and books for their Christmas celebrations. Each of the families also receive a food package for this special time of year. This uniquely designed program addresses several client needs including literacy and hunger.
- *The Louise J. Moran Vision Care Program* partners with local elementary schools and the University of Houston School of Optometry to provide vision-screening services and prescription eyeglasses to students in need.

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 assets, liabilities, net assets, and activities of 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 that are subject to routine examinations; 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 ended before December 31, 2009.

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. For donated resale shop merchandise, cost is based on 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 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 reported at cost if purchased or at fair value at the date of gift if donated. CCSC capitalizes 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 restricted 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.

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>2012</u>	<u>2011</u>
Demand deposits	\$ 1,631,484	\$ 893,044
TPF Money Market Mutual Fund	<u>98,519</u>	<u>73,460</u>
Total cash and cash equivalents	<u>\$ 1,730,003</u>	<u>\$ 966,504</u>

Bank deposits exceed the federally insured limit per depositor per institution.

## **NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2012 are expected to be collected as follows:

2013	\$ 115,838
2014	<u>50,000</u>
Total pledges receivable	<u>\$ 165,838</u>

## **NOTE 4 – 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, 2012 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)		\$ 926,093		\$ 926,093
TPF Fixed-Income Fund (b)		449,760		449,760
TPF International Equity Fund (c)		370,596		370,596
TPF Small-Cap Equity Fund (d)		231,374		231,374
TPF Emerging Markets Equity Fund (e)		166,472		166,472
TPF Money Market Mutual Fund		<u>160,402</u>		<u>160,402</u>
Total investments measured at fair value		2,304,697		2,304,697
TPF Money Market Mutual Fund	<u>                    </u>	<u>98,519</u>	<u>                    </u>	<u>98,519</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 2,403,216</u>	<u>\$ 0</u>	<u>\$ 2,403,216</u>

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 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)		91,630		91,630
TPF Money Market Mutual Fund		<u>330,153</u>		<u>330,153</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>

- (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.

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 values 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>2012</u>	<u>2011</u>
Net realized and unrealized gain (loss)	\$ 266,820	\$ (21,290)
Interest and dividends	<u>36,535</u>	<u>28,358</u>
Total investment return	<u>\$ 303,355</u>	<u>\$ 7,068</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 5 – PROPERTY**

Property consists of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 179,600	\$ 179,600
Buildings and leasehold improvements	688,769	687,794
Equipment	240,173	235,675
Vehicles	<u>22,843</u>	<u>22,843</u>
Total property, at cost	1,131,385	1,125,912
Accumulated depreciation	<u>(616,052)</u>	<u>(581,168)</u>
Property, net	<u>\$ 515,333</u>	<u>\$ 544,744</u>

**NOTE 6 – UNRESTRICTED NET ASSETS**

Unrestricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Designated by Board of Directors for general endowment	\$ 2,184,186	\$ 1,567,737
Undesignated	1,004,765	998,493
Property, net	515,333	544,744
Designated by Board of Directors for special projects	<u>399,025</u>	<u>          </u>
Total unrestricted net assets	<u>\$ 4,103,309</u>	<u>\$ 3,110,974</u>

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Accumulated earnings on general endowment	\$ 339,009	\$ 291,975
Louise J. Moran Vision Care	100,000	150,000
Back to School program	50,000	75,000
Martha's Way	40,838	35,000
Accumulated earnings on Freeman Fund for blankets and clothing	<u>20,833</u>	<u>12,041</u>
Total temporarily restricted net assets	<u>\$ 550,680</u>	<u>\$ 564,016</u>

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are invested to support the following:

	<u>2012</u>	<u>2011</u>
General endowment	\$ 144,359	\$ 140,519
Freeman Fund for blankets and clothing	<u>58,175</u>	<u>58,175</u>
Total permanently restricted net assets	<u>\$ 202,534</u>	<u>\$ 198,694</u>

**NOTE 9 – 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 funds
- 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, 2012 is as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 359,842	\$ 202,534	\$ 562,376
Board-designated general endowment	<u>\$ 2,184,186</u>	_____	_____	<u>2,184,186</u>
Endowment net assets	<u>\$ 2,184,186</u>	<u>\$ 359,842</u>	<u>\$ 202,534</u>	<u>\$ 2,746,562</u>

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>

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, 2011	<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 return:				
Interest and dividends	27,072	8,647		35,719
Net realized and unrealized gain	<u>202,237</u>	<u>64,583</u>		<u>266,820</u>
Total investment return	<u>229,309</u>	<u>73,230</u>		<u>302,539</u>
Contributions and additions	445,956		3,840	449,796
Appropriation for distribution	<u>(58,816)</u>	<u>(17,404)</u>	_____	<u>(76,220)</u>
Endowment net assets, December 31, 2012	<u>\$ 2,184,186</u>	<u>\$ 359,842</u>	<u>\$ 202,534</u>	<u>\$ 2,746,562</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 reviews 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 10 – LEASES**

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

2013	\$ 125,920
2014	132,000
2015	133,473
2016	137,058
2017	<u>91,372</u>
Total	<u>\$ 619,823</u>

Total rent expense was approximately \$123,000 in 2012 and \$116,000 in 2011.

### **NOTE 11 – CONTRIBUTED SERVICES AND MATERIALS**

The majority of food distributed by the Center is received by contributions 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 is based on an estimated fair value per item of clothing distributed. The total value of contributed food was \$870,706 in 2012 and \$903,067 in 2011. The total value of contributed clothing was \$199,840 in 2012 and \$203,223 in 2011.

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 recognized 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 46,000 hours in 2012 and 44,000 hours in 2011.

#### **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 immediately fully vested in the Center's contributions. The Center contributed approximately \$24,000 and \$23,000 to the plan in 2012 and 2011, respectively.

#### **NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 5, 2013, 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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