

**VERA LLOYD PRESBYTERIAN HOME  
AND FAMILY SERVICES, INC.**

*Financial Statements and Supplementary  
Information for the Years Ended June 30, 2010  
and 2009, with Independent Auditors' Report*

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

**TABLE OF CONTENTS**

|   | <b>PAGE</b> |
|---|-------------|
| <b>INDEPENDENT AUDITORS' REPORT</b>   | 1           |
| <b>FINANCIAL STATEMENTS:</b>  |             |
| Statements of Financial Position  | 2           |
| Statements of Activities  | 3           |
| Statements of Functional Expenses   | 4           |
| Statements of Cash Flows  | 5           |
| <b>NOTES TO FINANCIAL STATEMENTS</b>  | 6           |
| <b>SUPPLEMENTARY INFORMATION:</b>   |             |
| Combining Statement of Activities   | 17          |
| Schedule of Governmental Assistance   | 23          |
| <b>OTHER REPORTS:</b>   |             |
| Independent Auditors' Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 24          |
| Supplemental Data Sheet   | 26          |



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Vera Lloyd Presbyterian Home and Family Services, Inc.:

We have audited the accompanying statements of financial position of Vera Lloyd Presbyterian Home and Family Services, Inc. as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Vera Lloyd Presbyterian Home and Family Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 provide 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 Vera Lloyd Presbyterian Home and Family Services, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2010, on our consideration of Vera Lloyd Presbyterian Home and Family Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining statement of activities and schedule of governmental assistance 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*JEFFREY, PHILLIPS, MOSLEY & SCOTT, P.A.*

September 10, 2010

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**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2010 AND 2009**

| <b><u>ASSETS</u></b>                     | <b><u>2010</u></b>         | <b><u>2009</u></b>         |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS:</b>                   |                            |                            |
| Cash and cash equivalents                | \$ 704,896                 | \$ 723,099                 |
| Accounts receivable                      | 79,085                     | 177,300                    |
| Pledges receivable                       | 4,250                      | 67,200                     |
| Investments, at fair value               | 6,133,895                  | 5,737,479                  |
| Other current assets                     | <u>65,464</u>              | <u>115,370</u>             |
| Total current assets                     | 6,987,590                  | 6,820,448                  |
| <b>PROPERTY AND EQUIPMENT, NET</b>       | 4,227,853                  | 4,256,278                  |
| <b>OTHER ASSETS:</b>                     |                            |                            |
| Gift annuity receivable                  | <u>127,639</u>             | <u>103,817</u>             |
| <b>TOTAL ASSETS</b>                      | <b><u>\$11,343,082</u></b> | <b><u>\$11,180,543</u></b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b> |                            |                            |
| <b>CURRENT LIABILITIES:</b>              |                            |                            |
| Accounts payable                         | \$ 16,542                  | \$ 49,503                  |
| Accrued liabilities                      | <u>124,689</u>             | <u>109,477</u>             |
| Total current liabilities                | <u>141,231</u>             | <u>158,980</u>             |
| <b>NET ASSETS:</b>                       |                            |                            |
| Unrestricted                             | 8,730,954                  | 8,575,666                  |
| Temporarily restricted                   | 106,441                    | 91,441                     |
| Permanently restricted                   | <u>2,364,456</u>           | <u>2,354,456</u>           |
| Total net assets                         | <u>11,201,851</u>          | <u>11,021,563</u>          |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b><u>\$11,343,082</u></b> | <b><u>\$11,180,543</u></b> |

See Notes to Financial Statements.

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

**STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

|  | 2010                |                           |                           | 2009                 |                     |                           |                           |                      |
|--|---------------------|---------------------------|---------------------------|----------------------|---------------------|---------------------------|---------------------------|----------------------|
|  | UNRESTRICTED        | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL                | UNRESTRICTED        | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL                |
| <b>SUPPORT AND REVENUES:</b>   |                     |                           |                           |                      |                     |                           |                           |                      |
| Contributions  | \$ 411,359          | \$ 15,000                 | \$ 10,000                 | \$ 436,359           | \$ 315,286          | \$ 17,515                 | \$ 400,482                | \$ 733,283           |
| Federal and state contracts  | 1,459,518           | -                         | -                         | 1,459,518            | 1,391,500           | -                         | -                         | 1,391,500            |
| Interest and dividends   | 109,777             | 58,012                    | -                         | 167,789              | 180,647             | -                         | -                         | 180,647              |
| Net realized and unrealized appreciation (depreciation) of investments | 177,698             | 93,905                    | -                         | 271,603              | (912,957)           | -                         | -                         | (912,957)            |
| Net appreciation (depreciation) of gift annuities                      | 23,822              | -                         | -                         | 23,822               | (70,485)            | -                         | -                         | (70,485)             |
| Other revenues   | 123,094             | -                         | -                         | 123,094              | 306,150             | -                         | -                         | 306,150              |
| Net assets released from restriction                                   | 151,917             | (151,917)                 | -                         | -                    | 350,526             | (350,526)                 | -                         | -                    |
| Total support and revenues   | <u>2,457,185</u>    | <u>15,000</u>             | <u>10,000</u>             | <u>2,482,185</u>     | <u>1,560,667</u>    | <u>(333,011)</u>          | <u>400,482</u>            | <u>1,628,138</u>     |
| <b>EXPENSES:</b>   |                     |                           |                           |                      |                     |                           |                           |                      |
| Program services   | 1,489,458           | -                         | -                         | 1,489,458            | 1,516,761           | -                         | -                         | 1,516,761            |
| Management and general   | 516,303             | -                         | -                         | 516,303              | 510,850             | -                         | -                         | 510,850              |
| Fundraising  | 296,136             | -                         | -                         | 296,136              | 300,948             | -                         | -                         | 300,948              |
| Total expenses   | <u>2,301,897</u>    | <u>-</u>                  | <u>-</u>                  | <u>2,301,897</u>     | <u>2,328,559</u>    | <u>-</u>                  | <u>-</u>                  | <u>2,328,559</u>     |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                               | 155,288             | 15,000                    | 10,000                    | 180,288              | (767,892)           | (333,011)                 | 400,482                   | (700,421)            |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                                   | <u>8,575,666</u>    | <u>91,441</u>             | <u>2,354,456</u>          | <u>11,021,563</u>    | <u>9,343,558</u>    | <u>424,452</u>            | <u>1,953,974</u>          | <u>11,721,984</u>    |
| <b>NET ASSETS, END OF YEAR</b>   | <u>\$ 8,730,954</u> | <u>\$ 106,441</u>         | <u>\$ 2,364,456</u>       | <u>\$ 11,201,851</u> | <u>\$ 8,575,666</u> | <u>\$ 91,441</u>          | <u>\$ 2,354,456</u>       | <u>\$ 11,021,563</u> |

See Notes to Financial Statements.

VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

|                                   | 2010               |                        |                  | 2009               |                        |                  |                    |
|-----------------------------------|--------------------|------------------------|------------------|--------------------|------------------------|------------------|--------------------|
|                                   | Program Services   | Management and General | Fundraising      | Program Services   | Management and General | Fundraising      | Total              |
| Salaries and wages                | \$ 605,214         | \$341,196              | \$163,934        | \$ 586,760         | \$336,943              | \$166,727        | \$1,090,430        |
| Payroll taxes and benefits        | 144,938            | 81,668                 | 39,239           | 156,566            | 92,878                 | 15,922           | 265,366            |
| Travel/training/board/membership  | 19,703             | 3,884                  | 6,591            | 22,029             | 4,397                  | 6,835            | 33,261             |
| Audit                             | -                  | 19,583                 | -                | -                  | 15,909                 | -                | 15,909             |
| Development                       | -                  | -                      | 35,312           | -                  | -                      | 51,656           | 51,656             |
| Insurance                         | 60,917             | 4,839                  | 4,579            | 66,810             | 6,503                  | 8,592            | 81,905             |
| Depreciation                      | 222,488            | 6,595                  | 3,135            | 202,267            | 9,468                  | 9,491            | 221,226            |
| Office supplies/equipment/postage | 30,207             | 11,835                 | 7,960            | 35,414             | 13,187                 | 10,295           | 58,896             |
| Utilities/telephone/pager         | 97,562             | 4,246                  | 3,290            | 92,245             | 3,627                  | 3,498            | 99,370             |
| Maintenance                       | 27,419             | 3,706                  | 3,030            | 35,915             | 843                    | 3,362            | 40,120             |
| Auto                              | 27,888             | 1,117                  | 1,842            | 16,711             | 662                    | 2,462            | 19,835             |
| Food expense                      | 76,081             | -                      | -                | 78,764             | -                      | -                | 78,764             |
| Program costs                     | 78,126             | -                      | -                | 93,466             | -                      | -                | 93,466             |
| Professional and legal fees       | 97,542             | 4,853                  | 4,735            | 113,481            | 3,885                  | 1,811            | 119,177            |
| Rent                              | -                  | 32,781                 | 22,489           | 9,240              | 22,548                 | 20,297           | 52,085             |
| Miscellaneous                     | 1,373              | -                      | -                | 7,093              | -                      | -                | 7,093              |
| <b>Total</b>                      | <b>\$1,489,458</b> | <b>\$516,303</b>       | <b>\$296,136</b> | <b>\$1,516,761</b> | <b>\$510,850</b>       | <b>\$300,948</b> | <b>\$2,328,559</b> |

See Notes to Financial Statements.

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   | <b><u>2010</u></b>       | <b><u>2009</u></b>       |
|--|--------------------------|--------------------------|
| Increase (decrease) in net assets  | \$ <u>180,288</u>        | \$ <u>(700,421)</u>      |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: |                          |                          |
| Net realized and unrealized (appreciation) depreciation of investments                                   | (271,603)                | 912,957                  |
| Unrealized (appreciation) depreciation on gift annuities   | (23,822)                 | 70,485                   |
| Contributions received with donor restrictions   | (25,000)                 | (417,997)                |
| Loss on disposal of property and equipment   | 1,084                    | —                        |
| Depreciation   | 232,218                  | 221,226                  |
| Change in:   |                          |                          |
| Accounts receivable  | 98,215                   | (60,714)                 |
| Grants and pledges receivable  | 62,950                   | 111,735                  |
| Other current assets   | 49,906                   | (55,067)                 |
| Accounts payable   | (32,961)                 | 21,661                   |
| Accrued liabilities  | <u>15,212</u>            | <u>32,439</u>            |
| Total adjustments  | <u>106,199</u>           | <u>836,725</u>           |
| Net cash provided by operating activities  | <u>286,487</u>           | <u>136,304</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                          |                          |
| Purchase of property and equipment   | (204,877)                | (596,171)                |
| Purchase of investments  | (3,053,783)              | (4,118,884)              |
| Proceeds from sale of investments  | <u>2,928,970</u>         | <u>3,918,713</u>         |
| Net cash used in investing activities  | <u>(329,690)</u>         | <u>(796,342)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                          |                          |
| Contributions permanently restricted from donors   | 10,000                   | 400,482                  |
| Contributions temporarily restricted for purchase of property and equipment                              | <u>15,000</u>            | <u>17,515</u>            |
| Net cash provided by financing activities  | <u>25,000</u>            | <u>417,997</u>           |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>(18,203)</b>          | <b>(242,041)</b>         |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <b><u>723,099</u></b>    | <b><u>965,140</u></b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <b><u>\$ 704,896</u></b> | <b><u>\$ 723,099</u></b> |

See Notes to Financial Statements.

# VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2010

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### 1. ORGANIZATION

Vera Lloyd Presbyterian Home and Family Services, Inc. (the "Organization") is a non-profit organization which was incorporated under Arkansas law. Services provided include residential care, emergency shelter services, and family counseling to young people who have suffered through extreme family turmoil. Services are provided through facilities located in Little Rock and Monticello, Arkansas. Funding sources include contributions, earnings from investments, and contracts with the Arkansas Department of Human Services ("DHS").

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents** – For purposes of financial statement presentation, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Credit Risk** – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. At times throughout the year, the Organization may maintain its bank accounts at levels in excess of the FDIC insured limit. Management believes that its policies are adequate to minimize potential credit risk. Concentrations of credit risk with respect to accounts receivable are limited as the majority of the accounts receivable are due from state agencies.

**Investments** – Investments, consisting of government, municipal, and corporate bonds, mutual funds, and certificates of deposit, are stated at estimated fair values as established by quoted prices. Changes in fair values are included in net appreciation and are recorded in the period they occur. Realized gains or losses on investments are recognized on the transaction trade dates and are included in realized gains or losses in the statement of activities. Mutual funds include common funds held at Texas Presbyterian Foundation, New Covenant Funds, and Presbyterian Church Foundation and are invested generally in equities and fixed income investments.

**Property and Equipment** – The Organization capitalizes expenditures for property and equipment at cost for items exceeding \$500. Donated assets are stated at their estimated fair market value at the date of the gift. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets.

**Net Assets Classification** – The Organization distinguishes between unrestricted, temporarily restricted, and permanently restricted net assets and changes in net assets in the accompanying financial statements. A description of these net asset classifications is as follows:

*Unrestricted net assets* – Net assets are classified as unrestricted if they are not subject to donor-imposed stipulations. However, donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as increases in unrestricted net assets.

*Temporarily restricted net assets* – Temporarily restricted net assets include net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be satisfied and removed by actions of the Organization.

*Permanently restricted net assets* – Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. Investment income on permanently restricted net assets is reflected as an addition to either unrestricted net assets or temporarily restricted net assets depending upon the restrictions imposed by the donor, if any.

**Spending Policy** – The Organization’s spending was previously governed by the Arkansas Uniform Management of Institutional Funds Act (“UMIFA”). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) that serves as a guideline to states to use in enacting legislation. Effective July 2009, the state of Arkansas enacted UPMIFA, which requires non-profit organizations with donor-restricted endowed funds to follow certain standards when making investment and spending policy decisions. A key provision of UPMIFA is the removal of the historic dollar value concept in preserving endowment principal.

**Net Assets Released From Restrictions** – Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donor.

**Pledges** – Unconditional pledges to give cash and other assets are reported at fair value at the date the pledge is received, which is then treated as cost. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable. Gift annuities receivable are recorded at the actuarially determined present value as determined by the administrator of the gift instrument.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of these

discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to estimate uncollectible pledges. There were no pledges estimated to be uncollectible at June 30, 2010 or 2009.

**Concentration of Revenues** – The Organization’s revenues from federal and state contracts for the years ended June 30, 2010 and 2009, are received entirely from DHS, either directly or as funding passed through from the United States Department of Health and Human Services.

**Functional Expenses** – Functional expenses have been allocated between program services, management and general, and fundraising expenses. Personnel related expenses are allocated based on an analysis of personnel time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure.

**Federal Income Taxes** – The Organization is a publicly supported organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Financial Accounting Standards Board (“FASB”) has issued standards under the *Income Taxes* topic of the Financial Accounting Standards Codification (the “Codification”) related to uncertainties in income taxes. The Organization adopted these standards for the year ended June 30, 2010. Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Organization files an income tax return in the U.S. federal jurisdiction and is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2006.

**Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

**Reclassifications** – Certain amounts in the 2009 financial statements have been reclassified in order to conform to the 2010 presentation.

**Fair Value Measurements** – The Organization has adopted standards under the *Fair Value Measurements and Disclosures* topic of the Codification, which provide a framework for measuring fair value under generally accepted accounting principles. These standards apply to all financial instruments that are being measured and recognized at fair value on a recurring basis.

As defined in these standards, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards also establish a framework for measuring fair value and expand disclosures about fair value instruments.

**Subsequent Events** – The Organization has evaluated events that occurred after June 30, 2010, but prior to September 10, 2010, the date the financial statements were issued. The Organization did not identify any events or transactions during this period of time that require recognition or disclosure in the financial statements for the period ended June 30, 2010.

### 3. INVESTMENTS

Investments are stated at market value and consist of the following as of June 30:

|   | <u>2010</u>        | <u>2009</u>        |
|---|--------------------|--------------------|
| Mutual funds                              | \$4,950,670        | \$4,221,088        |
| U.S. government and municipal obligations | 56,476             | 55,399             |
| Corporate bonds                           | 176,749            | 361,992            |
| Certificates of deposit                   | <u>950,000</u>     | <u>1,099,000</u>   |
| Total                                     | <u>\$6,133,895</u> | <u>\$5,737,479</u> |

### 4. ACCOUNTS RECEIVABLE

Receivables for federal and state awards are recorded, along with the corresponding revenues, when services are performed either through the provision of units of service or through the claim for reimbursement of expenditures. These awards are subject to review by state and federal funding agencies, which could result in a request for reimbursement by these agencies for services disallowed under the terms and conditions of the agreements. In the opinion of management, such disallowances if any, would not be significant.

### 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

| <u>Description</u>            | <u>Estimated Useful Life</u> | <u>2010</u>         | <u>2009</u>         |
|-------------------------------|------------------------------|---------------------|---------------------|
| Buildings and improvements    | 10-40 years                  | \$ 5,239,359        | \$ 5,079,104        |
| Equipment                     | 5-10 years                   | 637,393             | 621,821             |
| Furniture and fixtures        | 5-10 years                   | 203,895             | 195,471             |
| Vehicles                      | 3-4 years                    | 192,978             | 192,441             |
| Other                         | 5-10 years                   | <u>161,578</u>      | <u>156,982</u>      |
| Total                         |                              | 6,435,203           | 6,245,819           |
| Less accumulated depreciation |                              | <u>(2,207,350)</u>  | <u>(1,989,541)</u>  |
| Property and equipment, net   |                              | <u>\$ 4,227,853</u> | <u>\$ 4,256,278</u> |

## 6. ENDOWMENTS

In August 2009, the FASB issued Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Enhanced Disclosures for All Endowment Funds ("FSP 117-1")*. FSP 117-1 and UPMIFA were effective for the Organization for the year ended June 30, 2010.

The Organization's endowment consists of 16 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by its board of directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund consists of the following:

|                                     | <b>Board<br/>Designated<br/>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>       |
|-------------------------------------|--|-----------------------------------|-----------------------------------|--------------------|
| June 30, 2010                       |  |                                   |                                   |                    |
| Donor-restricted<br>endowment funds | \$ —   | \$ —                              | \$2,364,456                       | \$2,364,456        |
| Board-designated<br>endowment funds | <u>4,455,007</u>                             | <u>—</u>                          | <u>—</u>                          | <u>4,455,007</u>   |
| Total endowment                     | <u>\$4,455,007</u>                           | <u>\$ —</u>                       | <u>\$2,364,456</u>                | <u>\$6,819,463</u> |
| June 30, 2009                       |  |                                   |                                   |                    |
| Donor-restricted<br>endowment funds | \$ —   | \$ —                              | \$2,354,456                       | \$2,354,456        |
| Board-designated<br>endowment funds | <u>4,574,422</u>                             | <u>—</u>                          | <u>—</u>                          | <u>4,574,422</u>   |
| Total endowment                     | <u>\$4,574,422</u>                           | <u>\$ —</u>                       | <u>\$2,354,456</u>                | <u>\$6,928,878</u> |

Changes in endowment net assets for the year ended June 30, 2010 and 2009:

|   | <u>Board<br/>Designated<br/>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>       |
|---|--|-----------------------------------|-----------------------------------|--------------------|
| Endowment net assets,<br>beginning of year, July 1,<br>2008 | \$ —   | \$ —                              | \$1,953,974                       | \$1,953,974        |
| Investment Return:  |  |                                   |                                   |                    |
| Interest and dividends                                      | —  | —                                 | —                                 | —                  |
| Net appreciation<br>(unrealized and<br>realized)            | <u>(70,485)</u>                              | <u>—</u>                          | <u>—</u>                          | <u>(70,485)</u>    |
| Total investment<br>return                                  | <u>(70,485)</u>                              | <u>—</u>                          | <u>—</u>                          | <u>(70,485)</u>    |
| Contributions   | 21,311                                       | —                                 | 400,482                           | 421,793            |
| Reclassification to<br>endowment asset                      | 4,746,007                                    | —                                 | —                                 | 4,746,007          |
| Transfers to remove<br>Board-designated<br>endowment funds  | <u>(122,411)</u>                             | <u>—</u>                          | <u>—</u>                          | <u>(122,411)</u>   |
| Endowment net assets,<br>beginning of year, July 1,<br>2009 | <u>4,574,422</u>                             | <u>—</u>                          | <u>2,354,456</u>                  | <u>6,928,878</u>   |
| Investment Return:  |  |                                   |                                   |                    |
| Interest and dividends                                      | —  | 58,012                            | —                                 | 58,012             |
| Net appreciation<br>(unrealized and<br>realized)            | <u>23,822</u>                                | <u>93,905</u>                     | <u>—</u>                          | <u>117,727</u>     |
| Total investment<br>return                                  | <u>23,822</u>                                | <u>151,917</u>                    | <u>—</u>                          | <u>175,739</u>     |
| Contributions   | —  | —                                 | 10,000                            | 10,000             |
| Appropriation of<br>endowment assets for<br>expenditure     | —  | (151,917)                         | —                                 | (151,917)          |
| Transfers to remove<br>Board-designated<br>endowment funds  | <u>(143,237)</u>                             | <u>—</u>                          | <u>—</u>                          | <u>(143,237)</u>   |
| Endowment net assets, end<br>of year, June 30, 2010         | <u>\$4,455,007</u>                           | <u>\$ —</u>                       | <u>\$2,364,456</u>                | <u>\$6,819,463</u> |

The Organization has adopted investment and spending policies for endowment assets that attempt to support the current and future operations of the Organization, while maintaining the endowed assets at the level restricted by the donor to be held in perpetuity or for a donor-specified period. Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve the principal value of the assets and to provide for appreciation in value of the assets in order to hedge against the effects of inflation.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The spending rate of earnings on endowments is determined annually by the board of directors, and was 5% of the value of the invested endowment assets for the year ended June 30, 2010. This policy was adopted to achieve the objective of maintaining purchasing power of the endowment assets held in perpetuity or for a specified time.

#### **7. EMPLOYEE BENEFIT PLANS**

The Organization self-administers two employee benefit plans which qualify for tax deferral under the Internal Revenue Code.

The tax sheltered annuity plan is under IRS Code Section 403(b). Employees enter into a salary reduction agreement, up to IRS limits, for which the proceeds are used to invest in mutual funds. Employees do not pay income tax on these amounts until the benefits are received under the plan. Additionally, contributions by the Organization on behalf of the employees for the years ended June 30, 2010 and 2009, totaled approximately \$18,000 and \$17,000, respectively.

The cafeteria plan is under IRS Code Section 125. Employees enter into a salary reduction agreement, up to IRS limits, for which the proceeds are used as payment toward health insurance. Employees do not pay income tax or Social Security/Medicare taxes on these amounts.

#### **8. UNITS OF SERVICE**

Funding by DHS is provided through units of service. Units represent number of days and hours of service or meals provided under the programs funded by DHS which are applied to a rate per day and hour or amount per meal served to determine the reimbursement under the programs. The Organization recognizes the revenue from these contracts when the services are provided.

The following days of service were provided by the Organization:

|              |      | (1)<br>Residential<br>Home<br><u>Days</u> | (1)<br>Emergency<br>Shelter<br><u>Days</u> | (2)<br>Respite<br>Service<br><u>Days</u> | (3)<br>Therapeutic<br>Group Home<br><u>Days</u> |
|--------------|------|---|--|--|---|
| July         | 2009 | 485                                       | 143  | -  | 429   |
| August       | 2009 | 439                                       | 142  | -  | 434   |
| September    | 2009 | 417                                       | 73   | 5  | 425   |
| October      | 2009 | 381                                       | 135  | -  | 459   |
| November     | 2009 | 472                                       | 177  | 10                                       | 450   |
| December     | 2009 | 473                                       | 176  | -  | 450   |
| January      | 2010 | 500                                       | 158  | -  | 418   |
| February     | 2010 | 448                                       | 99   | -  | 352   |
| March        | 2010 | 496                                       | 94   | 6  | 383   |
| April        | 2010 | 510                                       | 218  | 8  | 390   |
| May          | 2010 | 492                                       | 308  | -  | 377   |
| June         | 2010 | <u>450</u>                                | <u>218</u>                                 | <u>11</u>                                | <u>378</u>                                      |
| <b>TOTAL</b> |      | <u><b>5,563</b></u>                       | <u><b>1,941</b></u>                        | <u><b>40</b></u>                         | <u><b>4,945</b></u>                             |

The following meal servings were provided by the Organization:

|              |      | (4)<br><u>Lunch<br/>Meals</u> | (4)<br><u>Breakfast<br/>Meals</u> |
|--------------|------|-------------------------------|-----------------------------------|
| July         | 2009 | 989                           | 1,019                             |
| August       | 2009 | 749                           | 1,004                             |
| September    | 2009 | 277                           | 908                               |
| October      | 2009 | 288                           | 945                               |
| November     | 2009 | 484                           | 1,073                             |
| December     | 2009 | 635                           | 984                               |
| January      | 2010 | 435                           | 1,032                             |
| February     | 2010 | 284                           | 926                               |
| March        | 2010 | 377                           | 986                               |
| April        | 2010 | 298                           | 1,108                             |
| May          | 2010 | 387                           | 1,185                             |
| June         | 2010 | <u>991</u>                    | <u>1,076</u>                      |
| <b>TOTAL</b> |      | <u><b>6,194</b></u>           | <u><b>12,246</b></u>              |

- (1) Residential home service and emergency shelter are provided through the Social Services Block Grant, Foster Care – Title IV E, and Foster Care – state programs.
- (2) Respite service is provided through the Promoting Safe & Stable Families program.
- (3) Therapeutic group home service is provided through the Division of Youth Services program.
- (4) Lunch and breakfast meals are provided through the National School Lunch program.

**9. LEASE COMMITMENTS**

The Organization leases its Little Rock office space and certain office equipment under operating lease agreements. As of June 30, 2010, the aggregate future minimum lease payments under these lease arrangements were as follows:

|       |                 |
|-------|-----------------|
| 2011  | \$53,560        |
| 2012  | <u>27,305</u>   |
| Total | <u>\$80,865</u> |

Lease expense related to these arrangements totaled approximately \$55,000 and \$52,000 for the years ended June 30, 2010 and 2009, respectively.

**10. RELATED PARTY TRANSACTIONS**

The Organization is the beneficiary of the income derived from assets held in the Presbyterian Children’s Home Endowment Trust (the “Trust”), consisting primarily of proceeds from harvesting timber on real estate owned by the Trust. The Trust has delegated the authority for managing the timber to the Organization. Income derived from Trust assets and paid to the Organization is recorded by the Organization in the period in which it is received. No revenue was recognized related to timber sales during the year June 30, 2010. The total amount received related to timber sales for the year ended June 30, 2009, was approximately \$68,000.

The Organization’s facilities located in Monticello, Arkansas are located on land owned by the Trust.

Of the pledges receivable at June 30, 2010 and 2009, 100% and 25%, respectively, were due from current and former members of the Board of Directors and Organization staff.

## 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

**Fair Value Measurements** – In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended June 30, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

**Investment Securities** – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. For the year ended June 30, 2010, securities held by the Organization are classified as Level 1 and Level 2 securities. No securities held by the Organization as of June 30, 2010, were classified as Level 3 securities.

**Gift Annuity Receivables** – The fair value of gift annuity receivables is measurable and recorded at the actuarially determined present value as determined by the administrator of the gift instrument. These asset valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets. For the year ended June 30, 2010, gift annuity receivables held by the Organization are classified as Level 3 assets.

**Fair Value on a Recurring Basis**

The balances of assets measured at fair value on a recurring basis are as follows:

|  | <u>Level 1</u>     | <u>Level 2</u>     | <u>Level 3</u>   | <u>Total</u>       |
|--|--------------------|--------------------|------------------|--------------------|
| June 30, 2010                              |                    |                    |                  |                    |
| Investment Securities                      |                    |                    |                  |                    |
| Mutual Funds                               | \$2,209,784        | \$2,740,886        | \$ –             | \$4,950,670        |
| US Government and<br>Municipal Obligations | –                  | 56,476             | –                | 56,476             |
| Corporate Bonds                            | –                  | 176,749            | –                | 176,749            |
| Gift Annuity Receivable                    | <u>–</u>           | <u>–</u>           | <u>127,639</u>   | <u>127,639</u>     |
| Total assets                               | <u>\$2,209,784</u> | <u>\$2,974,111</u> | <u>\$127,639</u> | <u>\$5,311,534</u> |
| June 30, 2009                              |                    |                    |                  |                    |
| Investments                                | \$2,271,902        | \$3,465,577        | \$ –             | \$5,737,479        |
| Gift Annuity Receivable                    | <u>–</u>           | <u>–</u>           | <u>103,817</u>   | <u>103,817</u>     |
| Total assets                               | <u>\$2,271,902</u> | <u>\$3,465,577</u> | <u>\$172,517</u> | <u>\$5,909,996</u> |

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

|                        | <b><u>Gift Annuity<br/>Receivable</u></b> |
|------------------------|---|
| Balance, June 30, 2008 | \$174,301                                 |
| Decrease in fair value | <u>(70,484)</u>                           |
| Balance, June 30, 2009 | 103,817                                   |
| Increase in fair value | <u>23,822</u>                             |
| Balance, June 30, 2010 | <u>\$127,639</u>                          |

**SUPPLEMENTARY INFORMATION**

VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.  
 COMBINING STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2010

| REVENUE                               | OPERATING<br>FUND | GENERAL<br>FUND     | QUILT<br>FUND | TIMBER<br>FUND   | BARTON<br>M&O FUND |
|---------------------------------------|-------------------|---------------------|---------------|------------------|--------------------|
| Contributions                         | \$ 402,775        | \$ -                | \$ -          | \$ -             | \$ -               |
| Federal and state contracts           | 1,459,518         | -                   | -             | -                | -                  |
| Net appreciation of investments       | 176,943           | 94,660              | -             | -                | -                  |
| Net appreciation of gift annuities    | -                 | -                   | -             | -                | -                  |
| Interest and dividends                | 167,789           | -                   | -             | -                | -                  |
| Other revenues                        | 118,683           | 4,411               | -             | -                | -                  |
| <b>TOTAL REVENUE</b>                  | <b>2,325,708</b>  | <b>99,071</b>       | <b>-</b>      | <b>-</b>         | <b>-</b>           |
| <b>EXPENSES</b>                       |                   |                     |               |                  |                    |
| Salaries/vacation/bonus pay           | 1,083,146         | 23,698              | -             | 3,500            | -                  |
| Payroll taxes/ benefits               | 243,865           | 13,036              | -             | -                | -                  |
| Travel/training/board/memberships     | 30,178            | -                   | -             | -                | -                  |
| Audit                                 | 19,583            | -                   | -             | -                | -                  |
| Development                           | 34,957            | -                   | -             | 355              | -                  |
| Insurance                             | 70,335            | -                   | -             | -                | -                  |
| Depreciation                          | 232,218           | -                   | -             | -                | -                  |
| Office supplies/equipment/postage     | 50,002            | -                   | -             | -                | -                  |
| Utilities/telephone                   | 105,098           | -                   | -             | -                | -                  |
| Maintenance and repair                | 28,645            | -                   | -             | 5,510            | -                  |
| Auto expense                          | 27,012            | 3,835               | -             | -                | -                  |
| Food expense                          | 76,081            | -                   | -             | -                | -                  |
| Program costs                         | 78,126            | -                   | -             | -                | -                  |
| Professional & contractual/legal fees | 99,394            | -                   | -             | -                | -                  |
| Rent                                  | 55,270            | -                   | -             | -                | -                  |
| Miscellaneous                         | 1,053             | -                   | -             | 320              | -                  |
| <b>TOTAL EXPENSES</b>                 | <b>2,234,963</b>  | <b>40,569</b>       | <b>-</b>      | <b>9,685</b>     | <b>-</b>           |
| <b>CHANGE IN NET ASSETS</b>           | <b>90,745</b>     | <b>58,502</b>       | <b>-</b>      | <b>(9,685)</b>   | <b>-</b>           |
| <b>NET ASSETS, BEGINNING</b>          | <b>-</b>          | <b>3,828,377</b>    | <b>518</b>    | <b>88,646</b>    | <b>8,315</b>       |
| Operating transfers                   | (90,745)          | 90,745              | -             | -                | -                  |
| General/Endowment fund transfers      | -                 | (8,944)             | -             | -                | -                  |
| Capital additions                     | -                 | 168,130             | -             | (17,484)         | -                  |
| <b>NET ASSETS, ENDING</b>             | <b>\$ -</b>       | <b>\$ 4,136,810</b> | <b>\$ 518</b> | <b>\$ 61,477</b> | <b>\$ 8,315</b>    |

VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.  
 COMBINING STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2010

| REVENUE                               | <u>WALTON</u><br><u>M&amp;O FUND</u> | <u>WILLIAMSON</u><br><u>M&amp;O FUND</u> | <u>SPECIAL</u><br><u>PROJECTS /GYM</u><br><u>FUND</u> | <u>SCHOOL</u><br><u>COMPUTER</u><br><u>FUND</u> | <u>CAPITAL</u><br><u>CAMPAIGN</u><br><u>FUND</u> |
|---------------------------------------|--------------------------------------|--|---|---|--|
| Contributions                         | \$ -                                 | \$ -                                     | \$ -  | \$ -  | \$ 15,000  |
| Federal and state contracts           | -                                    | -  | -   | -   | -  |
| Net appreciation of investments       | -                                    | -  | -   | -   | -  |
| Net appreciation of gift annuities    | -                                    | -  | -   | -   | -  |
| Interest and dividends                | -                                    | -  | -   | -   | -  |
| Other revenues                        | -                                    | -  | -   | -   | -  |
| <b>TOTAL REVENUE</b>                  | <b>-</b>                             | <b>-</b>                                 | <b>-</b>  | <b>-</b>  | <b>15,000</b>                                    |
| <b>EXPENSES</b>                       |                                      |  |   |   |  |
| Salaries/vacation/bonus pay           | -                                    | -  | -   | -   | -  |
| Payroll taxes/ benefits               | -                                    | -  | -   | -   | -  |
| Travel/training/board/memberships     | -                                    | -  | -   | -   | -  |
| Audit                                 | -                                    | -  | -   | -   | -  |
| Development                           | -                                    | -  | -   | -   | -  |
| Insurance                             | -                                    | -  | -   | -   | -  |
| Depreciation                          | -                                    | -  | -   | -   | -  |
| Office supplies/equipment/postage     | -                                    | -  | -   | -   | -  |
| Utilities/telephone                   | -                                    | -  | -   | -   | -  |
| Maintenance and repair                | -                                    | -  | -   | -   | -  |
| Auto expense                          | -                                    | -  | -   | -   | -  |
| Food expense                          | -                                    | -  | -   | -   | -  |
| Program costs                         | -                                    | -  | -   | -   | -  |
| Professional & contractual/legal fees | -                                    | -  | -   | -   | -  |
| Rent                                  | -                                    | -  | -   | -   | -  |
| Miscellaneous                         | -                                    | -  | -   | -   | -  |
| <b>TOTAL EXPENSES</b>                 | <b>-</b>                             | <b>-</b>                                 | <b>-</b>  | <b>-</b>  | <b>-</b>   |
| <b>CHANGE IN NET ASSETS</b>           | <b>-</b>                             | <b>-</b>                                 | <b>-</b>  | <b>-</b>  | <b>15,000</b>                                    |
| <b>NET ASSETS, BEGINNING</b>          | <b>18,742</b>                        | <b>8,430</b>                             | <b>16,066</b>   | <b>7,150</b>                                    | <b>-</b>   |
| Operating transfers                   | -                                    | -  | -   | -   | -  |
| General/Endowment fund transfers      | -                                    | -  | -   | -   | -  |
| Capital additions                     | (6,560)                              | -  | -   | -   | -  |
| <b>NET ASSETS, ENDING</b>             | <b>\$ 12,182</b>                     | <b>\$ 8,430</b>                          | <b>\$ 16,066</b>                                      | <b>\$ 7,150</b>                                 | <b>\$ 15,000</b>                                 |

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2010

|                                       | <b>WOOTEN<br/>ANDERSON<br/>SCHOLARSHIP</b> | <b>UNEMPLOYMENT<br/>RESERVE FUND</b> | <b>CHARBECK<br/>FUND</b> | <b>JERRY NEWBOLD<br/>MEMORIAL<br/>FUND</b> | <b>GENERAL<br/>ENDOWMENT<br/>BOARD<br/>DESIGNATED FUND</b> |
|---------------------------------------|--|--------------------------------------|--------------------------|--|--|
| <b>REVENUE</b>                        |  |                                      |                          |  |  |
| Contributions                         | \$ -                                       | \$ -                                 | \$ -                     | \$ -                                       | 8,584  |
| Federal and state contracts           | -  | -                                    | -                        | -  | -  |
| Net appreciation of investments       | -  | -                                    | -                        | -  | -  |
| Net appreciation of gift annuities    | -  | -                                    | -                        | -  | 23,822   |
| Interest and dividends                | -  | -                                    | -                        | -  | -  |
| Other revenues                        | -  | -                                    | -                        | -  | -  |
| <b>TOTAL REVENUE</b>                  | <b>-</b>                                   | <b>-</b>                             | <b>-</b>                 | <b>-</b>                                   | <b>32,406</b>  |
| <b>EXPENSES</b>                       |  |                                      |                          |  |  |
| Salaries/vacation/bonus pay           | -  | -                                    | -                        | -  | -  |
| Payroll taxes/ benefits               | -  | 8,944                                | -                        | -  | -  |
| Travel/training/board/memberships     | -  | -                                    | -                        | -  | -  |
| Audit                                 | -  | -                                    | -                        | -  | -  |
| Development                           | -  | -                                    | -                        | -  | -  |
| Insurance                             | -  | -                                    | -                        | -  | -  |
| Depreciation                          | -  | -                                    | -                        | -  | -  |
| Office supplies/equipment/postage     | -  | -                                    | -                        | -  | -  |
| Utilities/telephone                   | -  | -                                    | -                        | -  | -  |
| Maintenance and repair                | -  | -                                    | -                        | -  | -  |
| Auto expense                          | -  | -                                    | -                        | -  | -  |
| Food expense                          | -  | -                                    | -                        | -  | -  |
| Program costs                         | -  | -                                    | -                        | -  | -  |
| Professional & contractual/legal fees | -  | -                                    | -                        | -  | 7,736  |
| Rent                                  | -  | -                                    | -                        | -  | -  |
| Miscellaneous                         | -  | -                                    | -                        | -  | -  |
| <b>TOTAL EXPENSES</b>                 | <b>-</b>                                   | <b>8,944</b>                         | <b>-</b>                 | <b>-</b>                                   | <b>7,736</b>   |
| <b>CHANGE IN NET ASSETS</b>           | <b>-</b>                                   | <b>(8,944)</b>                       | <b>-</b>                 | <b>-</b>                                   | <b>24,670</b>  |
| <b>NET ASSETS, BEGINNING</b>          | <b>70,753</b>                              | <b>25,000</b>                        | <b>302,500</b>           | <b>7,596</b>                               | <b>3,799,772</b>   |
| Operating transfers                   | -  | -                                    | -                        | -  | -  |
| General/Endowment fund transfers      | -  | 8,944                                | -                        | -  | -  |
| Capital additions                     | -  | -                                    | -                        | -  | (142,686)  |
| <b>NET ASSETS, ENDING</b>             | <b>\$ 70,753</b>                           | <b>\$ 25,000</b>                     | <b>\$ 302,500</b>        | <b>\$ 7,596</b>                            | <b>\$ 3,681,756</b>  |

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2010

|                                       | <b>GENERAL<br/>ENDOWMENT<br/>DONOR<br/>DESIGNATED FUND</b> | <b>PETTUS HOME<br/>ENDOWMENT<br/>FUND</b> | <b>BARTON HOME<br/>ENDOWMENT<br/>FUND</b> | <b>WILLIAMSON<br/>ENDOWMENT<br/>FUND</b> | <b>WALTON<br/>FOUNDATION<br/>FUND</b> |
|---------------------------------------|--|---|---|--|---------------------------------------|
| <b>REVENUE</b>                        |  |   |   |  |                                       |
| Contributions                         | \$ 10,000  | \$ -                                      | \$ -                                      | \$ -                                     | \$ -                                  |
| Federal and state contracts           | -  | -   | -   | -  | -                                     |
| Net appreciation of investments       | -  | -   | -   | -  | -                                     |
| Net appreciation of gift annuities    | -  | -   | -   | -  | -                                     |
| Interest and dividends                | -  | -   | -   | -  | -                                     |
| Other revenues                        | -  | -   | -   | -  | -                                     |
| <b>TOTAL REVENUE</b>                  | <b>10,000</b>  | <b>-</b>                                  | <b>-</b>                                  | <b>-</b>                                 | <b>-</b>                              |
| <b>EXPENSES</b>                       |  |   |   |  |                                       |
| Salaries/vacation/bonus pay           | -  | -   | -   | -  | -                                     |
| Payroll taxes/ benefits               | -  | -   | -   | -  | -                                     |
| Travel/training/board/memberships     | -  | -   | -   | -  | -                                     |
| Audit                                 | -  | -   | -   | -  | -                                     |
| Development                           | -  | -   | -   | -  | -                                     |
| Insurance                             | -  | -   | -   | -  | -                                     |
| Depreciation                          | -  | -   | -   | -  | -                                     |
| Office supplies/equipment/postage     | -  | -   | -   | -  | -                                     |
| Utilities/telephone                   | -  | -   | -   | -  | -                                     |
| Maintenance and repair                | -  | -   | -   | -  | -                                     |
| Auto expense                          | -  | -   | -   | -  | -                                     |
| Food expense                          | -  | -   | -   | -  | -                                     |
| Program costs                         | -  | -   | -   | -  | -                                     |
| Professional & contractual/legal fees | -  | -   | -   | -  | -                                     |
| Rent                                  | -  | -   | -   | -  | -                                     |
| Miscellaneous                         | -  | -   | -   | -  | -                                     |
| <b>TOTAL EXPENSES</b>                 | <b>-</b>   | <b>-</b>                                  | <b>-</b>                                  | <b>-</b>                                 | <b>-</b>                              |
| <b>CHANGE IN NET ASSETS</b>           | <b>10,000</b>  | <b>-</b>                                  | <b>-</b>                                  | <b>-</b>                                 | <b>-</b>                              |
| <b>NET ASSETS, BEGINNING</b>          | <b>702,664</b>   | <b>48,278</b>                             | <b>137,300</b>                            | <b>115,777</b>                           | <b>500,000</b>                        |
| Operating transfers                   | -  | -   | -   | -  | -                                     |
| General/Endowment fund transfers      | -  | -   | -   | -  | -                                     |
| Capital additions                     | -  | -   | -   | -  | -                                     |
| <b>NET ASSETS, ENDING</b>             | <b>\$ 712,664</b>  | <b>\$ 48,278</b>                          | <b>\$ 137,300</b>                         | <b>\$ 115,777</b>                        | <b>\$ 500,000</b>                     |

VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.  
 COMBINING STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2010

|                                       | WALTON<br>ENDOWMENT<br>FUND | WOOTEN<br>ANDERSON END<br>FUND | LEWIS HOME<br>ENDOWMENT<br>FUND | MARSH<br>HORSFALL<br>FUND | LAURENCE<br>SCHMIDT CENTER<br>FUND | ICY GREGORY<br>ENDOWMENT<br>FUND |
|---------------------------------------|-----------------------------|--------------------------------|---------------------------------|---------------------------|------------------------------------|----------------------------------|
| <b>REVENUE</b>                        |                             |                                |                                 |                           |                                    |                                  |
| Contributions                         | \$ -                        | \$ -                           | \$ -                            | \$ -                      | \$ -                               | \$ -                             |
| Federal and state contracts           | -                           | -                              | -                               | -                         | -                                  | -                                |
| Net appreciation of investments       | -                           | -                              | -                               | -                         | -                                  | -                                |
| Net appreciation of gift annuities    | -                           | -                              | -                               | -                         | -                                  | -                                |
| Interest and dividends                | -                           | -                              | -                               | -                         | -                                  | -                                |
| Other revenues                        | -                           | -                              | -                               | -                         | -                                  | -                                |
| <b>TOTAL REVENUE</b>                  | <b>-</b>                    | <b>-</b>                       | <b>-</b>                        | <b>-</b>                  | <b>-</b>                           | <b>-</b>                         |
| <b>EXPENSES</b>                       |                             |                                |                                 |                           |                                    |                                  |
| Salaries/vacation/bonus pay           | -                           | -                              | -                               | -                         | -                                  | -                                |
| Payroll taxes/ benefits               | -                           | -                              | -                               | -                         | -                                  | -                                |
| Travel/training/board/memberships     | -                           | -                              | -                               | -                         | -                                  | -                                |
| Audit                                 | -                           | -                              | -                               | -                         | -                                  | -                                |
| Development                           | -                           | -                              | -                               | -                         | -                                  | -                                |
| Insurance                             | -                           | -                              | -                               | -                         | -                                  | -                                |
| Depreciation                          | -                           | -                              | -                               | -                         | -                                  | -                                |
| Office supplies/equipment/postage     | -                           | -                              | -                               | -                         | -                                  | -                                |
| Utilities/telephone                   | -                           | -                              | -                               | -                         | -                                  | -                                |
| Maintenance and repair                | -                           | -                              | -                               | -                         | -                                  | -                                |
| Auto expense                          | -                           | -                              | -                               | -                         | -                                  | -                                |
| Food expense                          | -                           | -                              | -                               | -                         | -                                  | -                                |
| Program costs                         | -                           | -                              | -                               | -                         | -                                  | -                                |
| Professional & contractual/legal fees | -                           | -                              | -                               | -                         | -                                  | -                                |
| Rent                                  | -                           | -                              | -                               | -                         | -                                  | -                                |
| Miscellaneous                         | -                           | -                              | -                               | -                         | -                                  | -                                |
| <b>TOTAL EXPENSES</b>                 | <b>-</b>                    | <b>-</b>                       | <b>-</b>                        | <b>-</b>                  | <b>-</b>                           | <b>-</b>                         |
| <b>CHANGE IN NET ASSETS</b>           | <b>-</b>                    | <b>-</b>                       | <b>-</b>                        | <b>-</b>                  | <b>-</b>                           | <b>-</b>                         |
| <b>NET ASSETS, BEGINNING</b>          | <b>551,650</b>              | <b>114,859</b>                 | <b>20,688</b>                   | <b>25,000</b>             | <b>2,000</b>                       | <b>375,482</b>                   |
| Operating transfers                   | -                           | -                              | -                               | -                         | -                                  | -                                |
| General/Endowment fund transfers      | -                           | -                              | -                               | -                         | -                                  | -                                |
| Capital additions                     | -                           | -                              | -                               | -                         | -                                  | -                                |
| <b>NET ASSETS, ENDING</b>             | <b>\$ 551,650</b>           | <b>\$ 114,859</b>              | <b>\$ 20,688</b>                | <b>\$ 25,000</b>          | <b>\$ 2,000</b>                    | <b>\$ 375,482</b>                |

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2010

| REVENUE                               | LORENE EMPSON<br>PRIVATE PLACEMENT<br>FUND | BETTIE S MABRAY<br>MEMORIAL<br>FUND | TRIMBLE HOME<br>ENDOWMENT<br>FUND | TOTALS               |
|---------------------------------------|--|-------------------------------------|-----------------------------------|----------------------|
| Contributions                         | \$ -                                       | \$ -                                | \$ -                              | \$ 436,359           |
| Federal and state contracts           | -  | -                                   | -                                 | 1,459,518            |
| Net appreciation of investments       | -  | -                                   | -                                 | 271,603              |
| Net appreciation of gift annuities    | -  | -                                   | -                                 | 23,822               |
| Interest and dividends                | -  | -                                   | -                                 | 167,789              |
| Other revenues                        | -  | -                                   | -                                 | 123,094              |
| <b>TOTAL REVENUE</b>                  | <b>-</b>                                   | <b>-</b>                            | <b>-</b>                          | <b>2,482,185</b>     |
| <b>EXPENSES</b>                       |  |                                     |                                   |                      |
| Salaries/vacation/bonus pay           | -  | -                                   | -                                 | 1,110,344            |
| Payroll taxes/ benefits               | -  | -                                   | -                                 | 265,845              |
| Travel/training/board/memberships     | -  | -                                   | -                                 | 30,178               |
| Audit                                 | -  | -                                   | -                                 | 19,583               |
| Development                           | -  | -                                   | -                                 | 35,312               |
| Insurance                             | -  | -                                   | -                                 | 70,335               |
| Depreciation                          | -  | -                                   | -                                 | 232,218              |
| Office supplies/equipment/postage     | -  | -                                   | -                                 | 50,002               |
| Utilities/telephone                   | -  | -                                   | -                                 | 105,098              |
| Maintenance and repair                | -  | -                                   | -                                 | 34,155               |
| Auto expense                          | -  | -                                   | -                                 | 30,847               |
| Food expense                          | -  | -                                   | -                                 | 76,081               |
| Program costs                         | -  | -                                   | -                                 | 78,126               |
| Professional & contractual/legal fees | -  | -                                   | -                                 | 107,130              |
| Rent                                  | -  | -                                   | -                                 | 55,270               |
| Miscellaneous                         | -  | -                                   | -                                 | 1,373                |
| <b>TOTAL EXPENSES</b>                 | <b>-</b>                                   | <b>-</b>                            | <b>-</b>                          | <b>2,301,897</b>     |
| <b>CHANGE IN NET ASSETS</b>           | <b>-</b>                                   | <b>-</b>                            | <b>-</b>                          | <b>180,288</b>       |
| <b>NET ASSETS, BEGINNING</b>          | <b>25,000</b>                              | <b>100,000</b>                      | <b>121,000</b>                    | <b>11,021,563</b>    |
| Operating transfers                   | -  | -                                   | -                                 | -                    |
| General/Endowment fund transfers      | -  | -                                   | -                                 | -                    |
| Capital additions                     | -  | (1,400)                             | -                                 | -                    |
| <b>NET ASSETS, ENDING</b>             | <b>\$ 25,000</b>                           | <b>\$ 98,600</b>                    | <b>\$ 121,000</b>                 | <b>\$ 11,201,851</b> |

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

**SCHEDULE OF GOVERNMENTAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

| <b><u>Program Grantor/Pass Through Entity/<br/>Program Title</u></b>  | <b><u>Federal<br/>CFDA<br/>Number</u></b> | <b><u>Federal/State<br/>Revenues</u></b> | <b><u>Federal/State<br/>Expenditures</u></b> |
|---|---|--|--|
| <b><u>Federal Assistance</u></b>  |   |  |  |
| United States Department of Health and Human<br>Services/Arkansas Department of Human<br>Services                 |   |  |  |
| Social Services Block Grant   | 93.667                                    | \$ 116,003                               | \$ 116,003                                   |
| Foster Care – Title IV E  | 93.658                                    | 255,598                                  | 255,598                                      |
| Foster Care – Title IV E (ARRA Funding)   | 93.658                                    | 21,654                                   | 21,654                                       |
| Promoting Safe and Stable Families  | 93.556                                    | <u>3,000</u>                             | <u>3,000</u>                                 |
| Total DHHS Revenues and Expenditures  |   | 396,255                                  | 396,255                                      |
| United States Department of Agriculture/Arkansas<br>Department of Human Services/National School<br>Lunch Program |   |  |  |
|   | 10.555                                    | <u>38,032</u>                            | <u>38,032</u>                                |
| Total Federal Revenues and Expenditures   |   | <u>\$ 434,287</u>                        | <u>\$ 434,287</u>                            |
| <b><u>State Assistance</u></b>  |   |  |  |
| Arkansas Department of Human Services/ State<br>General Revenue   |   |  |  |
| Division of Youth Services  |   | \$ 593,400                               | \$ 593,400                                   |
| Foster Care – Title IV E  |   | 72,092                                   | 72,092                                       |
| Foster Care – State   |   | 358,739                                  | 358,739                                      |
| Promoting Safe and Stable Families  |   | <u>1,000</u>                             | <u>1,000</u>                                 |
| Total State Revenues and Expenditures   |   | <u>\$1,025,231</u>                       | <u>\$1,025,231</u>                           |



**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Directors of**

**Vera Lloyd Presbyterian Home and Family Services, Inc.:**

We have audited the financial statements of Vera Lloyd Presbyterian Home and Family Services, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated September 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered Vera Lloyd Presbyterian Home and Family Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vera Lloyd Presbyterian Home and Family Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vera Lloyd Presbyterian Home and Family Services, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Vera Lloyd Presbyterian Home and Family Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

JEFFREY, PHILLIPS, MOSLEY & SCOTT, P.A.

September 10, 2010

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

**SUPPLEMENTAL DATA SHEET**

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Entity Full Name: Vera Lloyd Presbyterian Home and Family Services, Inc.

Address: 1501 N. University, Suite 345  
Little Rock, AR 72207

EIN: 71-0419191

Phone: (501) 666-8195

Chief Executive Officer and Contact Person: Ms. Lynda Whaley