

THE CHILDREN'S CENTER

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

THE CHILDREN'S CENTER

CONTENTS

	<u>PAGE</u>
• Independent Auditors' Report	1
• Consolidated Statements of Financial Position	2-3
• Consolidated Statements of Activities and Change in Net Assets	4-5
• Consolidated Statements of Functional Expenses	6-7
• Consolidated Statement of Cash Flows	8
• Notes to Consolidated Financial Statements	9-18
 <u>Supplemental Information</u>	
• Consolidating Statement of Financial Position - June 30, 2009	20
• Consolidating Statement of Activities and Change in Net Assets - Year ended June 30, 2009	21

INDEPENDENT AUDITORS' REPORT

November 2, 2009

To the Board of Trustees of
The Children's Center

We have audited the accompanying consolidated statement of financial position of The Children's Center (a nonprofit organization) as of June 30, 2009 and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. The consolidated financial statements of The Children's Center as of and for the year ended June 30, 2008, were audited by other auditors whose report dated October 30, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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 Children's Center as of June 30, 2009, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating statement of financial position as of June 30, 2009, on page 20 and the consolidating statement of activities and change in net assets for the year ended June 30, 2009, on page 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Lake, Hill & Myers

THE CHILDREN'S CENTER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 1,533,970	\$ 980,800	\$ 458,475	\$ 2,973,245
Accounts receivable, less allowances for contractual agreements and doubtful accounts of \$40,000	218,008	-	-	218,008
United Way pledges receivable	-	183,388	-	183,388
Other pledges receivable	28,945	10,000	-	38,945
Campaign pledges receivable	-	588,319	30,391	618,710
Prepaid expenses and other assets	30,800	-	-	30,800
Total current assets	<u>1,811,723</u>	<u>1,762,507</u>	<u>488,866</u>	<u>4,063,096</u>
Property and equipment, net	12,421,447	-	-	12,421,447
Other pledges receivable	11,795	-	-	11,795
Campaign pledges receivable, less allowances for doubtful accounts of \$40,000	-	679,709	34,380	714,089
Investments	2,857,106	-	1,500,000	4,357,106
Other assets	28,555	-	-	28,555
Total assets	<u>\$ 17,130,626</u>	<u>\$ 2,442,216</u>	<u>\$ 2,023,246</u>	<u>\$ 21,596,088</u>
 <u>LIABILITIES and NET ASSETS</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 893,122	\$ -	\$ -	\$ 893,122
Total current liabilities	<u>893,122</u>	<u>-</u>	<u>-</u>	<u>893,122</u>
Long-term debt	3,889,076	-	-	3,889,076
Total liabilities	<u>4,782,198</u>	<u>-</u>	<u>-</u>	<u>4,782,198</u>
Net assets:				
Unrestricted				
Undesignated	1,054,902	-	-	1,054,902
Investment in property and equipment, net	8,359,695	-	-	8,359,695
Endowment Trust	2,933,831	-	-	2,933,831
Temporarily restricted	-	2,442,216	-	2,442,216
Permanently restricted	-	-	2,023,246	2,023,246
Total net assets	<u>12,348,428</u>	<u>2,442,216</u>	<u>2,023,246</u>	<u>16,813,890</u>
Total liabilities and net assets	<u>\$ 17,130,626</u>	<u>\$ 2,442,216</u>	<u>\$ 2,023,246</u>	<u>\$ 21,596,088</u>

See notes to consolidated financial statements.

THE CHILDREN'S CENTER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 1,555,838	\$ 318,554	\$ 1,847,023	\$ 3,721,415
Accounts receivable, less allowances for contractual agreements and doubtful accounts of \$40,000	427,724	-	-	427,724
United Way pledges receivable	-	188,445	-	188,445
Other pledges receivable	69,065	9,089	-	78,154
Campaign pledges receivable	193,139	1,822,099	126,000	2,141,238
Prepaid expenses and other assets	17,141	-	-	17,141
Total current assets	2,262,907	2,338,187	1,973,023	6,574,117
Property and equipment, net	6,373,667	-	-	6,373,667
Promise to give	-	21,075	-	21,075
Other pledges receivable	21,435	8,666	-	30,101
Campaign pledges receivable	407,696	322,796	33,346	763,838
Investments	3,124,023	-	-	3,124,023
Other assets	35,477	-	-	35,477
Total assets	\$ 12,225,205	\$ 2,690,724	\$ 2,006,369	\$ 16,922,298
 <u>LIABILITIES and NET ASSETS</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 642,366	\$ -	\$ -	\$ 642,366
Deferred rental revenue	2,317	-	-	2,317
Current portion of long-term debt	87,929	-	-	87,929
Total current liabilities	732,612	-	-	732,612
Long-term debt, less current portion	1,357,341	-	-	1,357,341
Total liabilities	2,089,953	-	-	2,089,953
Net assets:				
Unrestricted				
Undesignated	562,838	-	-	562,838
Investment in property and equipment, net	6,373,667	-	-	6,373,667
Endowment Trust	3,198,747	-	-	3,198,747
Temporarily restricted	-	2,690,724	-	2,690,724
Permanently restricted	-	-	2,006,369	2,006,369
Total net assets	10,135,252	2,690,724	2,006,369	14,832,345
Total liabilities and net assets	\$ 12,225,205	\$ 2,690,724	\$ 2,006,369	\$ 16,922,298

See notes to consolidated financial statements.

THE CHILDREN'S CENTER

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 1,358,333	\$ 2,293,828	\$ 16,877	\$ 3,669,038
Special events, less direct benefits to donors of \$60,520	229,495	-	-	229,495
United Way allocation	906	178,388	-	179,294
	<u>1,588,734</u>	<u>2,472,216</u>	<u>16,877</u>	<u>4,077,827</u>
Revenues:				
Federal and state contracts	1,136,520	-	-	1,136,520
Valley Mental Health contract	1,079,346	-	-	1,079,346
Private fees	432,523	-	-	432,523
	<u>2,648,389</u>	<u>-</u>	<u>-</u>	<u>2,648,389</u>
Less contractual allowances	<u>(460,155)</u>	<u>-</u>	<u>-</u>	<u>(460,155)</u>
	<u>2,188,234</u>	<u>-</u>	<u>-</u>	<u>2,188,234</u>
Investment income - non-endowment	42,083	-	-	42,083
Investment income (loss) - endowment	(252,906)	-	-	(252,906)
Miscellaneous	62,925	-	-	62,925
	<u>(147,898)</u>	<u>-</u>	<u>-</u>	<u>(147,898)</u>
Net assets released from restrictions	<u>2,680,724</u>	<u>(2,680,724)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>6,309,794</u>	<u>(208,508)</u>	<u>16,877</u>	<u>6,118,163</u>
Expenses:				
Program services:				
Therapeutic preschool	2,043,038	-	-	2,043,038
Testing and consultation	347,453	-	-	347,453
Outpatient services	311,854	-	-	311,854
Residential treatment	442,046	-	-	442,046
Training and research	95,387	-	-	95,387
Total program services	<u>3,239,778</u>	<u>-</u>	<u>-</u>	<u>3,239,778</u>
Supporting services:				
Management and general	334,715	-	-	334,715
Fundraising	208,548	-	-	208,548
Total supporting services	<u>543,263</u>	<u>-</u>	<u>-</u>	<u>543,263</u>
Total program and supporting services expenses	<u>3,783,041</u>	<u>-</u>	<u>-</u>	<u>3,783,041</u>
Other:				
Impairment loss	124,093	-	-	124,093
Loan prepayment penalty	229,484	-	-	229,484
	<u>353,577</u>	<u>-</u>	<u>-</u>	<u>353,577</u>
Total expenses	<u>4,136,618</u>	<u>-</u>	<u>-</u>	<u>4,136,618</u>
Change in net assets	2,173,176	(208,508)	16,877	1,981,545
Net assets, beginning of year	<u>10,135,252</u>	<u>2,690,724</u>	<u>2,006,369</u>	<u>14,832,345</u>
Net assets, end of year	<u>\$ 12,308,428</u>	<u>\$ 2,482,216</u>	<u>\$ 2,023,246</u>	<u>\$ 16,813,890</u>

See notes to consolidated financial statements.

THE CHILDREN'S CENTER
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 1,588,285	\$ 2,463,914	\$ 8,727	\$ 4,060,926
Special events, less direct benefits to donors of \$63,888	318,888	-	-	318,888
United Way allocation	912	188,445	-	189,357
In-kind contributions	2,800	-	-	2,800
	<u>1,910,885</u>	<u>2,652,359</u>	<u>8,727</u>	<u>4,571,971</u>
Revenues:				
Federal and state contracts	1,588,983	-	-	1,588,983
Valley Mental Health contract	975,527	-	-	975,527
Private fees	546,318	-	-	546,318
	<u>3,110,828</u>	<u>-</u>	<u>-</u>	<u>3,110,828</u>
Less contractual allowances	<u>(430,395)</u>	<u>-</u>	<u>-</u>	<u>(430,395)</u>
	<u>2,680,433</u>	<u>-</u>	<u>-</u>	<u>2,680,433</u>
Investment income - non-endowment	89,140	-	-	89,140
Investment income (loss) - endowment	(180,540)	-	-	(180,540)
Gain (loss) on sale of fixed assets	(5,073)	-	-	(5,073)
Miscellaneous	112,859	-	-	112,859
	<u>16,386</u>	<u>-</u>	<u>-</u>	<u>16,386</u>
Net assets released from restrictions	166,832	(166,832)	-	-
Total public support and revenues	<u>4,774,536</u>	<u>2,485,527</u>	<u>8,727</u>	<u>7,268,790</u>
Expenses:				
Program services:				
Therapeutic preschool	1,947,577	-	-	1,947,577
Testing and consultation	273,709	-	-	273,709
Outpatient services	302,588	-	-	302,588
Residential treatment	457,453	-	-	457,453
Training and research	485,255	-	-	485,255
Total program services	<u>3,466,582</u>	<u>-</u>	<u>-</u>	<u>3,466,582</u>
Supporting services:				
Management and general	309,260	-	-	309,260
Fundraising	164,320	-	-	164,320
Total supporting services	<u>473,580</u>	<u>-</u>	<u>-</u>	<u>473,580</u>
Rent, net of expenses of \$357,700	170,855	-	-	170,855
Total expenses	<u>4,111,017</u>	<u>-</u>	<u>-</u>	<u>4,111,017</u>
Change in net assets	663,519	2,485,527	8,727	3,157,773
Net assets, beginning of year	<u>9,471,733</u>	<u>205,197</u>	<u>1,997,642</u>	<u>11,674,572</u>
Net assets, end of year	<u>\$ 10,135,252</u>	<u>\$ 2,690,724</u>	<u>\$ 2,006,369</u>	<u>\$ 14,832,345</u>

See notes to consolidated financial statements.

THE CHILDREN'S CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2009

	Program Services					Supporting Services		Total supporting services	Total	
	Therapeutic preschool	Testing and consultation	Outpatient services	Residential treatment	Training and research	Total program services	Management and general			Fundraising
Salaries	\$ 1,246,015	\$ 204,181	\$ 222,531	\$ 299,665	\$ 23,989	\$ 1,996,381	\$ 194,900	\$ 122,710	\$ 317,610	\$ 2,313,991
Payroll taxes	89,707	14,689	16,025	21,879	1,679	143,979	14,689	8,570	23,259	167,238
Employee insurance	144,478	24,507	24,999	37,889	2,639	234,512	23,564	14,410	37,974	272,486
Employee retirement	29,430	5,183	5,654	7,620	819	48,706	5,183	6,124	11,307	60,013
Professional insurance	18,786	2,408	2,890	6,625	-	30,709	-	-	-	30,709
Office supplies	12,804	2,326	592	125	46	15,893	776	1,051	1,827	17,720
Program materials	13,699	3,411	4,348	5,521	4,387	31,366	-	-	-	31,366
Food	12,579	230	427	14,468	8,249	35,953	-	-	-	35,953
Postage	6,196	1,212	262	20	-	7,690	1,074	6,784	7,858	15,548
Printing	635	863	16	-	3,329	4,843	119	17,364	17,483	22,326
Publications and testing material	284	3,476	-	-	-	3,760	142	125	267	4,027
Telephone	9,256	1,875	875	557	-	12,563	625	125	750	13,313
Utilities	28,529	5,944	2,774	9,739	-	46,986	4,087	396	4,483	51,469
Repairs and maintenance	45,773	9,536	4,450	5,069	-	64,828	3,179	636	3,815	68,643
Janitorial service and supplies	23,757	4,949	2,310	3,260	-	34,276	1,650	330	1,980	36,256
Property insurance	3,417	712	332	844	-	5,305	237	47	284	5,589
Professional fees - program	33,291	14,731	-	-	48,159	96,181	-	-	-	96,181
Professional fees - other	-	-	-	-	-	-	26,000	1,021	27,021	27,021
Bad debts and collection expense	58,839	3,269	3,269	-	-	65,377	812	4,824	5,636	71,013
Transportation	101,428	96	239	4,360	-	106,123	-	-	-	106,123
Meetings and conventions	5,783	12,446	1,435	110	-	19,774	30	6	36	19,810
Management fee	-	-	-	-	-	-	14,011	-	14,011	14,011
Organizational costs	36,196	5,931	6,465	-	-	48,592	5,661	6,465	12,126	60,718
Miscellaneous	887	214	171	1,033	2,091	4,396	29,554	15,876	45,430	49,826
Total expenses before in-kind expense, depreciation and amortization	1,921,769	322,189	300,064	418,784	95,387	3,058,193	326,293	206,864	533,157	3,591,350
In-kind rent	16,225	3,380	1,577	-	-	21,182	1,127	225	1,352	22,534
Depreciation and amortization	105,044	21,884	10,213	23,262	-	160,403	7,295	1,459	8,754	169,157
Total	\$ 2,043,038	\$ 347,453	\$ 311,854	\$ 442,046	\$ 95,387	\$ 3,239,778	\$ 334,715	\$ 208,548	\$ 543,263	\$ 3,783,041

See notes to consolidated financial statements.

THE CHILDREN'S CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2008

	Program Services					Supporting Services			Total supporting services	Total
	Therapeutic preschool	Testing and consultation	Outpatient services	Residential treatment	Training and research	Total program services	Management and general	Fundraising		
Salaries	\$ 1,216,597	\$ 138,719	\$ 219,909	\$ 309,144	\$ 109,947	\$ 1,994,316	\$ 192,420	\$ 107,221	\$ 299,641	\$ 2,293,957
Payroll taxes	86,857	12,146	15,657	22,891	7,916	145,467	14,353	4,729	19,082	164,549
Employee insurance	147,928	18,481	26,508	35,355	16,269	244,541	24,299	7,220	31,519	276,060
Employee retirement	26,893	2,322	4,500	10,271	3,521	47,507	4,125	1,281	5,406	52,913
Professional insurance	19,373	2,422	2,422	6,444	-	30,661	-	-	-	30,661
Office supplies	14,827	4,349	656	-	3,270	23,102	826	826	1,652	24,754
Program materials	18,526	4,281	5,126	7,098	4,122	39,153	-	-	-	39,153
Food	11,289	244	349	16,025	3,148	31,055	-	592	592	31,647
Postage	6,433	1,245	273	-	84	8,035	1,169	1,684	2,853	10,888
Printing	2,681	1,873	67	-	5,663	10,284	503	12,118	12,621	22,905
Publications and testing material	490	9,374	2,515	-	1,950	14,329	245	720	965	15,294
Telephone	9,946	1,942	906	678	-	13,472	647	129	776	14,248
Utilities	26,066	5,430	2,534	7,363	-	41,393	1,810	362	2,172	43,565
Repairs and maintenance	50,753	10,573	4,934	6,062	-	72,322	3,524	705	4,229	76,551
Janitorial service and supplies	23,916	4,982	2,325	2,345	-	33,568	1,661	332	1,993	35,561
Property insurance	3,642	759	354	962	-	5,717	253	51	304	6,021
Professional fees - program	43,747	18,782	-	-	323,799	386,328	-	-	-	386,328
Professional fees - other	-	-	-	-	-	-	25,036	9,198	34,234	34,234
Bad debts and collection expense	10,241	569	569	-	-	11,379	-	-	-	11,379
Transportation	104,759	86	163	5,778	1,005	111,791	-	-	-	111,791
Meetings and conventions	7,588	11,226	1,610	1,004	3,217	24,645	54	11	65	24,710
Management fee	-	-	-	-	-	-	15,030	-	15,030	15,030
Miscellaneous	2,478	457	269	1,626	1,344	6,174	15,489	15,578	31,067	37,241
Total expenses before in-kind expense, depreciation and amortization	1,835,030	250,262	291,646	433,046	485,255	3,295,239	301,444	162,757	464,201	3,759,440
In-kind rent	2,016	420	196	-	-	2,632	140	28	168	2,800
Depreciation and amortization	110,531	23,027	10,746	24,407	-	168,711	7,676	1,535	9,211	177,922
Total	\$ 1,947,577	\$ 273,709	\$ 302,588	\$ 457,453	\$ 485,255	\$ 3,466,582	\$ 309,260	\$ 164,320	\$ 473,580	\$ 3,940,162

See notes to consolidated financial statements.

THE CHILDREN'S CENTER
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended June 30,	
	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 1,981,545	\$ 3,157,773
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	169,157	217,116
Impairment loss	124,093	-
Loan prepayment penalty	229,484	-
Contributed stock	-	(78,494)
Discount on long-term promises to give	(100,046)	1,253
Unrealized loss on investments	200,821	350,709
Realized (gain) loss on investments	130,841	(23,902)
Loss on sale of property and equipment	-	5,073
Decrease (increase) in operating assets:		
Accounts receivable, net	209,716	(53,632)
United Way pledges receivable	5,057	(32,865)
Other pledges receivable	82,654	(67,191)
Campaign pledges receivable	1,668,259	(1,715,250)
Prepaid expenses and other assets	(6,737)	18,582
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	250,756	299,043
Deferred rental revenue	(2,317)	(40,743)
Net cash provided by operating activities	4,943,283	2,037,472
Cash flows from investing activities:		
Purchase of property and equipment	(6,341,030)	(994,769)
Increase in investments, net	(1,564,745)	(52,743)
Net cash used in investing activities	(7,905,775)	(1,047,512)
Cash flows from financing activities:		
Proceeds from long-term debt	3,889,076	-
Principal payments and loan prepayment penalty on long-term debt	(1,674,754)	(81,594)
Net cash provided by (used in) financing activities	2,214,322	(81,594)
Net increase (decrease) in cash and cash equivalents	(748,170)	908,366
Cash and cash equivalents, beginning of year	3,721,415	2,813,049
Cash and cash equivalents, end of year	\$ 2,973,245	\$ 3,721,415
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	\$ -	\$ 111,748

See notes to consolidated financial statements.

THE CHILDREN'S CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Operational purpose

The Children's Center is a private, non-profit agency that provides mental health treatment for troubled children (birth - 6) and their families. Founded in 1962 by Dr. Agi Plenk, The Children's Center consists of two treatment facilities, one in Salt Lake City, Utah and one in Kearns, Utah. The Children's Center is one of the largest clinical agencies in the country serving preschool-aged children with emotional and behavioral disorders. The Children's Center believes in being a resource for community organizations and a training center to enhance care for young children and their families. The Children's Center's programs consist of the following:

Therapeutic preschool: provides treatment for emotionally troubled preschool-aged children three hours per day, five days per week, 52 weeks per year.

Testing and consultation: provides psychological evaluations, mental health consultations, psychiatric evaluations, and consultation to staff in child care centers.

Outpatient services: provides therapy groups for emotionally troubled children in 1 ½ hour groups once or twice weekly as well as individual and family therapy and teen mother counseling.

Residential treatment: provides twenty-four hour care and treatment for troubled young children.

Training and research: Provides training of mental health clinicians, early intervention specialists, Division of Child and Family Services staff, community professionals and para-professionals and parents to improve and enhance mental health services to young children in the state of Utah.

The Children's Center Endowment Trust (the Trust) is a separate non-profit entity, governed by a board of five trustees, which holds investments to provide for the future needs of The Children's Center. Earnings from Trust investments are unrestricted and are used for capital improvements, research, and program development.

Historic Oquirrh School Manager, Inc., a wholly-owned subsidiary, was formed on September 3, 2008. Historic Oquirrh School Manager, Inc. has a 90 percent managing member ownership interest in Historic Oquirrh School, LLC, which was formed on September 3, 2008. These two entities were formed to own and operate the Historic Oquirrh School (the School). The Children's Center is renovating the School to be used as its administrative office and treatment center in Salt Lake City, Utah. The Children's Center moved into the School subsequent to June 30, 2009 (see Note 11).

Financial statement presentation

The accompanying consolidated financial statements include the accounts and operations of The Children's Center and Trust because the two boards and the economic interests of the two entities are interrelated. The accounts and operations of Historic Oquirrh School Manager, Inc., wholly-owned by The Children's Center, and Historic Oquirrh School, LLC, 90 percent owned by Historic Oquirrh School Manager, Inc., are also included in the consolidated financial statements. The consolidated entities are collectively referred to as "the Center." All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The consolidated financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The Center reports its net assets according to the following three classes:

Unrestricted - accounts for unrestricted assets (net of related liabilities) available for support of the Center's operations. Assets designated by the Board of Trustees for a specific purpose also are accounted for in this fund.

The unrestricted net assets of the Trust total \$2,933,831 and \$3,198,747 at June 30, 2009 and 2008, respectively. The Trust has been funded with proceeds from special events, donor gifts and transfers of operating surplus from The Children's Center. The income and up to 25 percent of the principal may be distributed in any year. To date, the trustees have not distributed any of the principal of the trust.

Temporarily restricted - accounts for resources currently available for use, but expendable only for purposes specified by the donor.

Permanently restricted - accounts for gifts requiring in perpetuity that the principal be invested and the income only be used. Realized and unrealized gains and losses are recorded in the statement of activities and change in net assets as changes to unrestricted or temporarily restricted net assets, depending on the nature of the restrictions of the gift.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand and highly liquid investments with maturities of three months or less.

Property and equipment

All expenditures for land, buildings, furniture, fixtures and equipment in excess of \$500 and with useful lives greater than one year are capitalized at acquisition cost or, where donated, at estimated fair value at the date of the donation. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful lives</u>
Buildings	40 years
Leasehold improvements	10 - 25 years
Furniture, fixtures and equipment	4 - 5 years
Land improvements	10 - 25 years

Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets

The Center reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, as measured by a comparison of estimated future cash flows (undiscounted and without interest charges) to the carrying value of the asset. Assets held for sale are written down to their fair value, less cost to sell. During the year ended June 30, 2009, the Center's building was written down to its fair value, as more fully described in Note 11.

Revenue recognition

Revenues are recorded based on the Center's standard fee schedule for services performed. Contractual allowances, which represent the difference between the Center's standard fee schedule and the amounts actually received from public agencies and private patients, are deducted from fees for services. Receivables and revenues from government institutions, under cost reimbursement programs, are recognized when the expenses have been incurred.

Accounts receivable

Accounts receivable are recorded at their net realizable value. An allowance for contractual agreements is recorded based on management's historical experience with payors. An allowance for uncollectible amounts is recorded based on management's historical experience and an analysis of specific balances. An account is removed from accounts receivable when it is determined that all collection efforts have been exhausted.

Promises to give, campaign and other pledges receivable

Promises to give that are unconditional in nature are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. Amounts due later than one year are recorded at the present value of estimated future cash flows using a risk free interest rate.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recorded as revenue when cash is received or the Center receives an unconditional promise to give from the donor.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

Donated services and materials

Volunteers and donors contribute services and materials toward the fulfillment of the Center's programs. To the extent these contributions satisfy the criteria for recognition under generally accepted accounting principles (GAAP), they are recognized as contributions and expenses in the statement of activities and change in net assets. Significant donations of goods and services are received by the Center for use in its annual signature fundraising event. These contributed goods and services are auctioned at the event and the estimated fair value of these donations is determined to equal the proceeds from the auction. This amount is recorded as contribution revenue and totaled \$62,395 and \$95,250 for the years ended June 30, 2009 and 2008, respectively.

Investments and fair value measurements

Investments are recorded at their fair value at year end with any unrealized gains or losses reflected in the statement of activities and change in net assets as part of investment income (loss).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The Center holds investments that are measured at fair value on an annual basis. GAAP establishes a three-level hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Center's investments are all valued using the highest level of observable inputs, Level 1. Level 1 inputs are valued using the valuation methodology of quoted prices (unadjusted) for an identical asset or liability in an active market. The Center does not have any other assets or liabilities that are required to be valued at fair value on a recurring basis.

Functional expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities and change in net assets. All direct costs are charged to the functional area to which they pertain. Indirect costs are charged to programs and supporting services based on estimates made by management taking into account the nature of the expense and how it relates to the functional area. Management and general costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support of the Center.

Nonprofit status

The Children's Center and the Trust were organized as nonprofit corporations in accordance with the laws of the State of Utah and are exempt from federal income taxation under provisions of Internal Revenue Code (IRC) Section 501(c)(3).

Income taxes

The Children's Center and the Trust are qualified charitable organizations under IRC Section 501(c)(3); therefore, these entities are not subject to federal and state income taxes in connection with their charitable activities.

Historic Oquirrh School, LLC, is a limited liability company. As such, the tax effects of Historic Oquirrh School, LLC's activities accrue directly to its members and no tax provision is recorded in the accompanying consolidated financial statements.

Historic Oquirrh School Manager, Inc. uses the asset and liability method for financial accounting and reporting of income taxes. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current income tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities. No income tax expense was recorded for the year ended June 30, 2009.

The Center believes it does not have and has not recorded a liability for any uncertain tax positions.

Use of estimates

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

Endowment Trust investment policy and objectives

The Trust was established to support the Center in the treatment of young children with emotional and behavioral problems and their families. Funds may be distributed as appropriate for the creation and maintenance of programs, the employment and retention of personnel, capital expenditures, and other such purposes.

The investment objective of the Trust is to preserve and grow principal. The spending policy for the Trust was established to allow for growth in excess of the long-term inflation rate. Distributions in excess of the stated rate may be made with approval of the Board of Trustees.

Permanently restricted net assets

The Board of Trustees has interpreted state law to not require the preservation of the purchasing power (real value) of the permanently restricted net assets unless explicit donor stipulations specify otherwise. All amounts included in permanently restricted net assets have been specifically stipulated by the donors that the corpus must be maintained in perpetuity.

Subsequent events

Management has made an evaluation of subsequent events through November 2, 2009, the date on which the financial statements were available to be issued. In September 2009, the Center entered into a purchase and sale agreement related to the Center's building located on land leased from the University of Utah, as more fully described in Note 11.

NOTE 2 - PLEDGES RECEIVABLE AND PROMISES TO GIVE:

During the year ended June 30, 2006, the Center began a fundraising effort for the Campaign for a New Children's Center: Little Kids with Big Problems Need Your Help (the Campaign). The goal of the Campaign was to raise \$13,000,000 for a new facility and to grow the Center's endowment for the funding of future operations and programs. During the year ended June 30, 2007, the Center purchased the School, which it began renovating after the existing tenant leases expired during the year ended June 30, 2008. Subsequent to June 30, 2009, the Center relocated its administrative offices and Salt Lake City, Utah, treatment facility to this new facility (see Note 11). Campaign pledges receivable consist of pledges restricted for the Campaign.

Pledges receivable consist of pledges towards the Center's operations and programs.

In 1969, the Center entered into a lease agreement with the University of Utah. Under the terms of the agreement, the Center received the rent-free use of the land, on which the Center built its main facility, for a period of 50 years. The lease agreement specified that in exchange for the free rent, the ownership of the building would revert to the University of Utah at the end of the lease term. The Center recorded the rent-free use of the land on which the Center's building was located as an unconditional promise to give during the period prior to the year ended June 30, 2008. Subsequent to June 30, 2009, the Center vacated this building (see Note 11) and the remaining balance of the unconditional promise to give of \$22,534 at June 30, 2009 was expensed and is included in in-kind rent expense.

Pledges receivable due in more than one year are reflected at the present value of the estimated future cash flows using a risk-free interest rate ranging from 1.04 to 5.13 percent and consist of the following:

Year ending June 30,

2010	\$ 841,043
2011	485,587
2012	231,578
2013	139,499
2014	<u>10,227</u>
	1,707,934
Less unamortized discount	(101,007)
Less allowance for doubtful pledges	<u>(40,000)</u>
Net present value	<u>\$1,566,927</u>

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 2,051,925	\$ 2,051,925
Buildings and leasehold improvements	4,360,394	4,454,181
Furniture, fixtures and equipment	724,790	710,634
Land improvements	328,048	339,611
Construction in progress - Historic Oquirrh School	<u>7,384,391</u>	<u>1,076,260</u>
	14,849,548	8,632,611
Less accumulated depreciation and amortization	<u>(2,428,101)</u>	<u>(2,258,944)</u>
	<u>\$12,421,447</u>	<u>\$ 6,373,667</u>

Depreciation expense totaled \$169,157 and \$177,922 for the years ended June 30, 2009 and 2008. Included in construction in progress at June 30, 2009, is \$112,604 of capitalized interest.

During the year ended June 30, 2009, an impairment loss of \$124,093 was recorded in connection with the Center's building located on land leased from with the University of Utah, as more fully described in Note 11. Subsequent to June 30, 2009, building and improvements and accumulated depreciation and amortization totaling \$1,270,371 and \$970,371, respectively, were removed from the Center's accounts related to the building on this leased land.

NOTE 4 - INVESTMENTS:

Investments, carried at fair value, consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Common stocks	\$1,667,259	\$1,434,593
U.S. Government bonds	956,000	495,849
Municipal bonds	33,087	31,550
Mutual funds - stocks	295,745	255,098
Mutual funds - bonds	49,137	49,686
Mutual funds - other	<u>1,355,878</u>	<u>857,247</u>
	<u>\$4,357,106</u>	<u>\$3,124,023</u>

Investment income (loss) consists of the following:

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Non-endowment investments:		
Interest and investment income	<u>\$42,083</u>	<u>\$89,140</u>
Endowment investments:		
Interest and investment income	\$ 47,949	\$ 122,130
Gain (loss) on sale of investments	(130,841)	23,902
Dividends	30,807	24,137
Net unrealized loss on investments	<u>(200,821)</u>	<u>(350,709)</u>
	<u>\$(252,906)</u>	<u>\$(180,540)</u>

Investment income (loss) on the non-endowment and endowment investments is unrestricted and undesignated.

NOTE 5 - LINE OF CREDIT:

The Center has a line of credit with a financial institution available in the amount of \$1,700,000. The purpose of this line of credit was to pay for potential additional construction costs on the School. This line of credit bears interest at the prime rate minus two percent and matures on October 2, 2009. This line of credit was not renewed. At June 30, 2009, no amounts had been drawn on this line of credit. Through October 3, 2009, no amounts were drawn on this line of credit.

NOTE 6 - LONG-TERM DEBT:

Long-term debt consists of a construction note payable to a financial institution, with interest at one-month LIBOR plus 1.95 percent (2.27 percent at June 30, 2009). Monthly interest-only payments are required beginning November 5, 2008. The construction note matures on April 5, 2011, when the principal and any unpaid accrued interest are due, and is secured by a building.

Future maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2010	\$ -
2011	<u>3,889,076</u>
	<u>\$3,889,076</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets represent resources currently available for use, but expendable only for the specific purposes as follows:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Restricted for the Campaign	\$2,248,828	\$2,463,449
United Way promise to give	183,388	188,445
Other restricted pledges	<u>10,000</u>	<u>38,830</u>
	<u>\$2,442,216</u>	<u>\$2,690,724</u>

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Cash restricted for the permanently restricted endowment	\$ 458,475	\$1,847,023
Receivables restricted for the permanently restricted endowment	64,771	159,346
Investments restricted for the permanently restricted endowment	<u>1,500,000</u>	<u>-</u>
	<u>\$2,023,246</u>	<u>\$2,006,369</u>

Permanently restricted net assets activity is reflected in the following table:

Permanently restricted net assets, June 30, 2008	\$2,006,369
Contributions	<u>16,877</u>
Permanently restricted net assets, June 30, 2009	<u>\$2,023,246</u>

NOTE 9 - RETIREMENT PLAN:

The Center sponsors a defined contribution retirement plan (the Plan). Employees can make contributions to the Plan on a pre-tax basis. The Center matches employee contributions up to two percent of their annual salary. If the employee is full-time and has achieved one year of service with the Center, an additional three percent is contributed. During the years ended June 30, 2009 and 2008, the Center contributed \$60,013 and \$52,913, respectively, to the Plan.

NOTE 10 - CONCENTRATIONS AND CREDIT RISK:

The Center maintains its cash and cash equivalents with financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured cash and cash equivalents balances totaled approximately \$2,144,000 and \$3,438,000 at June 30, 2009 and 2008, respectively. The Center has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

The Center also maintains accounts with three stock brokerage firms that contain cash and securities. Balances are insured by the Securities Investors Protection Corporation up to \$500,000 with a \$100,000 limit for cash. The Center's investments in securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these investment securities, it is reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Approximately 51 percent of campaign pledges receivable at June 30, 2009 are due from four donors. Approximately 49 percent of campaign pledges receivable at June 30, 2008 are due from two donors. No other single donor accounted for 10 percent or more of the campaign pledges receivable balance for the years ended June 30, 2009 and 2008.

NOTE 11 - SUBSEQUENT EVENT:

During July 2009, renovation of the School was completed and the Center relocated its administrative office and Salt Lake City, Utah treatment facility to this new location. In September 2009, The Children's Center entered into a purchase and sale agreement with the University of Utah (the University) wherein the building located on the land leased from the University was sold to the University for \$300,000. The \$300,000 purchase price is to be paid to the Center in three installments as follows:

Upon closing (September 2009)	\$100,000
Within 12 months of closing (September 2010)	100,000
Within 24 months of closing (September 2011)	<u>100,000</u>
	<u>\$300,000</u>

In connection with the sale of this building subsequent to year end, the carrying value of the building at June 30, 2009 was reduced to its fair value by recording an impairment loss of \$124,093 during the year ended June 30, 2009.

ADDITIONAL INFORMATION

THE CHILDREN'S CENTER
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2009

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School, LLC	Historic Oquirrh School Manager, Inc.	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,526,731	\$ 76,725	\$ 369,789	\$ -	\$ -	\$ 2,973,245
Accounts receivable, less allowances for contractual agreements and doubtful accounts of \$40,000	218,008	-	-	-	-	218,008
United Way pledges receivable	183,388	-	-	-	-	183,388
Other pledges receivable	38,945	-	-	-	-	38,945
Campaign pledges receivable	618,710	-	-	-	-	618,710
Prepaid expenses and other assets	30,800	-	-	-	-	30,800
Total current assets	<u>3,616,582</u>	<u>76,725</u>	<u>369,789</u>	<u>-</u>	<u>-</u>	<u>4,063,096</u>
Property and equipment, net	5,037,056	-	7,384,391	-	-	12,421,447
Other pledges receivable	11,795	-	-	-	-	11,795
Campaign pledges receivable, less allowances for doubtful accounts of \$40,000	714,089	-	-	-	-	714,089
Investments	1,500,000	2,857,106	-	-	-	4,357,106
Other assets	-	-	28,555	-	-	28,555
Investment in affiliated company	3,322,639	-	-	3,322,639	(6,645,278)	-
Total assets	<u>\$ 14,202,161</u>	<u>\$ 2,933,831</u>	<u>\$ 7,782,735</u>	<u>\$ 3,322,639</u>	<u>\$ (6,645,278)</u>	<u>\$ 21,596,088</u>
LIABILITIES and NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	261,633	-	631,489	-	-	893,122
Total current liabilities	<u>261,633</u>	<u>-</u>	<u>631,489</u>	<u>-</u>	<u>-</u>	<u>893,122</u>
Long-term debt	-	-	3,889,076	-	-	3,889,076
Total liabilities	<u>261,633</u>	<u>-</u>	<u>4,520,565</u>	<u>-</u>	<u>-</u>	<u>4,782,198</u>
Net assets:						
Members' equity	\$ -	\$ -	\$ 3,262,170	\$ -	\$ (3,262,170)	\$ -
Common stock	-	-	-	3,322,639	(3,322,639)	-
Unrestricted						
Undesignated	1,115,371	-	-	-	(60,469)	1,054,902
Investment in property and equipment, net	8,359,695	-	-	-	-	8,359,695
Endowment Trust	-	2,933,831	-	-	-	2,933,831
Temporarily restricted	2,442,216	-	-	-	-	2,442,216
Permanently restricted	2,023,246	-	-	-	-	2,023,246
Total net assets	<u>13,940,528</u>	<u>2,933,831</u>	<u>3,262,170</u>	<u>3,322,639</u>	<u>(6,645,278)</u>	<u>16,813,890</u>
Total liabilities and net assets	<u>\$ 14,202,161</u>	<u>\$ 2,933,831</u>	<u>\$ 7,782,735</u>	<u>\$ 3,322,639</u>	<u>\$ (6,645,278)</u>	<u>\$ 21,596,088</u>

THE CHILDREN'S CENTER
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year ended June 30, 2009

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School, LLC	Historic Oquirrh School Manager, Inc.	Total
Public support:					
Contributions	\$ 3,669,038	\$ -	\$ -	\$ -	\$ 3,669,038
Special events, less direct benefits to donors of \$60,520	229,495	-	-	-	229,495
United Way allocation	179,294	-	-	-	179,294
	<u>4,077,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,077,827</u>
Revenues:					
Federal and state contracts	1,136,520	-	-	-	1,136,520
Valley Mental Health contract	1,079,346	-	-	-	1,079,346
Private fees	432,523	-	-	-	432,523
	<u>2,648,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,648,389</u>
Less contractual allowances	(460,155)	-	-	-	(460,155)
	<u>2,188,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,188,234</u>
Investment income - non-endowment	41,811	-	272	-	42,083
Investment income (loss) - endowment	-	(252,906)	-	-	(252,906)
Miscellaneous	62,925	-	-	-	62,925
	<u>104,736</u>	<u>(252,906)</u>	<u>272</u>	<u>-</u>	<u>(147,898)</u>
Total public support and revenues	<u>6,370,797</u>	<u>(252,906)</u>	<u>272</u>	<u>-</u>	<u>6,118,163</u>
Expenses:					
Program services:					
Therapeutic preschool	2,006,842	-	36,196	-	2,043,038
Testing and consultation	341,522	-	5,931	-	347,453
Outpatient services	305,389	-	6,465	-	311,854
Residential treatment	442,046	-	-	-	442,046
Training and research	95,387	-	-	-	95,387
Total program services	<u>3,191,186</u>	<u>-</u>	<u>48,592</u>	<u>-</u>	<u>3,239,778</u>
Supporting services:					
Management and general	315,020	14,011	5,684	-	334,715
Fundraising	202,083	-	6,465	-	208,548
Total supporting services	<u>517,103</u>	<u>14,011</u>	<u>12,149</u>	<u>-</u>	<u>543,263</u>
Total program and supporting services expenses	<u>3,708,289</u>	<u>14,011</u>	<u>60,741</u>	<u>-</u>	<u>3,783,041</u>
Other:					
Impairment loss	124,093	-	-	-	124,093
Loan prepayment penalty	229,484	-	-	-	229,484
	<u>353,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,577</u>
Total expenses	<u>4,061,866</u>	<u>14,011</u>	<u>60,741</u>	<u>-</u>	<u>4,136,618</u>
Change in net assets	2,308,931	(266,917)	(60,469)	-	1,981,545
Net assets, beginning of year	11,633,598	3,198,747	-	-	14,832,345
Net assets, end of year	<u>\$ 13,942,529</u>	<u>\$ 2,931,830</u>	<u>\$ (60,469)</u>	<u>\$ -</u>	<u>\$ 16,813,890</u>