

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.

REPORT OF EXAMINATION

YEARS ENDED DECEMBER 31, 2006 AND 2005

Hajovsky, Jones & Ford, P.C.

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May 4, 2007

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, 2006 and 2005 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 audit 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 audit 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, 2006 and 2005, 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 & Ford P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

ASSETS

	December 31,	
	2006	2005
Current assets:		
Cash and cash equivalents	\$102,282	\$89,464
Contributions receivable	25,000	0
Accounts receivable	1,623	8,257
Total current assets	128,905	97,721
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	17,433	16,621
	1,738	2,550
 Total assets	 \$130,643	 \$100,271

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$1,339	\$5,417
Total current liabilities	1,339	5,417
Net assets:		
Unrestricted	129,304	94,854
Temporarily restricted	0	0
Total net assets	129,304	94,854
 Total liabilities and net assets	 \$130,643	 \$100,271

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

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

	Years Ended December 31,	
	2006	2005
Unrestricted revenues and support:		
Education and training	\$54,283	\$19,918
Educational publications	20,223	24,315
Grants and contributions	258,209	336,959
Reclassification of temporarily restricted net assets satisfied by payments	0	0
Total unrestricted revenues and support	332,715	381,192
Expenses:		
Program services		
Education and training	203,723	208,129
Education publications	16,941	40,185
Education promotion activities	22,520	20,927
	243,184	269,241
Supporting services		
Administration	50,917	41,005
Fundraising	4,164	2,998
	55,081	44,003
Total expenses	298,265	313,244
Increase in unrestricted net assets	34,450	67,948
Unrestricted net assets at beginning of year	94,854	26,906
Unrestricted net assets at end of year	129,304	94,854

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,	
	2006	2005
Cash flows from operating activities:		
Increase in net assets	\$34,450	\$67,948
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operations:		
Depreciation	812	1,813
(Increase) decrease in receivables	(18,366)	20,546
Increase (decrease) in accounts payable	(4,078)	(9,385)
Net cash provided by (used for) operating activities	12,818	80,922
Cash flows from investing activities:		
Net cash used for investing activities	0	0
Cash flows from financing activities:		
Net cash provided by financing activities	0	0
Net increase in cash	12,818	80,922
Cash and cash equivalents at beginning of year	89,464	8,542
Cash and cash equivalents at end of year	\$102,282	\$89,464

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, 2006

	Total Expenses	Program	Administration	Fundraising
Salaries and wages	\$139,258	\$126,671	\$12,587	\$0
Payroll taxes and service fees	12,357	9,716	2,641	0
Depreciation	812	0	812	0
Insurance	2,648	0	2,648	0
Office and miscellaneous	29,071	9,098	15,829	4,144
Professional and facilitators' fees	35,872	31,950	3,922	0
Repairs and maintenance	1,404	0	1,404	0
Reproduction	33,373	32,836	517	20
Telephone and utilities	5,323	0	5,323	0
Training materials	32,913	32,913	0	0
Travel and transportation	5,234	0	5,234	0
	<u>\$298,265</u>	<u>\$243,184</u>	<u>\$50,917</u>	<u>\$4,164</u>

Year Ended December 31, 2005

	Total Expenses	Program	Administration	Fundraising
Salaries and related costs	\$160,095	\$143,507	\$15,915	\$673
Bank charges	1,525	0	1,525	0
Depreciation	1,813	0	1,813	0
Insurance	4,449	0	4,449	0
Office	47,685	40,958	6,473	254
Postage and shipping	5,231	4,167	0	1,064
Professional and facilitators' fees	38,637	34,602	4,035	0
Repairs and maintenance	572	0	572	0
Telephone and utilities	4,567	550	4,017	0
Training materials	41,954	38,741	2,206	1,007
Travel and transportation	6,716	6,716	0	0
	<u>\$313,244</u>	<u>\$269,241</u>	<u>\$41,005</u>	<u>\$2,998</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, 2006 and 2005

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.

Promises to give -

The Center has promised contributions that were donated in 2006 but not received until 2007. These are reflected in the balance sheet as contributions receivable.

Contributed services -

During the years ended December 31, 2006 and 2005, 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, 2006 and 2005

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 computed over a five and seven year period.

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, 2006 and 2005, 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, 2006 and 2005

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 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.