

CHILDREN AND COMMUNITY HEALTH CENTER of MCKINNEY

**FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10

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To the Board of Trustees of
Children and Community Health Center of McKinney

I have audited the accompanying statements of financial position of Children and Community Health Center of McKinney (a nonprofit organization) as of December 31, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Children and Community Health Center of McKinney's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children and Community Health Center of McKinney as of December 31, 2010 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.

Dwain Mees CPA, PC



Garland, Texas

January 24, 2011

Community Children and Health Center of McKinney
Statement of Financial Position
As of December 31, 2010

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 116,023
Prepaid prescriptions account	220
TOTAL CURRENT ASSETS	116,243
PROPERTY AND EQUIPMENT, NET	4,421
TOTAL ASSETS	<u>\$ 120,664</u>
LIABILITIES & NET ASSETS	
CURRENT LIABILITIES	
Payroll Liabilities	\$ 1,182
TOTAL CURRENT LIABILITIES	<u>1,182</u>
TOTAL LIABILITIES	1,182
NET ASSETS	
Unrestricted	119,482
Temporarily Restricted	-
TOTAL NET ASSETS	119,482
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 120,664</u>

(See accompanying notes)

Children and Community Health Center of McKinney
Statement of Activities
For the Twelve Months Ended December 31, 2010

	2010		TOTAL
	Unrestricted	Temporarily Restricted	
Changes in Net Assets			
Public Support, Revenues and Reclassifications			
Fundraising revenues	\$ 63,802	\$ -	\$ 63,802
Contributions	320,598	-	320,598
Fees for service	209	-	209
Grants from governmental agencies	-	16,632	16,632
Interest Income	1,182	-	1,182
TOTAL PUBLIC SUPPORT, REVENUES	385,792	16,632	402,425
Net assets released from restrictions:			
Satisfaction of program restrictions	16,632	(16,632)	-
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	402,425	-	402,425
EXPENSES			
Program services	350,406	-	350,406
Support Services	55,154	-	55,154
Fundraising expense	14,241	-	14,241
TOTAL EXPENSES	419,801	-	419,801
INCREASE (DECREASE) IN NET ASSETS	(17,376)	-	(17,376)
NET ASSETS, BEGINNING OF PERIOD	136,858	-	136,858
NET ASSETS, END OF PERIOD, DECEMBER 31	119,482	-	119,482

(See accompanying notes)

Community Children and Health Center of McKinney

Statement of Cash Flows

Year Ended December 31, 2011 ²⁰¹⁰

OPERATING ACTIVITIES	
Decrease in net assets	\$ (17,376)
Adjustments to reconcile net assets to net cash provided by operations:	
Depreciation expense	1,627
Change in prepaid prescriptions	(136)
Change in payroll liabilities	39
Net cash provided by operating activities	(15,846)
INVESTING ACTIVITIES	
Disposal of equipment	-
Net cash provided by investing activities	<u>-</u>
Net cash increase for period	(15,846)
Cash at beginning of period	131,869
Cash at end of period	<u>\$ 116,023</u>

(See accompanying notes)

Community Children and Health Center of McKinney
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

FUNCTIONAL EXPENSES	Support Services				Total Expenses
	Program Services	Fundraising	Admin	Total Supporting Services	
Compensation and related expenses					
Salaries and wages	\$ 50,513		\$ 35,640	\$ 35,640	\$ 86,153
Payroll taxes	3,864		2,613	2,613	6,477
	54,378	-	38,253	38,253	92,630
Fundraising		14,241	-	14,241	14,241
Rent	26,890		1,890	1,890	28,780
Telephone	2,470		412	412	2,882
Supplies	264,360		2,327	2,327	266,687
Repairs and maintenance			242	242	242
Postage and box rental			503	503	503
Miscellaneous			628	628	628
Membership			500	500	500
Insurance			7,859	7,859	7,859
Depreciation			1,627	1,627	1,627
Conferences and meetings			1,003	1,003	1,003
Computer expense			310	310	310
Volunteer recognition			1,769	1,769	1,769
Bank and credit card fees			140	140	140
TOTAL EXPENSES	\$ 348,098	\$ 14,241	\$ 57,462	\$ 57,462	\$ 419,801

(See accompanying notes)

**CHILDREN COMMUNITY HEALTH CENTER OF MCKINNEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children Community Health Center of McKinney ("The Center") is an incorporated not-for-profit Texas corporation operating under Internal Revenue Code Section 501(c)(3) since 2004. The Center is a free medical clinic serving the medically uninsured and underserved children and adults of McKinney and northern Collin County.

Contributed Supplies and Services

The Center recognizes contributed services and supplies at the fair market value of the service or supplies provided. If the fair market value of an item or contributed service cannot be determined, no recognition is made.

In 2010, Labcorp provided an estimated \$256,416 in contributed lab services for the clients/patients of The Center. This amount is treated as an in-kind contribution and is included in the contributions revenue item in the Statement of Activities and as a program expense (Supplies line item in the Statement of Functional Expenses).

Contributed Hours

A number of volunteers donate significant amounts of their time during the year; however, no amounts have been reflected in the statements for these services as the value of these services has not been determined. A number of volunteers, including the Board of Directors, however, have donated significant amounts of their time and expertise to the Center's programs and supporting services.

Basis of accounting

The accounting and reporting policies of the Center conform to accounting principles generally accepted in the United States of America, and are in accordance with the audit guide issued by the American Institute of Certified Public Accountants, "Not-for-Profit Organizations" under the provisions for "Voluntary Health and Welfare Organizations." The Center prepares its books on the accrual basis of accounting. Grant revenues are recorded when the grant is awarded.

Financial statement preparation

Financial statement presentation is consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-225-45-1 "Financial Statements of Not-For-Profit Organizations."

The Center reports its contributions in accordance with FASB ASC 958-605-50-1 "Accounting for Contributions Received and Contributions Made". In accordance with FASB ASC 958-605-50-1, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence

CHILDREN COMMUNITY HEALTH CENTER OF MCKINNEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

and/or nature of any donor restrictions. Under FASB ASC 958-605-50-1, such contributions are required to be reported temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or compliance with the purpose restriction.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

The Center capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to ten years.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, The Center considers all cash and money market accounts to be cash equivalents. Cash consists of a checking account, a savings account and petty cash account.

Federal Income Taxes

The Center is exempt from federal income taxation under the Internal Revenue Code Section 501(c)(3) and contributions to The Center are tax deductible. Accordingly, no provision for federal income taxes is made in the accompanying financial statements.

Functional Allocation of Expenses

The cost of providing the various programs have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Expenses that can be identified with a specific program and support service are allocated directly to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Revenue recognition

All grantor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires, either by time or by accomplishment, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released

**CHILDREN COMMUNITY HEALTH CENTER OF MCKINNEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Contributions

In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Center to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested permanently by the Center. The donors require the Center to use all or part of the investment return on these net assets for specified or unspecified purposes. The Center had no permanently restricted net assets as of December 31, 2010.

Advertising costs

The Center's policy is to expense advertising costs as such costs are incurred.

Income taxes

No provision for income tax expense has been made in the accompanying financial statements since the Center is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Subsequent events

Subsequent events have been evaluated through January 11, 2012, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash is stated at the book balance of \$116,023 at December 31, 2010. Cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2010, the Center's bank balance was fully insured by the FDIC. For the purpose of the Statement of Cash Flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**CHILDREN COMMUNITY HEALTH CENTER OF MCKINNEY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010**

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2010:

Computer Equipment and Software	\$ 1,672
Furniture and Fixtures	4,019
Medical Equipment	8,014
Less Accumulated depreciation	<u>(9,284)</u>
Net book value	<u>\$ 4,421</u>

NOTE 4 – SCHEDULE OF NET ASSETS

Net assets are available for the following purposes at December 31, 2010:

Unrestricted net assets	
Undesignated by the Board	\$119,482
Temporarily restricted net assets	<u>0</u>
Total Net Assets	<u>\$119,482</u>

NOTE 5 – FUNDRAISING COSTS

The Center incurred fundraising costs of \$14,241.

NOTE 6 – LEASE OBLIGATIONS

During the period May 1, 2010, the Center renewed its lease with Columbia Medical Center of McKinney, LP d/b/a Medical Center of McKinney. The lease is an annual lease renewable by April 30. The annual lease amount is \$1 and the Center is billed monthly for a portion of the cleaning expenses. The Center recognizes \$27,000 as the fair market value of the leased space as an in-kind contribution.

**CHILDREN COMMUNITY HEALTH CENTER OF MCKINNEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 7 – ECONOMIC DEPENDENCE

The Center operations are substantially dependent on its annual Gala as well as on the receipt of support from grantor and contract agencies. Loss of these funds and/or large decreases in this type of funding would have a material effect on the financial position of the Center and a negative impact on overall operations.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Center is currently receiving and previously has received grants and contracts which are subject to special compliance audits by the grantors that provide these reimbursements. These audits may result in disallowed expense amounts.

Disallowed amounts, if any constitute a contingent liability of the Center. Accordingly, such liabilities are not reflected within the financial statements of the Center, as management does not believe any contingent liabilities that may exist to be material.

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: OCT 07 2004

CHILDREN AND COMMUNITY HEALTH
CENTER OF MCKINNEY
C/O JENNIFER L GRAUL
HUGHES & LUCE LLP
1717 MAIN ST SUITE 2800
DALLAS, TX 75201

Employer Identification Number:
20-0637782
DIN:
17053111067024
Contact Person:
TERRY KAYE ID# 31038
Contact Telephone Number:
(877) 829-5500

Accounting Period Ending:
December 31
Public Charity Status:
170(b)(1)(A)(iii)
Form 990 Required:
Yes
Effective Date of Exemption:
January 21, 2004
Contribution Deductibility:
Yes

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. We determined that you are a public charity under the Code section(s) listed in the heading of this letter.

Please see enclosed Information for Exempt Organizations Under Section 501(c)(3) for some helpful information about your responsibilities as an exempt organization.

Letter 947 (DO/CG)

