

SUNNY RIDGE FAMILY CENTER, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 AND 2010**

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sunny Ridge Family Center, Inc.:

We have audited the statement of financial position of Sunny Ridge Family Center, Inc. (SRFC) as of June 30, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of SRFC'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 Sunny Ridge Family Center, Inc. as of June 30, 2011 and 2010, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



DUGAN & LOPATKA

Wheaton, Illinois
August 9, 2011

SUNNY RIDGE FAMILY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	\$ 100,902	\$ 410,355
- Board designated	52,877	50,822
- Temporarily restricted	7,400	7,950
Investments	2,962,241	3,114,199
Accrued interest receivable	14,120	14,974
Other receivables	13,500	3,450
Prepaid expenses	19,729	31,510
	<u>3,170,769</u>	<u>3,633,260</u>
PROPERTY AND EQUIPMENT:		
Land and land improvements	1,270,592	1,270,592
Leasehold improvements	69,795	69,795
Office furniture and furnishings	212,147	225,374
Computer and telephone equipment	115,814	115,008
	<u>1,668,348</u>	<u>1,680,769</u>
Total property and equipment	1,668,348	1,680,769
Less - Accumulated depreciation	<u>215,597</u>	<u>187,283</u>
Net property and equipment	<u>1,452,751</u>	<u>1,493,486</u>
	<u>\$ 4,623,520</u>	<u>\$ 5,126,746</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 38,206	\$ 40,390
Accrued compensated absences	61,380	62,400
Deposits and fees received in advance	<u>16,875</u>	<u>27,350</u>
Total current liabilities	<u>116,461</u>	<u>130,140</u>
 COMMITMENTS		
 NET ASSETS:		
Unrestricted - Undesignated	4,446,782	4,937,834
Unrestricted - Designated - Honor - Memorial	52,877	50,822
Temporarily restricted	<u>7,400</u>	<u>7,950</u>
Total net assets	<u>4,507,059</u>	<u>4,996,606</u>
	<u>\$ 4,623,520</u>	<u>\$ 5,126,746</u>

SUNNY RIDGE FAMILY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 55,442	\$ 450	\$ 55,892	\$ 109,343	\$ 450	\$ 109,793
Fundraising events	119,250	-	119,250	138,331	-	138,331
Program service fees	380,340	-	380,340	578,515	-	578,515
Investment income	500,393	-	500,393	198,059	-	198,059
Other (loss)	-	-	-	(1,233)	-	(1,233)
Total support and revenue	1,055,425	450	1,055,875	1,023,015	450	1,023,465
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	1,000	(1,000)	-	1,000	(1,000)	-
FUNCTIONAL EXPENSES:						
Program	1,105,767	-	1,105,767	1,153,899	-	1,153,899
Management and general	344,856	-	344,856	331,956	-	331,956
Fundraising	94,799	-	94,799	93,821	-	93,821
Total functional expenses	1,545,422	-	1,545,422	1,579,676	-	1,579,676
CHANGE IN NET ASSETS	(488,997)	(550)	(489,547)	(555,661)	(550)	(556,211)
NET ASSETS, Beginning of year	4,988,656	7,950	4,996,606	5,544,317	8,500	5,552,817
NET ASSETS, End of year	\$ 4,499,659	\$ 7,400	\$ 4,507,059	\$ 4,988,656	\$ 7,950	\$ 4,996,606

The accompanying notes are an integral part of this statement.

SUNNY RIDGE FAMILY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (489,547)	\$ (556,211)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	45,897	43,860
Loss on sale of property and equipment	-	1,233
Realized (gain) loss on sale of investments	(94,727)	12,595
Unrealized (gain) on investments	(302,214)	(109,733)
Stock contributions	(1,085)	(1,088)
Change in assets and liabilities:		
Decrease in accrued interest receivable	854	3,800
(Increase) in other receivables	(10,050)	(3,450)
Decrease in prepaid expenses	11,781	4,858
Increase (decrease) in accounts payable and accrued liabilities	(2,184)	1,104
(Decrease) in accrued compensated absences	(1,020)	(1,600)
(Decrease) in deposits and fees received in advance	(10,475)	(7,200)
Net adjustments	<u>(363,223)</u>	<u>(55,621)</u>
Net cash (used in) operating activities	<u>(852,770)</u>	<u>(611,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,722,957	1,357,805
Purchase of investments	(1,172,973)	(1,342,937)
Purchase of property and equipment	(5,162)	(10,293)
Net cash provided by investing activities	<u>544,822</u>	<u>4,575</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(307,948)	(607,257)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>469,127</u>	<u>1,076,384</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 161,179</u>	<u>\$ 469,127</u>

The accompanying notes are an integral part of this statement.

SUNNY RIDGE FAMILY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Supporting Services	
Salaries	\$ 565,364	\$ 151,770	\$ 21,223	\$ 172,993	\$ 738,357
Employment health and retirement benefits	75,436	17,780	2,309	20,089	95,525
Payroll taxes	54,246	13,699	2,960	16,659	70,905
Professional fees and contracts	79,880	63,343	1,621	64,964	144,844
Supplies	5,894	4,315	614	4,929	10,823
Telephone	13,913	1,927	778	2,705	16,618
Postage and shipping	3,022	5,444	1,168	6,612	9,634
Occupancy	174,560	45,177	10,474	55,651	230,211
Insurance	21,977	5,268	2,068	7,336	29,313
Outside printing	2,409	9,995	-	9,995	12,404
Advertising	648	8,708	-	8,708	9,356
Transportation	16,891	821	-	821	17,712
Conference, conventions and meetings	3,646	728	18	746	4,392
Staff literature	1,113	387	90	477	1,590
Specific assistance to individuals	18,152	-	-	-	18,152
Membership dues	1,000	562	-	562	1,562
Equipment costs	12,462	4,810	1,725	6,535	18,997
Miscellaneous	18,978	2,097	-	2,097	21,075
Special events	-	-	48,055	48,055	48,055
Depreciation	36,176	8,025	1,696	9,721	45,897
Total functional expenses	\$ 1,105,767	\$ 344,856	\$ 94,799	\$ 439,655	\$ 1,545,422

The accompanying notes are an integral part of this statement.

SUNNY RIDGE FAMILY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Expenses	Supporting Services			Total
		Management and General	Fundraising	Supporting Services	
Salaries	\$ 585,840	\$ 156,552	\$ 21,469	\$ 178,021	\$ 763,861
Employment health and retirement benefits	60,766	14,153	1,523	15,676	76,442
Payroll taxes	53,685	14,681	2,298	16,979	70,664
Professional fees and contracts	74,209	50,564	1,800	52,364	126,573
Supplies	7,779	3,294	848	4,142	11,921
Telephone	11,846	1,934	654	2,588	14,434
Postage and shipping	4,640	4,650	1,342	5,992	10,632
Occupancy	212,621	52,966	12,406	65,372	277,993
Insurance	20,854	4,891	2,045	6,936	27,790
Outside printing	-	6,051	-	6,051	6,051
Advertising	-	4,240	-	4,240	4,240
Transportation	29,375	1,156	-	1,156	30,531
Conference, conventions and meetings	1,654	404	-	404	2,058
Staff literature	1,038	207	-	207	1,245
Specific assistance to individuals	34,497	-	-	-	34,497
Membership dues	3,256	584	14	598	3,854
Equipment costs	13,744	4,099	1,733	5,832	19,576
Miscellaneous	2,857	4,492	-	4,492	7,349
Special events	-	-	46,105	46,105	46,105
Depreciation	35,238	7,038	1,584	8,622	43,860
Total functional expenses	\$ 1,153,899	\$ 331,956	\$ 93,821	\$ 425,777	\$ 1,579,676

The accompanying notes are an integral part of this statement.

SUNNY RIDGE FAMILY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Sunny Ridge Family Center, Inc. (SRFC) is a not-for-profit, multi-service corporation chartered in the State of Illinois. Its primary services include adoption services, counseling for women facing unplanned pregnancy, post-adoption training and counseling and foster care.

The mission of SRFC is to serve children and build families around the world. As a Christian service agency, SRFC serves children, families, and birth parents.

Subsequent Events -

The financial statements were available to be issued on August 9, 2011, with subsequent events being evaluated through this date.

Basis of Accounting -

SRFC maintains its accounting records and prepares its financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, SRFC considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk -

SRFC maintains its cash accounts primarily with banks located in Illinois and in brokerage accounts, which are not federally insured. SRFC's cash balance may exceed the FDIC limit from time to time.

Property and Equipment -

SRFC follows the practice of capitalizing all expenditures for fixed assets in excess of \$1,500.

Property and equipment are valued at cost. Donated property and equipment are valued at estimated fair market value at the date of donation. Equipment held for sale is valued at the lower of cost or estimated fair value. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis, ranging from 3 to 12 years.

Compensated Absences -

Employees accumulate annual vacation and sick leave at various rates, depending upon the length of service and classification of employment, with a maximum accumulation of 155 hours toward each type of leave. Annual vacation and sick leave must be accrued before it can be used, and payment of salary in lieu of annual and sick leave is not permitted, except at the time of termination of employment for annual leave. All leave time earned and not taken has been accrued.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Temporarily Restricted Net Assets -

Temporarily restricted net assets are held specifically for the purpose of the Sam Segler Memorial Scholarship Fund. As of June 30, 2011 and 2010, temporarily restricted net assets were \$7,400 and \$7,950, respectively.

Unrestricted and Restricted Revenues -

All contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, SRFC reports the support as unrestricted.

Gifts of property and equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, SRFC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising Expense -

Advertising expenses are charged as incurred. Advertising expense for June 30, 2011 and 2010 was \$9,356 and \$4,240, respectively.

Contributed Services -

No amounts have been reflected in the financial statements for donated services. SRFC generally pays for services requiring specific expertise. However, numerous volunteers have donated significant amounts of time to SRFC program services and fundraising efforts, for which no value has been assigned.

Income Taxes -

SRFC has been determined by the Internal Revenue Service (IRS) to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

SRFC files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, SRFC is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2007. SRFC does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

Reclassifications -

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

(2) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification (ASC) for Fair Value Measurements establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

The ASC established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transaction in the absence of market inputs.

The valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect SFRC's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical asset or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(2) FAIR VALUE MEASUREMENTS: (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

Common Stocks, Corporate Bonds and U.S. Government Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value (NAV) of shares held by SRFC at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SRFC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis are as follows:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Small cap equity	\$ 70,572	\$ -	\$ -	\$ 70,572
Mid cap equity	71,426	-	-	71,426
International equity	139,589	-	-	139,589
Total mutual funds	281,587	-	-	281,587
Stocks:				
Mid cap	75,007	-	-	75,007
Large cap	585,308	-	-	585,308
International developing	303,721	-	-	303,721
International emerging	77,760	-	-	77,760
Total stocks	1,041,796	-	-	1,041,796
Fixed income:				
Corporate bonds	1,310,344	-	-	1,310,344
Municipal bonds	121,722	-	-	121,722
International bonds	104,435	-	-	104,435
Total fixed income	1,536,501	-	-	1,536,501
Commodities	102,357	-	-	102,357
Total assets at fair value	\$ 2,962,241	\$ -	\$ -	\$ 2,962,241

(2) FAIR VALUE MEASUREMENTS: (Continued)

Description	Assets at Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Small cap equity	\$ 51,993	\$ -	\$ -	\$ 51,993
Mid cap equity	52,054	-	-	52,054
International equity	159,998	-	-	159,998
Total mutual funds	264,045	-	-	264,045
Stocks:				
Mid cap	76,873	-	-	76,873
Large cap	543,241	-	-	543,241
International developing	317,577	-	-	317,577
International emerging	69,094	-	-	69,094
Total stocks	1,006,785	-	-	1,006,785
Fixed income:				
Corporate bonds	1,240,244	-	-	1,240,244
Municipal bonds	451,290	-	-	451,290
International bonds	151,835	-	-	151,835
Total fixed income	1,843,369	-	-	1,843,369
Total assets at fair value	\$ 3,114,199	\$ -	\$ -	\$ 3,114,199

(3) INVESTMENTS:

Investments are carried at fair market value. Investments consist of the following:

Description	2011		2010	
	Market	Cost	Market	Cost
Mutual funds	\$ 281,587	\$ 251,545	\$ 264,045	\$ 305,744
Stocks	1,041,796	895,510	1,006,785	1,099,232
Fixed income	1,536,501	1,523,564	1,843,369	1,852,251
Commodities	102,357	99,415	-	-
Total investments	\$ 2,962,241	\$ 2,770,034	\$ 3,114,199	\$ 3,257,227

(3) INVESTMENTS: (Continued)

Investment income (loss) consists of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 103,452	\$ 100,921
Realized gain (loss)	94,727	(12,595)
Unrealized gain	<u>302,214</u>	<u>109,733</u>
Total investment income	<u>\$ 500,393</u>	<u>\$ 198,059</u>

(4) COMMITMENTS:

SRFC has entered into various operating lease agreements for office space and office equipment, expiring through December, 2015. Lease expense for the years ended June 30, 2011 and 2010 was \$208,320 and \$263,815, respectively.

Future minimum rental commitments are as follows:

2012	\$ 166,773
2013	169,468
2014	171,487
2015	174,540
2016	87,426

(5) RETIREMENT PLAN:

SRFC provides a defined contribution retirement plan funded by the purchase of individual annuity contracts. All employees are immediately vested in the value of their annuity contract. Employees may elect to have contributions deducted from compensation in accordance with IRS regulations. SRFC did not make any contributions to the plan in 2011 or 2010.