

**CHILDREN'S COUNTRY HOME**  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2010 AND 2009**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Children's Country Home  
Woodinville, Washington

We have audited the accompanying statements of financial position of Children's Country Home as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 the audit 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 financial statements referred to above present fairly, in all material respects, the financial position of Children's Country Home as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Jones & Associates LLC, CPAs*

Jones & Associates LLC, CPAs  
October 11, 2010

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**CHILDREN'S COUNTRY HOME**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

	2010	2009
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 231,411	\$ 215,391
Accounts receivable	98,031	186,941
Investments	498,671	446,781
Prepaid expenses	21,992	24,483
Total current assets	850,105	873,596
Property and equipment, net	518,077	553,339
	\$ 1,368,182	\$ 1,426,935
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 6,792	\$ 5,985
Accrued expenses	35,998	36,363
Accrued vacation	88,740	79,552
Total current liabilities	131,530	121,900
Forgivable loans	290,000	290,000
	421,530	411,900
 <b>NET ASSETS</b>		
Unrestricted		
Undesignated	857,483	946,078
Board designated for future home acquisition	34,586	34,586
	892,069	980,664
Temporarily restricted	54,583	34,371
	946,652	1,015,035
	\$ 1,368,182	\$ 1,426,935

**CHILDREN'S COUNTRY HOME  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Support and Revenues		
Fees for services	\$ 1,069,282	\$ 1,614,715
Contributions	81,821	57,607
In-kind donations	15,428	17,123
Investment return	56,627	(47,538)
	1,223,158	1,641,907
Net assets released from restriction		
Restrictions satisfied by payments	4,580	9,361
	1,227,738	1,651,268
Expenses		
Program	1,095,980	1,374,135
Management and general	114,313	125,937
Fund-raising	106,040	103,846
	1,316,333	1,603,918
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(88,595)	47,350
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	24,792	6,394
Release from restriction	(4,580)	(9,361)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	20,212	(2,967)
<b>CHANGE IN NET ASSETS</b>	(68,383)	44,383
Net assets		
Beginning of the year	1,015,035	970,652
End of the year	\$ 946,652	\$ 1,015,035

**CHILDREN'S COUNTRY HOME  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2010**

	Program	Support Services		Total
		Management and General	Fund-raising	
Salaries and wages	\$ 822,686	\$ 52,732	\$ 67,219	\$ 942,637
Payroll taxes	71,239	4,070	5,344	80,653
Employee benefits	78,406	9,476	6,651	94,533
	<u>972,331</u>	<u>66,278</u>	<u>79,214</u>	<u>1,117,823</u>
Nursing contract fees	6,031	-	-	6,031
Professional fees	4,699	23,400	4,375	32,474
Insurance	18,830	4,219	93	23,142
Utilities	18,643	4,477	729	23,849
Household	28,534	1,659	295	30,488
Clients	11,189	-	-	11,189
Transportation	2,963	-	-	2,963
Office	2,862	7,578	9,650	20,090
Staff and volunteer costs	1,719	480	395	2,594
Travel and related expenses	-	322	-	322
Depreciation	28,179	4,781	2,302	35,262
Fundraising/Marketing	-	308	8,987	9,295
Miscellaneous	-	811	-	811
	<u>\$ 1,095,980</u>	<u>\$ 114,313</u>	<u>\$ 106,040</u>	<u>\$ 1,316,333</u>

**CHILDREN'S COUNTRY HOME  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2009**

	Support Services			Total
	Program	Management and General	Fund-raising	
Salaries and wages	\$ 1,033,084	\$ 58,228	\$ 75,594	\$ 1,166,906
Payroll taxes	97,863	4,591	6,048	108,502
Employee benefits	79,930	8,488	5,808	94,226
	<u>1,210,877</u>	<u>71,307</u>	<u>87,450</u>	<u>1,369,634</u>
Nursing contract fees	23,196	-	-	23,196
Professional fees	4,242	25,419	1,587	31,248
Insurance	20,968	5,634	95	26,697
Utilities	19,009	4,535	740	24,284
Household	35,541	1,660	294	37,495
Clients	17,960	-	-	17,960
Transportation	5,369	-	-	5,369
Office	3,683	8,374	5,754	17,811
Staff and volunteer costs	8,360	2,056	160	10,576
Travel and related expenses	51	1,242	-	1,293
Depreciation	24,445	4,575	3,259	32,279
Fundraising/Marketing	434	872	4,507	5,813
Miscellaneous	-	263	-	263
	<u>\$ 1,374,135</u>	<u>\$ 125,937</u>	<u>\$ 103,846</u>	<u>\$ 1,603,918</u>

**CHILDREN'S COUNTRY HOME  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees and contributions	\$ 1,264,805	\$ 1,602,363
Cash received from interest	2,729	4,201
Cash paid to employees and suppliers	(1,253,522)	(1,513,913)
	14,012	92,651
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(70,991)
Purchase of investments	(102,706)	(168,987)
Proceeds from sale of investments	104,714	54,127
	2,008	(185,851)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	16,020	(93,200)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	215,391	308,591
End of the year	\$ 231,411	\$ 215,391

*See accompanying notes to financial statements.*

**CHILDREN'S COUNTRY HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities** – Children's Country Home (the Organization), a not-for-profit organization, is a loving eight-bed home that provides 24-hour skilled care to medically-fragile and technology-dependent children from infancy through young adulthood. Services are available for children needing long-term, transitional, respite or end-of-life care.

When a child has intense disabilities and complex medical needs, providing round-the-clock care can be exhausting and overwhelming. Since 1997, families have turned to Children's Country Home. We serve as an extension to the child's own family. Our dedicated staff and volunteers provide a loving, enriching environment for every child while parents receive support to understand their child's complex medical needs. We accept children with complex needs; children with chronic conditions rendering them medically fragile; children who are severely and multiply handicapped; and children who are terminally ill.

**Basis of Accounting and Presentation** – The financial statements of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There is \$50,248 and \$4,335 remaining in temporarily restricted net assets to be used for acquiring a young adult home and for the purpose of special care needs, respectively, at June 30, 2010. There is \$30,083 and \$4,288 remaining in temporarily restricted net assets to be used for acquiring a young adult home and for the purpose of special care needs, respectively, at June 30, 2009. There were no permanently restricted net assets at June 30, 2010 or 2009.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. It is the Organization's policy to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year.

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include checking and money market accounts deposited with major financial institutions. At times, deposits may exceed federally insured limits. While the Organization has not incurred any losses in the past due to this excess, changing economic conditions increase the risk of future losses.

Temporarily restricted cash and cash equivalents are \$2,816 and \$2,819 as of June 30, 2010 and 2009, respectively.



**CHILDREN'S COUNTRY HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

(Continued)

**Accounts Receivable** – Accounts receivable are stated at the amount management expects to collect from the outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

**Property and Equipment** – Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

**Investments** – The Organization carries investments at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investments subject the Organization to concentrations of credit risk. To mitigate this risk, the Organization places its investments with major financial institutions.

Effective July 1, 2008, the Organization adopted Statement of Financial Accounting Standards Board Codification 820-10, *Fair Value Measurements* (“FASB ASC 820-10”). FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about financial instruments. In addition, FASB ASC 820-10 establishes a hierarchy that classifies the inputs used to calculate fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1            Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
  
- Level 2            Quoted prices in markets that are not considered to be active for identical assets or liabilities, quoted prices in active markets for similar assets or liabilities, and inputs other than quoted prices that are directly observable or indirectly through corroboration with observable market data;
  
- Level 3            Inputs that are both significant to the fair value measurement and unobservable, including investment specific inputs that are not derived from market data and inputs that cannot be corroborated by market data. The determination of fair value for investments included in the level 3 category requires considerable subjectivity and estimation.

The Organizations investments in certificates of deposit are not actively traded on a securities exchange and are classified within level 2 of the fair value hierarchy. The Organization’s investments in mutual funds are actively traded and are classified within level 1 of the fair value hierarchy.

**CHILDREN'S COUNTRY HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**  
(Continued)

**Donated Services and Materials** – A substantial number of volunteers, including members of the Board of Directors, have made significant contributions of time to the Organization. The value of this time does not meet the criteria for recognition under current accounting standards and accordingly, is not reflected in the accompanying financial statements. Contributions of materials from various sources, based on market values at the time of contribution, have been recorded in the financial statements. The value of program materials, equipment, land improvements and professional services donated to the Organization for years ended June 30, 2010 and 2009, total \$15,428 and \$17,123, respectively.

**Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Income Tax Status** – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

**CHILDREN'S COUNTRY HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**Note 2 – Cash Flow Information**

The following reconciles the change in net assets to net cash provided by operating activities for the years ended June 30:

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (68,383)	\$ 44,383
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	35,262	32,279
Unrealized loss (gain) on investments	(53,898)	51,739
Change in:		
Accounts receivable	88,910	(76,353)
Prepaid expenses	2,491	11,185
Accounts payable	807	(2,090)
Accrued expenses	(365)	1,272
Accrued vacation	9,188	30,236
	<u>\$ 14,012</u>	<u>\$ 92,651</u>

**Note 3 – Investments**

Investments are stated at fair market value and consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Certificate of Deposit	\$ 116,085	\$ 115,596
Mutual Funds	382,586	331,185
	<u>\$ 498,671</u>	<u>\$ 446,781</u>

Investment return consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 16,791	\$ 21,737
Realized (loss) gain on investments	(8,815)	(12,725)
Unrealized (loss) gain on investments	53,898	(51,739)
Investment fees	(5,247)	(4,811)
	<u>\$ 56,627</u>	<u>\$ (47,538)</u>

Temporarily restricted investments are \$51,667 and \$31,552 as of June 30, 2010 and 2009, respectively.

**CHILDREN'S COUNTRY HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

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**Note 4 – Property and equipment**

Property and equipment consists of the following for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Building and improvements	\$ 481,289	\$ 481,289
Office equipment	13,876	13,876
Program equipment	35,119	35,119
Building equipment	19,116	19,116
Computer equipment	20,437	20,437
Land improvements	33,650	33,650
Vehicles	36,936	36,936
	<u>640,423</u>	<u>640,423</u>
Less: accumulated depreciation	<u>(256,328)</u>	<u>(221,066)</u>
	384,095	419,357
Land	133,982	133,982
	<u>\$ 518,077</u>	<u>\$ 553,339</u>

Property and equipment estimated useful lives are as follows:

Building and improvements	5 - 30 years
Office equipment	5 years
Program equipment	10 years
Building equipment	5 - 20 years
Computer equipment	3 years
Land improvements	5 - 10 years
Vehicles	5 years

**CHILDREN'S COUNTRY HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 5 – Forgivable Loans**

The Organization owns property that was purchased for \$395,000, in part with proceeds from grants in the amount of \$230,000 from King County and \$60,000 from the City of Bellevue. This property serves as a home for providing residential and respite care for children with special health care needs on both a short- and long-term basis.

This property is subject to grant conditions that limit the property to be used only for the providing residential and respite care to medically fragile, low-to-moderate income children until December 31, 2016. If the property is converted to other uses, the Organization would be required to repay the grants in the amount of the portion of the then current fair value of the property financed by the grants. These grants, totaling \$290,000, are reported on the statements of financial position as long-term liabilities (forgivable loans) until the conditions expire.

**Note 6 – Concentrations, Commitments and Contingencies**

The Organization receives a substantial amount of support through insurance reimbursements from governmental agencies and third-party insurers. The Organization is exposed to loss in the event of failure of these governmental or third-party insurers.

**Note 7 – Subsequent Events**

Subsequent events were evaluated through October 11, 2010, which is the date the financial statements were available to be issued.