

MARYWOOD CHILDREN AND FAMILY SERVICES

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2008
(with comparative totals as of December 31, 2007)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Marywood Children and Family Services
Austin, Texas

We have audited the accompanying statement of financial position of **Marywood Children and Family Services** (a nonprofit organization) as of December 31, 2008, and the related statements of activities, 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 prior year summarized comparative information has been derived from the Organization's 2007 financial statements which were audited by others and, in their report dated August 5, 2008, they expressed an unqualified opinion on those financial 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 financial statements referred to above present fairly, in all material respects, the financial position of **Marywood Children and Family Services** as of December 31, 2008, and the changes 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.

Gindler, Chappell, Morrison & Co., P.C.

Austin, Texas
June 2, 2009

FINANCIAL STATEMENTS

MARYWOOD CHILDREN AND FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION

December 31, 2008
(with comparative totals as of December 31, 2007)

	2008	2007
ASSETS		
Current assets		
Cash	\$ 36,125	\$ 51,501
Receivables	42,323	90,287
Prepaid expenses	-	4,974
Total current assets	78,448	146,762
Fixed assets		
Furniture and fixtures	466,216	466,216
Computer equipment	1,684	1,684
Telephone equipment	12,311	12,311
Automobile	15,072	15,072
Less accumulated depreciation	(489,497)	(483,456)
Net fixed assets	5,786	11,827
Total assets	\$ 84,234	\$ 158,589
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 46,778	\$ 30,154
Payroll related payables	(229)	2,033
Accrued payroll	4,810	4,488
Vacation accrual	14,793	15,145
Grant repayments	-	26,056
Total current liabilities	66,152	77,876
Commitments - operating leases (note 2)		
Total liabilities	66,152	77,876
Net assets		
Unrestricted net assets		
Available for general operations	12,296	38,886
Investment in fixed assets	5,786	11,827
Total unrestricted net assets	18,082	50,713
Temporarily restricted net assets	-	30,000
Permanently restricted net assets	-	-
Total net assets	18,082	80,713
Total liabilities and net assets	\$ 84,234	\$ 158,589

See accompanying Notes to Financial Statements.

MARYWOOD CHILDREN AND FAMILY SERVICES

STATEMENT OF ACTIVITIES

Year Ended December 31, 2008
(with comparative totals as of December 31, 2007)

	2008			2007	
	Current Operating Funds			Total	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES AND OTHER SUPPORT					
Program service fees	\$ 451,273	\$ -	\$ -	\$ 451,273	\$ 490,032
Grants	26,000	65,000	-	91,000	17,130
Contributions	189,354	-	-	189,354	218,297
Contributions-rent (note 2)	-	88,971	-	88,971	-
Fund raising special events	28,265	-	-	28,265	21,801
Investment income (note 3)	543	-	-	543	5,643
Reimbursements	33,333	-	-	33,333	-
Other revenues	1,477	-	-	1,477	39,925
Net assets released from donor imposed restrictions (note 4)	183,971	(183,971)	-	-	-
Total revenues and other support	914,216	(30,000)	-	884,216	792,828
EXPENSES					
Program services					
Support Children and Families	781,019	-	-	781,019	851,432
Supporting services					
Management and general	111,664	-	-	111,664	123,099
Fund raising	65,197	-	-	65,197	56,861
Total expenses	957,880	-	-	957,880	1,031,392
CHANGE IN NET ASSETS (decrease)	(43,664)	(30,000)	-	(73,664)	(238,564)
Other change (note 6)	11,033	-	-	11,033	-
NET ASSETS					
Beginning of year	50,713	30,000	-	80,713	319,277
End of Year	\$ 18,082	\$ -	\$ -	\$ 18,082	\$ 80,713

See accompanying Notes to Financial Statements.

MARYWOOD CHILDREN AND FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008
(with comparative totals as of December 31, 2007)

	2008			2007	
	Program Services		Supporting Services		
	Support Children and Families	Management & General	Fund Raising	Total	Total
EXPENSES					
Salaries	\$ 400,037	\$ 50,765	\$ 41,000	\$ 491,802	\$ 600,532
Payroll taxes	31,008	1,549	3,530	36,087	42,197
Employee benefits	38,038	3,725	5,750	47,513	46,612
Total personnel	469,083	56,039	50,280	575,402	689,341
Adoption assessments	81,690	-	-	81,690	3,347
Maintenance contract and supplies	2,313	198	-	2,511	9,760
Communications	18,987	3,155	2,125	24,267	28,676
Computer network management	7,025	1,914	638	9,577	18,674
Contract labor	3,153	-	-	3,153	1,113
Equipment rental and service	2,951	4,171	264	7,386	14,333
Foster care	75,812	-	-	75,812	81,331
Fund raising event costs	-	-	6,526	6,526	5,570
Hospitality	1,225	2,142	-	3,367	4,987
Individual assistance	2,294	-	-	2,294	4,832
Insurance	10,899	3,397	1,076	15,372	30,172
Membership fees	4,034	1,152	-	5,186	6,472
Miscellaneous	417	557	-	974	4,917
Postage	729	410	410	1,549	3,124
Printing and reproduction	695	-	1,328	2,023	6,941
Professional fees	6,865	8,951	-	15,816	13,232
Program expenses	3,062	-	-	3,062	2,303
Rent	72,956	10,677	5,338	88,971	-
Service charges and interest	-	1,920	-	1,920	2,345
Storage	2,470	824	-	3,294	11,146
Supplies	2,592	2,567	332	5,491	11,172
Training	3,681	805	-	4,486	8,041
Travel	7,851	636	-	8,487	5,122
Utilities	3,223	-	-	3,223	30,701
Depreciation	4,927	703	411	6,041	9,713
Total expenses	\$788,934	\$ 100,218	\$ 68,728	\$ 957,880	\$1,031,392

See accompanying Notes to Financial Statements.

MARYWOOD CHILDREN AND FAMILY SERVICES

STATEMENT OF CASH FLOWS

Year Ended December 31, 2008
(with comparative totals as of December 31, 2007)

	2008	2007
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Change in net assets (decrease)	\$ (73,664)	\$ (238,564)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	6,041	9,713
(Increase) decrease in operating assets		
Receivables	51,892	78,505
Prepaid expenses	4,974	678
Increase (decrease) in operating liabilities		
Accounts payable	16,624	22,943
Payroll related payables	(2,262)	(273)
Accrued payroll	322	-
Vacation accrual	(352)	(7,275)
Grant repayments	(26,056)	-
Net cash provided by (used by) operating activities	(22,481)	(134,273)
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES		
Purchase of fixed assets	-	(1,739)
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH (decrease)	(22,481)	(136,012)
Void checks that increased cash	7,105	-
CASH		
Beginning of year	51,501	187,513
End of year	\$ 36,125	\$ 51,501
 Supplementary Information		
Interest paid	\$ 671	\$ -
Taxes paid	\$ -	\$ -

See accompanying Notes to Financial Statements.

MARYWOOD CHILDREN AND FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

For 86 years, Marywood Children and Family Services ("Marywood" or the "Organization") has adapted and expanded its services to respond to the needs of young women and children. The vision is to ensure that every child has a loving family and a brighter future. Marywood's mission is to provide programs that protect and support children and families, and is committed to building nurturing families for a lifetime.

Marywood fulfills this mission through programs in these targeted areas.

ADOPTION PROGRAMS

Marywood serves adoptive families with a professional staff who are knowledgeable about adoption related issues. Marywood has placed more than 10,000 children. A long history of service and commitment is available to families as they begin their adoption journey.

Marywood's programs are designed to serve families at all stages of the adoption process. Families may be just beginning to explore the issues of adoption, the children who are available and waiting and the process of completing their adoption journey. Marywood also serves those families who have already adopted or who are in need of post adoption services.

Programs available to families considering adoption are as follows.

Traditional Infant Adoption Program: Marywood works with families who are interested in adopting an infant. Birthparents who follow through with an adoption plan generally choose the adoptive family from a number of pictures and profiles submitted to her. Birthparents are given an opportunity to explore both parenting and making an adoption plan and then make a decision that they feel is in the best interest of their child. In addition, Marywood works with families who wish to pursue an identified adoption and have already connected with a birthmother.

Special Needs Adoption Program: Older children and sibling groups can bring a special joy to your family. Marywood provides home screening, referral and post placement services to families.

International Adoption: Marywood is one of two agencies in Texas working in partnership with Maine Adoption Placement Services ("MAPS"). MAPS was founded in 1977 with the guiding principle that all children deserve and need their own family. The MAPS International office opened in 1991 with the placement of children from Russia. Subsequent programs have been developed in Cambodia, China, Ecuador, Guatemala, India, Kazakstan, Romania, Sierra Leone and Vietnam. Program specialists and adoption caseworkers maintain constant communication with MAPS foreign staff and work closely with prospective adoptive families.

Marywood offers home study and post placement services and coordinates with MAPS to facilitate a variety of services for families interested in adopting internationally.

PREGNANCY AND PARENTING RESOURCE PROGRAMS

For over 80 years Marywood has been supporting women who have experienced unplanned pregnancies. Marywood helps with issues related to continuing a relationship with the child's birthfather, the need for housing, health care, food, clothing and legal assistance.

FOSTER CARE PROGRAMS

Children of all ages are taken into care by the Texas Department of Family and Protective Services when they cannot live either temporarily or permanently with their family of origin. Marywood supports foster families through the following services:

- 24-hour access to on-call staff in the event of an emergency
- Training on parenting children with special physical, emotional and developmental challenges
- Linkage to other foster families who can provide support and guidance
- Identification of community resources
- Assistance with respite care
- Case management services to the foster family and the children in their care

MARYWOOD CHILDREN AND FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS – continued
Year Ended December 31, 2008

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

PREGNANT OR PARENTING PROGRAMS

The Lifeline program at Marywood provides long-term, in-depth case management services to pregnant women of all ages. The Lifeline staff assists clients to identify the challenges pregnancy brings into their lives, explore solutions, find resources, make decisions and take positive actions. Clients are provided educational resources on topics such as prenatal care, parenting, child development, discipline, nutrition and health.

Marywood is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) for income related to its exempt purpose. The Organization is classified by the Internal Revenue Service as an organization other than a private foundation.

Summary of Significant Accounting Policies

Accounting Estimates. The preparation of financial statements in conformity with U. S. 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.

Prior Year Column. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived. Certain amounts from the prior year have been reclassified to conform to the current year presentation.

Method of Accounting. Marywood uses the accrual basis method of accounting. Using this method of accounting, revenues and other support and related receivables are reported when funds are considered earned, regardless of when cash is received. Expenses and related accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed.

Fair Value of Financial Instruments. Financial instruments are cash, receivables and accounts payable. The recorded values of cash, receivables, and accounts payable approximate their fair values based on their short-term nature.

Net Assets Classes. Marywood reports the following net assets classes.

Permanently restricted net assets. The part of the net assets of a not-for-profit organization resulting from contributions whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization are considered permanently restricted net assets. An example of a permanently restricted net asset would be the donation of funds (or other assets) to the Organization in which the donor imposed a restriction that the funds not be expended, but that the Organization would be permitted to use or expend part or all of the income (or other economic benefit) derived from the donation.

Temporarily restricted net assets. Not-for-profit organizations receive contributions and other resources whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of the organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of the organization are reported as temporarily restricted net assets.

Unrestricted net assets. Resources not included in the above categories are considered unrestricted net assets. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, Board of Director designations, legal requirements and contractual obligations.

MARYWOOD CHILDREN AND FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2008

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Receivables. Receivables reported are program service fee for services rendered under contracts with the State of Texas. These amounts are owed for services provided as part of the program services and the accounts are considered open accounts. Receivables are valued using an allowance for doubtful accounts. Periodically, management reviews the collectibility of accounts receivable using such factors as the collection history of the account, the age of the account and the account's ability to pay. Accounts are considered past due after 60 days of not receiving payments. Uncollectible accounts are charged off annually against an allowance for doubtful accounts. The allowance for doubtful accounts is considered an accounting estimate and for the year end is \$-0- as all receivables are deemed collectible. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Fixed Assets. Fixed assets are capitalized at cost if the value of the item is more than \$1,000 and the estimated useful service life of the item is more than one year. Donations of fixed assets are recorded as support at their estimated fair value at the date of donation. Depreciation expense is computed over the estimated useful service life of the asset (generally 3-5 years) using the straight line method of computation.

Depreciation expense and accumulated depreciation reported in the financial statements are an accounting estimate. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Allocation of Costs. Marywood allocates common costs such as salaries and benefits, rent, and other occupancy costs between program services, management and general, and fund raising based on management's judgment of the estimated costs related to the Organization's activities. The estimated allocation of costs are reviewed periodically and the allocations revised, if necessary, to reflect changes in the activities of the Organization. The allocation of costs reported in the financial statements is an accounting estimate. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

NOTE 2: COMMITMENTS - OPERATING LEASE

Marywood is obligated on a lease for office space that serves as administrative and program offices. For accounting purposes, the lease is treated as an operating lease. Operating leases are not reported as liabilities in financial statements. A third-party has agreed to pay the lease for the first three years. Rent expense under operating leases for the year was \$88,971 which was paid by the third-party and recognized as contributed services revenues.

Future minimum rental payments required under the operating lease are the following, reported after the agreed reimbursement: 2009- \$-0-; 2010- \$15,600; 2011- \$93,600; 2012- \$78,000 and 2013- \$-0-.

NOTE 3: INVESTMENT INCOME

Components of investment income are the following.

Interest	\$	163
Dividends		103
Royalties		<u>277</u>
Investment income	\$	<u>543</u>

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

During the year, temporarily restricted net assets of \$183,971 were released from their accompanying stipulations due to the Organization's actions and are considered net assets released from restrictions and reported as transfers from temporarily restricted net assets to unrestricted net assets in the statement of activity.

MARYWOOD CHILDREN AND FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2008

NOTE 5: PENSION PLAN

Marywood maintains a defined contribution pension plan for its employees under Internal Revenue Code Section 403(b). Employees are eligible to participate as of the first day of their employment. Participating employees contribute up to 4% of salary towards the purchase of an annuity and Marywood contributes an amount equal to .5% for each 1% contributed by the employee. Employee contributions are 100% vested immediately. Employer contributions vest over a three year period. For the year Marywood contributed \$2,417 to the plan.

NOTE 6: OTHER CHANGE

Events or transactions that are either unusual or infrequent, but not both and therefore do not meet the accounting criteria for reporting as extraordinary items, nevertheless are classified and reported as Other Change, a separate component of the current year activity.

The Organization has written off significant outstanding checks and receivables - all of which go back several years. The cumulative net effect of the write off was to increase net assets.