

CHILDREN'S COUNTRY HOME
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
JUNE 30, 2008 AND 2007



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, 2008 and 2007, 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, 2008 and 2007, 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.

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October 8, 2008

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**CHILDREN'S COUNTRY HOME
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 308,591	\$ 422,257
Accounts receivable	110,588	133,160
Investments	383,660	397,446
Prepaid expenses	35,668	26,456
Total current assets	838,507	979,319
Property and equipment, net	514,627	483,583
	\$ 1,353,134	\$ 1,462,902
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 8,075	\$ 15,790
Accrued expenses	35,091	26,389
Accrued vacation	49,316	49,448
Total current liabilities	92,482	91,627
Forgivable loans	290,000	290,000
	382,482	381,627
 NET ASSETS		
Unrestricted		
Undesignated	898,728	1,032,507
Board designated for future home acquisition	34,586	34,586
	933,314	1,067,093
Temporarily restricted	37,338	14,182
	970,652	1,081,275
	\$ 1,353,134	\$ 1,462,902

CHILDREN'S COUNTRY HOME
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CHANGES IN UNRESTRICTED NET ASSETS		
Support and Revenues		
Fees for services	\$ 1,324,846	\$ 1,444,625
Contributions	42,920	32,394
In-kind donations	22,108	20,362
Investment Income	(3,114)	28,043
	1,386,760	1,525,424
Net assets released from restriction		
Restrictions satisfied by payments	47,474	5,988
	1,434,234	1,531,412
Expenses		
Program	1,308,010	1,242,663
Management and general	131,785	150,095
Fund-raising	128,218	89,677
	1,568,013	1,482,435
CHANGE IN UNRESTRICTED NET ASSETS	(133,779)	48,977
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	70,630	9,237
Release from restriction	(47,474)	(5,988)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	23,156	3,249
CHANGE IN NET ASSETS	(110,623)	52,226
Net assets		
Beginning of the year	1,081,275	1,029,049
End of the year	\$ 970,652	\$ 1,081,275

CHILDREN'S COUNTRY HOME
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	Support Services			Total
	Program	Management and General	Fund-raising	
Salaries and wages	\$ 963,528	\$ 58,892	\$ 72,961	\$ 1,095,381
Payroll taxes	92,308	4,858	5,936	103,102
Employee benefits	72,532	7,052	5,249	84,833
	<u>1,128,368</u>	<u>70,802</u>	<u>84,146</u>	<u>1,283,316</u>
Nursing contract fees	31,990	-	-	31,990
Professional fees	2,640	23,215	30,314	56,169
Insurance	23,628	5,636	97	29,361
Utilities	18,800	4,696	722	24,218
Household	39,458	1,931	305	41,694
Clients	20,482	-	-	20,482
Transportation	7,701	-	-	7,701
Office	4,066	8,913	5,635	18,614
Staff costs	10,347	3,646	-	13,993
Travel and related expenses	-	717	-	717
Depreciation	19,198	4,415	3,231	26,844
Fundraising/Marketing	52	7,126	3,768	10,946
Miscellaneous	1,280	688	-	1,968
	<u>\$ 1,308,010</u>	<u>\$ 131,785</u>	<u>\$ 128,218</u>	<u>\$ 1,568,013</u>

**CHILDREN'S COUNTRY HOME
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007**

	Support Services			Total
	Program	Management and General	Fund-raising	
Salaries and wages	\$ 901,128	\$ 51,621	\$ 70,409	\$ 1,023,158
Payroll taxes	99,130	4,892	5,617	109,639
Employee benefits	64,630	6,523	4,679	75,832
	<u>1,064,888</u>	<u>63,036</u>	<u>80,705</u>	<u>1,208,629</u>
Nursing contract fees	28,288	-	-	28,288
Professional fees	3,043	42,737	111	45,891
Insurance	27,008	5,277	77	32,362
Utilities	18,411	4,514	737	23,662
Household	37,911	1,878	448	40,237
Clients	16,234	-	-	16,234
Transportation	3,028	-	53	3,081
Office	4,325	7,689	4,463	16,477
Staff costs	19,623	1,609	226	21,458
Travel and related expenses	-	1,916	-	1,916
Depreciation	19,087	4,056	1,932	25,075
Loss on disposal of equipment	-	4,781	-	4,781
Fundraising/Marketing	755	12,538	844	14,137
Miscellaneous	62	64	81	207
	<u>\$ 1,242,663</u>	<u>\$ 150,095</u>	<u>\$ 89,677</u>	<u>\$ 1,482,435</u>

**CHILDREN'S COUNTRY HOME
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fees and contributions	\$ 1,460,968	\$ 1,504,927
Cash received from interest	(4,681)	26,476
Cash paid to employees and suppliers	(1,527,418)	(1,488,390)
	(71,131)	43,013
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(57,888)	(16,565)
Purchase of investments, net	15,353	(343,419)
	(42,535)	(359,984)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(113,666)	(316,971)
 CASH AND CASH EQUIVALENTS		
Beginning of the year	422,257	739,228
End of the year	\$ 308,591	\$ 422,257

CHILDREN'S COUNTRY HOME
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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 \$35,833 and \$1,505 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, 2008. There is \$12,111 and \$2,071 remaining in temporarily restricted net assets to be used for acquiring a young adult home and for the purpose of special care needs at June 30, 2007. There were no permanently restricted net assets at June 30, 2008 or 2007.

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.

CHILDREN'S COUNTRY HOME
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

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 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.

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

	2008	2007
Certificate of Deposit	\$ -	\$ 54,884
Mutual Funds	383,660	342,562
	<u>\$ 383,660</u>	<u>\$ 397,446</u>

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, 2008 and 2007, total \$22,108 and \$20,362, 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.

CHILDREN'S COUNTRY HOME
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

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).

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:

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (110,623)	\$ 52,226
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	26,844	25,075
Loss on disposal of equipment	-	4,781
Unrealized Gain on Investment	(1,567)	(1,567)
Change in:		
Accounts receivable	22,572	18,671
Prepaid expenses	(9,212)	515
Accounts payable	(7,715)	(328)
Accrued expenses	8,702	(65,987)
Accrued vacation	(132)	9,627
	\$ (71,131)	\$ 43,013

CHILDREN'S COUNTRY HOME
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Note 3 – Property and equipment

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

	<u>2008</u>	<u>2007</u>
Building and improvements	\$ 381,082	\$ 381,082
Office equipment	13,876	13,876
Program equipment	21,038	11,316
Building equipment	17,707	17,707
Computer equipment	20,437	20,437
Land improvements	33,650	30,189
Vehicles	36,936	36,936
	<u>524,726</u>	<u>511,543</u>
Less: accumulated depreciation	<u>(188,786)</u>	<u>(161,942)</u>
	335,940	349,601
Land	133,982	133,982
Remodel in process	44,705	-
	<u><u>\$ 514,627</u></u>	<u><u>\$ 483,583</u></u>

Property and equipment estimated useful lives are as follows:

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

CHILDREN'S COUNTRY HOME
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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.