

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.

REPORT OF EXAMINATION

YEARS ENDED DECEMBER 31, 2009 AND 2008

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August 25, 2010

INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Center for Self-Esteem, Inc.
Houston, Texas

We have audited the accompanying statements of financial position of the Children's Center for Self-Esteem, Inc. as of December 31, 2009 and 2008 and the related statements of activity, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 provides 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 the Children's Center for Self-Esteem, Inc. as of December 31, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hajovsky, Jones & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

| | December 31, | |
|-------------------------------|--------------|-----------|
| | 2009 | 2008 |
| Current assets: | | |
| Cash and cash equivalents | \$110,283 | \$151,692 |
| Accounts receivable | 1,258 | 815 |
| Total current assets | 111,541 | 152,507 |
| Property and equipment: | | |
| Computer and software | 12,730 | 12,730 |
| Office equipment | 5,006 | 5,006 |
| Furniture & fixtures | 1,435 | 1,435 |
| | 19,171 | 19,171 |
| Less accumulated depreciation | 18,121 | 18,121 |
| | 1,050 | 1,050 |
| Total assets | \$112,591 | \$153,557 |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|-----------|-----------|
| Current liabilities: | | |
| Accounts payable | \$407 | \$278 |
| Total current liabilities | 407 | 278 |
| Net assets: | | |
| Unrestricted | 58,054 | 153,279 |
| Restricted | 54,130 | 0 |
| Total net assets | 112,184 | 153,279 |
| Total liabilities and net assets | \$112,591 | \$153,557 |

The accompanying notes are an integral part of these financial statements.

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.

STATEMENTS OF ACTIVITIES

| | For the Year Ended December 31, 2009 | | |
|---|--------------------------------------|-------------------|------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
| Revenues and support: | | | |
| Education and training | \$23,822 | | \$23,822 |
| Educational publications | 20,136 | | 20,136 |
| Grants and contributions | 38,175 | 188,500 | 226,675 |
| Interest income | 1,675 | | 1,675 |
| Fundraising and other | 23,745 | | 23,745 |
| Reclassification of temporarily restricted net assets satisfied by payments | 134,370 | (134,370) | 0 |
| Total revenues and support | <u>241,923</u> | <u>54,130</u> | <u>296,053</u> |
| Expenses: | | | |
| Program services | | | |
| Education and training | 212,548 | | 212,548 |
| Education publications | 19,876 | | 19,876 |
| Education promotion activities | 73,425 | | 73,425 |
| | <u>305,849</u> | <u>0</u> | <u>305,849</u> |
| Supporting services | | | |
| Administration | 28,085 | 0 | 28,085 |
| Fundraising | 3,214 | 0 | 3,214 |
| | <u>31,299</u> | <u>0</u> | <u>31,299</u> |
| Total expenses | <u>337,148</u> | <u>0</u> | <u>337,148</u> |
| Increase in net assets | (95,225) | 54,130 | (41,095) |
| Net assets at beginning of year | <u>153,279</u> | <u>0</u> | <u>153,279</u> |
| Net assets at end of year | <u>\$58,054</u> | <u>\$54,130</u> | <u>\$112,184</u> |

The accompanying notes are an integral part of these financial statements.

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.
STATEMENTS OF ACTIVITIES

| | For the Year Ended December 31, 2008 | | |
|---|--------------------------------------|------------|-----------|
| | Unrestricted | Restricted | Total |
| Revenues and support: | | | |
| Education and training | \$10,026 | | \$10,026 |
| Educational publications | 11,552 | | 11,552 |
| Grants and contributions | 92,701 | | 92,701 |
| Interest income | 5,315 | | 5,315 |
| Fundraising and other | 1,278 | | 1,278 |
| Reclassification of temporarily restricted net assets satisfied by payments | 160,000 | (160,000) | 0 |
| Total revenues and support | 280,872 | (160,000) | 120,872 |
| Expenses: | | | |
| Program services | | | |
| Education and training | 223,559 | | 223,559 |
| Education publications | 5,678 | | 5,678 |
| Education promotion activities | 18,969 | | 18,969 |
| | 248,206 | 0 | 248,206 |
| Supporting services | | | |
| Administration | 28,757 | 0 | 28,757 |
| Fundraising | 3,750 | 0 | 3,750 |
| | 32,507 | 0 | 32,507 |
| Total expenses | 280,713 | 0 | 280,713 |
| Increase in net assets | 159 | (160,000) | (159,841) |
| Net assets at beginning of year | 153,120 | 160,000 | 313,120 |
| Net assets at end of year | \$153,279 | \$0 | \$153,279 |

The accompanying notes are an integral part of these financial statements.

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.
STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|--|--------------------------|-------------|
| | 2009 | 2008 |
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | (\$41,095) | (\$159,841) |
| Adjustment to reconcile increase (decrease) in net assets to net cash provided by operations: | | |
| (Increase) decrease in receivables | (443) | 47,478 |
| Increase (decrease) in accounts payable | 129 | (2,873) |
| Net cash provided by (used for) operating activities | (41,409) | (115,236) |
| Cash flows from investing activities: | | |
| Net cash provided by (used for) investing activities | 0 | 0 |
| Cash flows from financing activities: | | |
| Net cash provided by (used for) financing activities | 0 | 0 |
| Net increase (decrease) in cash | (41,409) | (115,236) |
| Cash and cash equivalents at beginning of year | 151,692 | 266,928 |
| Cash and cash equivalents at end of year | \$110,283 | \$151,692 |

The accompanying notes are an integral part of these financial statements.

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2009

| | <u>Total</u> | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> |
|--------------------------------------|------------------|------------------|-----------------------|--------------------|
| | <u>Expenses</u> | | | |
| Salaries and wages and related taxes | \$126,019 | \$126,019 | \$0 | \$0 |
| Payroll service fees | 1,874 | 0 | 1,874 | 0 |
| Bad debts | 2,350 | 2,350 | 0 | 0 |
| Insurance | 2,721 | 0 | 2,721 | 0 |
| Office and miscellaneous | 24,624 | 17,412 | 6,212 | 1,000 |
| Professional and facilitators' fees | 2,165 | 0 | 2,165 | 0 |
| Program expenses | 113,372 | 113,372 | 0 | 0 |
| Rent and facilities | 28,304 | 23,932 | 4,372 | 0 |
| Repairs and maintenance | 240 | 0 | 240 | 0 |
| Reproduction and printing | 7,811 | 0 | 5,597 | 2,214 |
| Telephone and utilities | 5,004 | 100 | 4,904 | 0 |
| Training materials | 4,835 | 4,835 | 0 | 0 |
| Travel and transportation | 2,788 | 2,788 | 0 | 0 |
| Video production | 12,795 | 12,795 | 0 | 0 |
| Website | 2,246 | 2,246 | 0 | 0 |
| | <u>\$337,148</u> | <u>\$305,849</u> | <u>\$28,085</u> | <u>\$3,214</u> |

Year Ended December 31, 2008

| | <u>Total</u> | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> |
|--------------------------------------|------------------|------------------|-----------------------|--------------------|
| | <u>Expenses</u> | | | |
| Salaries and wages and related taxes | \$149,327 | \$141,353 | \$7,974 | \$0 |
| Payroll service fees | 1,807 | 0 | 1,807 | 0 |
| Insurance | 2,721 | 0 | 2,721 | 0 |
| Office and miscellaneous | 30,395 | 23,285 | 7,088 | 22 |
| Professional and facilitators' fees | 19,646 | 16,718 | 2,928 | 0 |
| Program expenses | 30,844 | 30,844 | 0 | 0 |
| Rent | 2,573 | 0 | 2,573 | 0 |
| Reproduction and printing | 27,634 | 23,271 | 635 | 3,728 |
| Telephone and utilities | 4,916 | 1,885 | 3,031 | 0 |
| Training materials | 4,447 | 4,447 | 0 | 0 |
| Travel and transportation | 5,172 | 5,172 | 0 | 0 |
| Website | 1,231 | 1,231 | 0 | 0 |
| | <u>\$280,713</u> | <u>\$248,206</u> | <u>\$28,757</u> | <u>\$3,750</u> |

The accompanying notes are an integral part of these financial statements.

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - Organization and Summary of Significant Accounting Policies:

Nature of Activities -

The Children's Center for Self-Esteem, Inc. (the Center) is organized to create a climate of awareness and to develop principles and methodology whereby the foundation for high self-esteem and unconditional love may be given by caregivers to children. The Center accomplishes its mission exclusively by educational activities enabling parents, teachers, and other adult caregivers with the skills and nurturing abilities needed to create healthy, loving relationships with children. The Center is supported primarily through public contributions and training contributions paid by attendees to cover the expense of training facilities and materials.

Contributed services -

During the years ended December 31, 2009 and 2008, the value of contributed services have not been recorded in the financial statements as no reliable basis exists for determining an appropriate amount. Many individuals volunteer their time and perform a variety of tasks that assist the Center.

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.

Cash and cash equivalents -

For purposes of the statements of cash flows, the Center considers cash to include all bank accounts.

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - Organization and Summary of Significant Accounting Policies (cont'd.):

Property and equipment -

All assets with an estimated useful life exceeding one year are capitalized and depreciated over the estimated expected life using the straight-line method. All assets purchased are stated at cost. Donated assets are recorded as support at their estimated fair value. There were no restrictions placed on any donations or purchases. Depreciation expense is generally computed over a five and seven year period but there was no depreciation expense for 2009 and 2008.

Financial statement presentation -

The Center prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Center reports 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. As of December 31, 2009 and 2008, the Center has had no permanently restricted net assets.

Contributions designated by the donor for a particular purpose are separately accounted for in the financial statements as temporarily restricted net assets. As these amounts are expended for the designated purpose they are reclassified as unrestricted net assets. All other contributions are shown as unrestricted net assets.

Income taxes -

The Center is a not-for-profit organization, exempt under §501(a) of the Internal Revenue Code, as an organization described in §501(c)(3), and treated as a publicly supported organization.

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE B - Related Party Transactions:

The Center has an active managing volunteer Board of Directors. The Center has an agreement with a member of the Board to pay royalty fees in the amount of \$4,836 and \$4,197 for 2009 and 2008, respectively, in return for the use of core training materials the Center uses in its training program. The terms of the agreement are those typical in the industry.

NOTE C – Functional Allocation of Expenses:

The costs of providing the various ministries of the Center have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE D – Subsequent Events:

Subsequent events were evaluated through August 25, 2010, which is the date the financial statements were available to be issued.