

CHILDREN'S CENTER FOR SELF-ESTEEM, INC.

REPORT OF EXAMINATION

YEARS ENDED DECEMBER 31, 2008 AND 2007

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February 5, 2009

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, 2008 and 2007 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, 2008 and 2007, 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,	
	2008	2007
Current assets:		
Cash and cash equivalents	\$151,692	\$266,928
Contributions receivable	0	47,500
Accounts receivable	815	793
Total current assets	152,507	315,221
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	\$153,557	\$316,271

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$278	\$3,151
Total current liabilities	278	3,151
Net assets:		
Unrestricted	153,279	153,120
Restricted	0	160,000
Total net assets	153,279	313,120
Total liabilities and net assets	\$153,557	\$316,271

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
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	<u>280,872</u>	<u>(160,000)</u>	<u>120,872</u>
Expenses:			
Program services			
Education and training	223,559		223,559
Education publications	5,678		5,678
Education promotion activities	18,969		18,969
	<u>248,206</u>	<u>0</u>	<u>248,206</u>
Supporting services			
Administration	28,757	0	28,757
Fundraising	3,750	0	3,750
	<u>32,507</u>	<u>0</u>	<u>32,507</u>
Total expenses	<u>280,713</u>	<u>0</u>	<u>280,713</u>
Increase in net assets	159	(160,000)	(159,841)
Net assets at beginning of year	<u>153,120</u>	<u>160,000</u>	<u>313,120</u>
Net assets at end of year	<u>\$153,279</u>	<u>\$0</u>	<u>\$153,279</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, 2007

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues and support:			
Education and training	\$58,875	\$0	\$58,875
Educational publications	18,473	0	18,473
Grants and contributions	251,077	160,000	411,077
Fundraising and other	41,232	0	41,232
Reclassification of temporarily restricted net assets satisfied by payments	0	0	0
Total revenues and support	<u>369,657</u>	<u>160,000</u>	<u>529,657</u>
Expenses:			
Program services			
Education and training	193,038	0	193,038
Education publications	80,936	0	80,936
Education promotion activities	25,684	0	25,684
	<u>299,658</u>	<u>0</u>	<u>299,658</u>
Supporting services			
Administration	39,181	0	39,181
Fundraising	7,002	0	7,002
	<u>46,183</u>	<u>0</u>	<u>46,183</u>
Total expenses	<u>345,841</u>	<u>0</u>	<u>345,841</u>
Increase in net assets	23,816	160,000	183,816
Net assets at beginning of year	<u>129,304</u>	<u>0</u>	<u>129,304</u>
Net assets at end of year	<u>\$153,120</u>	<u>\$160,000</u>	<u>\$313,120</u>

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,	
	2008	2007
Cash flows from operating activities:		
Increase (decrease) in net assets	(\$159,841)	\$183,816
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operations:		
Depreciation	0	688
(Increase) decrease in receivables	47,478	(21,670)
Increase (decrease) in accounts payable	(2,873)	1,812
<u>Net cash provided by (used for) operating activities</u>	<u>(115,236)</u>	<u>164,646</u>
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
<u>Net increase (decrease) in cash</u>	<u>(115,236)</u>	<u>164,646</u>
Cash and cash equivalents at beginning of year	<u>266,928</u>	<u>102,282</u>
Cash and cash equivalents at end of year	<u><u>\$151,692</u></u>	<u><u>\$266,928</u></u>

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, 2008

	Total Expenses	Program	Administration	Fundraising
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	30,601	23,285	7,294	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>\$280,919</u>	<u>\$248,206</u>	<u>\$28,963</u>	<u>\$3,750</u>

Year Ended December 31, 2007

	Total Expenses	Program	Administration	Fundraising
Salaries and wages	\$161,159	\$145,641	\$15,518	\$0
Payroll taxes and service fees	1,863	0	1,863	0
Depreciation	688	0	688	0
Insurance	2,751	0	2,751	0
Office and miscellaneous	13,416	2,434	10,982	0
Reproduction, postage and printing	7,646	0	644	7,002
Professional and facilitators' fees	50,824	47,397	3,427	0
Repairs and maintenance	230	0	230	0
Telephone and utilities	3,078	0	3,078	0
Training materials	80,936	80,936	0	0
Travel and transportation	25,684	25,684	0	0
	<u>\$348,275</u>	<u>\$302,092</u>	<u>\$39,181</u>	<u>\$7,002</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, 2008 and 2007

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.

Contribution receivable -

The Center has promised contributions that were donated in 2007 but not received until 2008. These are reflected in the balance sheet as contributions receivable.

Contributed services -

During the years ended December 31, 2008 and 2007, 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, 2008 and 2007

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 and amounted to \$-0- and \$688 for 2008 and 2007, respectively.

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, 2008 and 2007, 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, 2008 and 2007

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 \$4,197 and \$67,233 for 2008 and 2007, 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.