

**Hill Country Community Ministries**  
**Audit Report**  
**December 31, 2010**  
**with Comparative Totals**  
**as of December 31, 2009**

*Taber & Burnett, P.C.*  
A Professional Corporation  
Certified Public Accountants

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**Taber & Burnett, P.C.**

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Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Hill Country Community Ministries  
Leander, Texas

We have audited the accompanying Statement of Financial Position of the Hill Country Community Ministries, (a non-profit organization), as of December 31, 2010, and the related Statements of Activities, Cash Flows, and Functional Expenses 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 2009 financial statements and, in the report dated August 4, 2010, an unqualified opinion was expressed 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 misstatements. 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 Hill Country Community Ministries as of December 31, 2010, and the results of activities and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Taber & Burnett, P.C.

Burnet, Texas  
April 28, 2011

**Hill Country Community Ministries**

Statements of Financial Position

As of December 31, 2010 and 2009

	<b>Assets</b>	
	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents (Note 2)	\$ 296,197	\$ 250,494
Inventory (Note 3)	<u>43,215</u>	<u>38,172</u>
Total Current Assets	<u>339,412</u>	<u>288,666</u>
Property and Equipment (Note 4)		
Buildings and improvements	57,211	57,211
Automobiles	16,617	16,617
Furniture and equipment	37,729	37,729
Land	<u>77,227</u>	<u>295,133</u>
Total Property and Equipment	188,784	406,690
Accumulated depreciation	<u>(88,253)</u>	<u>(84,142)</u>
Net Property and Equipment	<u>100,531</u>	<u>322,548</u>
Other Assets		
Non-interest bearing mortgage loans- net of discount of \$30,091 (Note 5)	<u>189,909</u>	<u>-</u>
Total Other Assets	<u>189,909</u>	<u>-</u>
Total Assets	\$ <u>629,852</u>	\$ <u>611,214</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 1,354	\$ 2,091
Payroll and related liabilities	7,553	9,086
Deferred insurance proceeds	<u>4,389</u>	<u>-</u>
Total Current Liabilities	<u>13,296</u>	<u>11,177</u>
Total Liabilities	<u>13,296</u>	<u>11,177</u>
Net Assets (Notes 6 and 7)		
Unrestricted	502,344	551,104
Temporarily restricted	114,212	48,933
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>616,556</u>	<u>600,037</u>
Total Liabilities and Net Assets	\$ <u>629,852</u>	\$ <u>611,214</u>

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

**Hill Country Community Ministries***Statement of Activities**For the Year Ended December 31, 2010  
with Comparative Totals for 2009*

	<u>Unrestricted Operating</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Revenues, Gains, and Other Support:					
Church contributions	\$ 95,424	\$ -	\$ -	\$ 95,424	\$ 102,961
Corporate and other contributions	101,648	83,046	-	184,694	192,610
Donated goods and services	527,623	-	-	527,623	468,289
Grants	20,000	-	-	20,000	5,000
Interest income	1,734	-	-	1,734	225
Gain on assets sold	53,866	-	-	53,866	95,181
Net assets released from restrictions	<u>17,767</u>	<u>(17,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>818,062</u>	<u>65,279</u>	<u>-</u>	<u>883,341</u>	<u>864,266</u>
Cost of Special Activities and Programs:					
Client aid	581,248	-	-	581,248	555,311
Clothes closet	138,700	-	-	138,700	121,893
Special projects	22,196	-	-	22,196	15,071
Housing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,048</u>
Total Cost of Special Activities and Programs	<u>742,144</u>	<u>-</u>	<u>-</u>	<u>742,144</u>	<u>695,323</u>
Revenues Net of Cost of Special Activities and Programs	\$ <u>75,918</u>	\$ <u>65,279</u>	\$ <u>-</u>	\$ <u>141,197</u>	\$ <u>168,943</u>

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

**Hill Country Community Ministries***Statement of Activities (Continued)**For the Year Ended December 31, 2010  
with Comparative Totals for 2009*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Supporting Services:					
Salaries	\$ 45,736	\$ -	\$ -	\$ 45,736	\$ 44,876
Professional services	5,440	-	-	5,440	5,100
Auto and travel	-	-	-	-	717
Insurance	4,123	-	-	4,123	3,990
Office expense and supplies	2,191	-	-	2,191	2,427
Taxes and licenses	23,953	-	-	23,953	5,733
Repairs and maintenance	1,637	-	-	1,637	815
Utilities and telephone	1,961	-	-	1,961	2,132
Advertising	63	-	-	63	53
Depreciation	658	-	-	658	1,048
Fund-raising expense	<u>38,916</u>	<u>-</u>	<u>-</u>	<u>38,916</u>	<u>36,165</u>
Total Supporting Services	<u>124,678</u>	<u>-</u>	<u>-</u>	<u>124,678</u>	<u>103,056</u>
Changes in Net Assets	(48,760)	65,279	-	16,519	65,887
Net Assets at Beginning of Year	<u>551,104</u>	<u>48,933</u>	<u>-</u>	<u>600,037</u>	<u>534,150</u>
Net Assets at End of Year	\$ <u>502,344</u>	\$ <u>114,212</u>	\$ <u>-</u>	\$ <u>616,556</u>	\$ <u>600,037</u>

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

**Hill Country Community Ministries***Statements of Cash Flows**For the Years Ended December 31, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 16,519	\$ 65,887
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	4,111	6,550
(Increase) decrease in inventory	(5,043)	(8,717)
Increase (decrease) in accounts payable	(738)	(164)
Increase (decrease) in payroll liability	(1,532)	1,649
Increase (decrease) in deferred insurance proceeds	<u>4,389</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	<u>17,706</u>	<u>65,205</u>
Cash Flows from Investing Activities:		
Disposition of fixed assets	<u>217,906</u>	<u>42,982</u>
Net Cash Provided by (Used in) Investing Activities	<u>217,906</u>	<u>42,982</u>
Cash Flows from Financing Activities		
Increase in notes receivable	(220,000)	-
Increase in discounts	<u>30,091</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>(189,909)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	45,703	108,187
Cash and Cash Equivalents at Beginning of Year	<u>250,494</u>	<u>142,307</u>
Cash and Cash Equivalents at End of Year	\$ <u>296,197</u>	\$ <u>250,494</u>
Supplemental Cash Flow Disclosures:		
Cash paid during the year for:		
Interest	\$ <u>-</u>	\$ <u>-</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

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

## Hill Country Community Ministries

Statement of Functional Expenses

For the Year Ended December 31, 2010  
with Comparative Totals for 2009

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	
	<u>Client Aid</u>	<u>Administration</u>	<u>Fund-Raising</u>	<u>2010</u>	<u>2009</u>
	<u>and Support</u>				
Client aid	\$ 464,488	\$ -	\$ -	\$ 464,488	\$ 429,543
Clothes closet	120,335	-	-	120,335	103,869
Special projects	19,258	-	-	19,258	12,805
Housing	-	-	-	-	2,636
Salaries	76,446	45,736	34,098	156,280	165,874
Professional services	14,553	5,440	-	19,993	12,169
Auto and travel	-	-	-	-	717
Insurance	4,051	4,123	2,407	10,581	12,289
Office expense and supplies	11,502	2,191	-	13,693	15,170
Taxes and licenses	8,183	23,953	1,245	33,381	15,420
Repairs and maintenance	8,469	1,637	-	10,106	5,010
Utilities and telephone	10,294	1,961	-	12,255	13,324
Advertising	1,112	63	190	1,365	1,157
Depreciation	3,453	658	-	4,111	6,550
Fund-raising expense	<u>-</u>	<u>-</u>	<u>976</u>	<u>976</u>	<u>1,846</u>
Total Expenses, Year Ended December 31, 2010 with Comparative Totals for 2009	\$ <u>742,144</u>	\$ <u>85,762</u>	\$ <u>38,916</u>	\$ <u>866,822</u>	\$ <u>798,379</u>

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

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Organization**

The Hill Country Community Ministries (the Organization) is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization's purpose is to respond to the immediate needs of people residing in or traveling through the central Texas community; directing clients to existing resources to help them meet long-term goals; monitoring other services so efforts will not be duplicated; and coordinating churches to more effectively serve those in need.

**Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis in conformity with generally accepted accounting principles. The Organization reports total assets, liabilities, and net assets in a statement of financial position; reports the change in net assets in a statement of activities; and reports the sources and uses of cash and cash equivalents in a statement of cash flows. The Organization also reports net assets and revenues, gains, expenses and losses as unrestricted, temporarily restricted, or permanently restricted, based on the existence of or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as a reclassification between the applicable classes of net assets.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Tax Status**

Under provisions of the Internal Revenue Code, Section 501(c)(3), the Organization is exempt from taxes on income other than unrelated business income. The Organization has no unrelated business income for the years ended December 31, 2010 and 2009. Therefore, no provision for federal income taxes has been made.

**Contributions**

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

**Contributed Services**

The Organization receives many services from volunteers which are not recorded in these financial statements. The Organization records services in the financial statements if the volunteer services create or enhance a non-financial asset; or require specialized skills, are performed by people with those skills, and would otherwise be purchased. Additional information on contributed services can be found in Note 8.

**Donated Materials**

Donated materials received by the Organization from the public are recognized at fair value as contributions at the time of receipt. Accordingly, such materials are reflected in the accompanying statement of financial position if they are still on hand and in the statement of activities if they have been sold or distributed. Costs related to bringing donated materials to a salable condition are included in the expenses as incurred, and the proceeds from the sale of such materials are recognized as revenue when received or receivable.

**Method of Accounting**

The Organization maintains its accounting records on the accrual basis of accounting. Under this method of accounting, revenues are recorded as accruals when they become both measurable and earned. Contributions are recognized as revenues when received. Expenses are recorded when they are incurred.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Prior-Year Summarized Information**

The financial statements include certain prior-year summarized information in total. With respect to the statements of activities and functional expenses, such prior-year information is not presented 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, 2009, from which the summarized information was derived.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. The carrying amount for cash and cash equivalents approximates fair value.

**Inventories**

Inventories consist of food and clothing on hand at year-end. Most food and clothing are donated to the Organization, although some is also purchased. Inventory items that have been donated are valued at their fair market value at the date of gift. Inventory items that have been purchased are recorded at cost. The Organization has valued its food and clothing inventory as one month's food and clothing donations, which is a method that has been consistently applied in prior years.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Property and Equipment**

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Property and equipment are stated at cost if purchased or at fair market value at the date of gift if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. These useful lives are as follows:

Buildings and improvements	5-25 Years
Furniture and equipment	5-10 Years
Automotive equipment	7 Years

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of various bank accounts and money market accounts that are available for use in current operations. Cash and cash equivalents totaled \$296,197 and \$250,494 at December 31, 2010 and 2009, respectively.

**NOTE 3 - INVENTORY**

Inventory as of December 31, 2010 and 2009 consists of the following:

	December 31, <u>2010</u>	December 31, <u>2009</u>
Food	\$ 33,075	\$ 29,377
Clothing	<u>10,140</u>	<u>8,795</u>
Total Inventory	\$ <u>43,215</u>	\$ <u>38,172</u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

As of December 31, 2010, property and equipment consist of:

	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2010</u>
Building and improvements	\$ 57,211	\$ -	\$ -	\$ 57,211
Automobiles	16,617	-	-	16,617
Furniture and equipment	37,729	-	-	37,729
Land	<u>295,133</u>	<u>-</u>	<u>217,906</u>	<u>77,227</u>
Total Property and Equipment	406,690	-	217,906	188,784
Less accumulated depreciation	<u>(84,142)</u>	<u>(4,111)</u>	<u>-</u>	<u>(88,253)</u>
Net Property and Equipment	\$ <u>322,548</u>	\$ <u>(4,111)</u>	\$ <u>217,906</u>	\$ <u>100,531</u>

**NOTE 5 - NOTES RECEIVABLE**

Notes receivable consist of the following at December 31, 2010:

Non-interest bearing note receivable due from the St. Margaret Mary Catholic Church, secured by land, to be repaid by annual payments of \$44,000, beginning in July, 2011, principal balance of \$220,000. Note balance has been discounted to an estimated present value of \$189,909, assuming a 6% interest rate over a five year term.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

The Organization maintains certain trust and agency funds within the Restricted Net Asset Accounts. These funds are for the benefit of specific activities and projects. The Organization has a fiduciary responsibility in the activity of such funds. These funds are classified as Temporarily Restricted Net Assets for reporting purposes.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS (Continued)**

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Temporarily restricted for:		
Budget management program	10,502	10,703
Christmas	520	520
Clothes closet	600	600
Dental grant	3,595	1,500
Financial Aid	43	17
Food/milk	82,176	18,550
Help one	59	86
Prescriptions	4	4
School supplies	404	404
Shoes	23	734
Special projects	1,502	1,028
Thanksgiving project	<u>14,784</u>	<u>14,787</u>
Total	<u>\$ 114,212</u>	<u>\$ 48,933</u>

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS**

There are no permanently restricted net assets as of December 31, 2010 and 2009.

**NOTE 8 - CONTRIBUTED SERVICES**

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, client services, and clothes closet activities. The Organization received more than 9,050 volunteer hours in 2010 and 8,700 volunteer hours in 2009. For the year ended December 31, 2010, the value of these services is \$21.36 per hour based upon the value of volunteer time determined by the Independent Sector. Therefore, the estimated value of these donated services was \$193,308.

**NOTE 9 - LEASE AGREEMENTS**Operating Lease

The Organization has a noncancellable operating lease for office equipment that expires in January, 2012. The amount charged to the expense for this lease was \$9,249 for the year ended December 31, 2010, and \$9,004 for the year ended December 31, 2009.

Future minimum lease payments under the operating lease as of December 31, 2010, are:

<u>Years Ending December 31</u>	
2011	\$ 7,728
2012	<u>644</u>
	\$ <u>8,372</u>

**NOTE 10 - SUBSEQUENT EVENTS**

The Organization did not have any subsequent events through April 28, 2011, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal year ended December 31, 2010.