

PARENTHESIS, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

Board of Directors
Parenthesis, Inc.
Oak Park, Illinois

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of **PARENTHESIS, 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 the Organization'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. 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 **PARENTHESIS, 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.

Frank L. Sassetti & Co.

December 14, 2010
Oak Park, Illinois

PARENTHESIS, INC
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 31,154	\$ 9,730
Grants and donations receivable	33,305	25,925
Prepaid expenses	2,546	5,277
Investments	38,443	43,655
Property and equipment, net	<u>20,301</u>	<u>12,489</u>
Total Assets	<u>\$ 125,749</u>	<u>\$ 97,076</u>
 LIABILITIES		
Accounts payable	\$ 5,544	\$ 2,906
Accrued expenses	6,778	7,747
Line of credit	<u>-</u>	<u>5,000</u>
Total Liabilities	<u>12,322</u>	<u>15,653</u>
 NET ASSETS		
Unrestricted	43,061	8,888
Temporarily restricted	14,589	16,758
Permanently restricted	<u>55,777</u>	<u>55,777</u>
Total Net Assets	<u>113,427</u>	<u>81,423</u>
Total Liabilities and Net Assets	<u>\$ 125,749</u>	<u>\$ 97,076</u>

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

PARENTHESIS, INC.
STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2010 AND 2009

	2010						2009				
	Unrestricted	Temporarily Restricted		Permanently Restricted		Totals	Unrestricted	Temporarily Restricted		Permanently Restricted	Totals
		Restricted	Restricted	Restricted	Restricted			Restricted	Restricted		
REVENUES AND OTHER SUPPORT											
Contributions	\$ 70,896	\$ 36,500	\$ -	\$ -	\$ 107,396	\$ 67,177	\$ 2,000	\$ -	\$ 69,177		
Community Chest	7,912	7,596	-	-	15,508	12,250	9,433	-	21,683		
Oak Park Township											
Community Mental Health Board	95,089	-	-	-	95,089	84,515	-	-	84,515		
River Forest Township											
Mental Health Committee	10,136	-	-	-	10,136	9,330	-	-	9,330		
Oak Park Township Youth Services	18,750	-	-	-	18,750	16,250	-	-	16,250		
Village of Oak Park/ CDBG	19,385	-	-	-	19,385	20,470	-	-	20,470		
Membership and program fees	13,220	-	-	-	13,220	14,964	-	-	14,964		
Special events, net	26,498	-	-	-	26,498	18,305	-	-	18,305		
Kitchen Walk event	34,375	-	-	-	34,375	43,948	-	-	43,948		
DreamMakers event	42,483	-	-	-	42,483	32,243	-	-	32,243		
In-kind contributions	6,500	-	-	-	6,500	6,000	-	-	6,000		
Investment income (loss), net	5,115	-	-	-	5,115	(1,343)	-	-	(1,343)		
Other income	2,664	-	-	-	2,664	830	-	-	830		
Net assets released from restrictions	46,265	(46,265)	-	-	-	13,666	(13,666)	-	-		
Total Revenues and Other Support	399,288	(2,169)	-	-	397,119	338,605	(2,233)	-	336,372		
EXPENSES											
Program	251,555	-	-	-	251,555	238,285	-	-	238,285		
Management and general	49,056	-	-	-	49,056	49,768	-	-	49,768		
Fundraising	64,504	-	-	-	64,504	87,686	-	-	87,686		
Total Expenses	365,115	-	-	-	365,115	375,739	-	-	375,739		
CHANGE IN NET ASSETS	34,173	(2,169)	-	-	32,004	(37,134)	(2,233)	-	(39,367)		
NET ASSETS											
Beginning of year	8,888	16,758	55,777	55,777	81,423	46,022	18,991	55,777	120,790		
End of year	\$ 43,061	\$ 14,589	\$ 55,777	\$ 55,777	\$ 113,427	\$ 8,888	\$ 16,758	\$ 55,777	\$ 81,423		

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

PARENTHESIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES - BY PROGRAM
YEAR ENDED JUNE 30, 2010

	Programs						Supporting Services		Total Expenses
	Family Wrap	Morning Program	Teen Parent	Single Parent	Other Program	Total	Management and General	Fund-raising	
Compensation	\$ 23,201	\$ 33,527	\$ 58,332	\$ 51,920	\$ 13,943	\$ 180,923	\$ 22,721	\$ 31,352	\$ 234,996
Payroll taxes	1,019	2,120	3,096	2,611	969	9,815	786	3,312	13,913
Benefit expenses	2,212	703	1,802	1,402	-	6,119	275	701	7,095
Food	-	264	452	1,285	-	2,001	338	25	2,364
Rent	2,876	4,262	4,749	4,668	82	16,637	3,812	326	20,775
Donated rent	900	1,333	1,486	1,461	26	5,206	1,193	101	6,500
Liability insurance	660	954	1,659	1,477	397	5,147	647	891	6,685
Office supplies	-	20	-	-	-	20	3,111	-	3,131
Professional services	825	1,192	2,074	1,846	495	6,432	6,308	1,470	14,210
Client transportation	-	-	4,983	1,866	2	6,851	117	-	6,968
Telephone	1,004	277	742	439	209	2,671	694	695	4,060
Postage and direct mail	-	-	-	-	-	-	643	93	736
Maintenance and lease	440	597	501	501	-	2,039	746	-	2,785
Advertising	-	-	-	-	-	-	463	-	463
Printing	-	-	-	-	-	-	1,121	925	2,046
Staff development	525	-	60	680	-	1,265	-	-	1,265
Miscellaneous	-	15	-	-	25	40	944	369	1,353
Program supplies	68	216	744	388	-	1,416	56	-	1,472
Dues / subscriptions	50	-	50	50	-	150	605	596	1,351
Laundry	-	55	-	-	-	55	39	-	94
Bank and payroll fees	-	-	-	-	-	-	3,811	-	3,811
Speaker fees	-	-	-	-	450	450	-	-	450
Interest expense	-	-	-	-	-	-	84	-	84
Depreciation	554	800	1,392	1,239	333	4,318	542	748	5,608
Subtotal	34,334	46,335	82,122	71,833	16,931	251,555	49,056	41,604	342,215
Special events	-	-	-	-	-	-	-	12,076	12,076
Kitchen Walk	-	-	-	-	-	-	-	10,824	10,824
Dreammakers	-	-	-	-	-	-	-	-	-
Total expenses	\$ 34,334	\$ 46,335	\$ 82,122	\$ 71,833	\$ 16,931	\$ 251,555	\$ 49,056	\$ 64,504	\$ 365,115

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

PARENTHESIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

	Program	Management and General	Fundraising	Totals
Compensation	\$ 163,886	\$ 16,290	\$ 44,348	\$ 224,524
Payroll taxes	12,713	1,291	3,441	17,445
Benefit expenses	6,682	664	1,809	9,155
Food	4,210	449	70	4,729
Rent	15,971	3,361	1,068	20,400
Donated rent	6,000	-	-	6,000
Liability insurance	5,216	1,449	-	6,665
Office supplies	14	1,154	204	1,372
Professional services	5,740	12,567	-	18,307
Client transportation	7,502	-	-	7,502
Telephone	1,261	3,252	-	4,513
Postage and direct mail	112	549	1,794	2,455
Maintenance and lease	2,022	1,260	-	3,282
Advertising	228	1,038	-	1,266
Printing	40	149	502	691
Staff development	654	654	-	1,308
Miscellaneous	1,339	-	-	1,339
Program supplies	2,170	168	287	2,625
Dues / subscriptions	-	997	-	997
Laundry	116	-	-	116
Bank and payroll fees	193	2,168	-	2,361
Interest expense	-	94	-	94
Depreciation	2,216	2,214	-	4,430
Subtotal	<u>238,285</u>	<u>49,768</u>	<u>53,523</u>	<u>341,576</u>
Special events				
Kitchen Walk	-	-	13,595	13,595
DreamMakers	-	-	20,568	20,568
	<u>\$ 238,285</u>	<u>\$ 49,768</u>	<u>\$ 87,686</u>	<u>\$ 375,739</u>

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

PARENTHESIS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 32,004	\$ (39,367)
Adjustments to reconcile to net cash provided by (used in) operating activities -		
Unrealized loss (gain) on investments	(3,587)	3,762
Depreciation	5,608	4,430
(Increase) decrease in operating assets		
Grants and donations receivable	(7,380)	10,902
Prepaid expenses	2,731	167
Increase (decrease) in operating liabilities		
Accounts payable	2,638	1,864
Accrued expenses	(969)	2,798
Net Cash Provided by (Used in) Operating Activities	31,045	(15,444)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(13,420)	-
Net change in investments	8,799	(2,418)
Net Cash Used in Investing Activities	(4,621)	(2,418)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in line of credit, net	(5,000)	5,000
Net Cash (Used in) Provided by Financing Activities	(5,000)	5,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,424	(12,862)
CASH AND CASH EQUIVALENTS -		
Beginning of year	9,730	22,592
End of year	\$ 31,154	\$ 9,730
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest	\$ 84	\$ 94
Income taxes	\$ -	\$ -

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

PARENTHESIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - PARENTHESIS, INC. (the "Organization") was established and incorporated on May 6, 1980. PARENTHESIS, INC. is a non-profit corporation which offers support services and educational opportunities to families with infants, toddlers and pre-school children. The Center is open to all families residing or working in Oak Park or River Forest, as well as families from outside the community who are referred by medical or social service personnel.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - Under generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments - The Organization carries investments in marketable and debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Promises to Give - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Receivables - Unconditional promises to give are recognized as revenue at the time the promise is given. Conditional promises are recorded as temporarily restricted or permanently restricted supporting depending on the nature of any donor restrictions. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants or donations receivable. No allowance was deemed necessary at June 30, 2010 and 2009.

PARENTHESIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization capitalizes all capital additions greater than \$500. Depreciation is computed using primarily the straight-line method over the estimated useful lives of five to ten years, and amounted to \$5,608 and \$4,430 in 2010 and 2009, respectively.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization did not receive any donated assets during the years ended June 30, 2009 and 2010.

Expense Allocation - 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.

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). However, income deemed to be "unrelated business income" would be taxable only to the extent such revenues exceed costs and expenses as fairly allocated. The Parenthesis' Board does not believe that it has taxable income for 2010 or prior years.

Restricted and Unrestricted Revenue and Support - Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donated Services - Certain program services have been reflected in the financial statements as donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs and various committee assignments, which have not been reflected in the financial statements.

PARENTHESIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassifications - Certain reclassifications have been made to the June 30, 2009 financial statements in order to conform with the current presentation.

Subsequent Events - The Organization has evaluated subsequent events through December 14, 2010, and there were no additional items identified that would impact the financial statements for the year ended June 30, 2010.

2. INVESTMENTS

Investments, at fair value, are summarized as follows at June 30:

	<u>2010</u>	<u>2009</u>
Certificate of deposit	\$ -	\$ 10,293
Vanguard Wellesley Income Fund	34,725	30,055
Vanguard Wellington Fund	<u>3,718</u>	<u>3,307</u>
Total	<u>\$ 38,443</u>	<u>\$ 43,655</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 1,528	\$ 2,419
Realized and unrealized gain (loss)	<u>3,587</u>	<u>(3,762)</u>
Total investment gain (loss), net	<u>\$ 5,115</u>	<u>\$ (1,343)</u>

Investment securities are exposed to various risks including interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

These principles also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

PARENTHESIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

2. INVESTMENTS - CONTINUED

A financial Instrument's categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement. Statement 157 establishes three levels of inputs that may be used to measure fair value:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities ; or
- Level 3 - observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following summarizes the classification of Investments by classification and method of valuation:

Assets at Fair Value as of June 30, 2010				
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Vanguard Wellesley Income Fund	\$ 34,725	\$ -	\$ -	\$ 34,725
Vanguard Wellington Fund	3,718	-	-	3,718
	\$ 38,443	\$ -	\$ -	\$ 38,443
Assets at Fair Value as of June 30, 2009				
	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ -	\$ 10,293	\$ -	\$ 10,293
Mutual funds:				
Vanguard Wellesley Income Fund	30,055	-	-	30,055
Vanguard Wellington Fund	3,307	-	-	3,307
	\$ 33,362	\$ 10,293	\$ -	\$ 43,655

The Organization's valuation methodology used to measure the fair values of mutual funds were derived from quoted market prices and all of these instruments are included in Level One because they have active markets. The certificate of deposit is considered Level Two because the valuation is based on other observable inputs and the instrument does not have an active market.

PARENTHESIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

3. GRANTS AND DONATIONS RECEIVABLE

Grants and donations receivable consists primarily of funds billed to governmental agencies, which are due within one year. The Organization believes that the amounts due from governmental agencies are fully collectible and, therefore, no reserve has been recorded at June 30, 2010.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 78,556	\$ 65,137
Accumulated depreciation	<u>(58,255)</u>	<u>(52,648)</u>
	<u>\$ 20,301</u>	<u>\$ 12,489</u>

5. LINE OF CREDIT

During the year ended June 30, 2009, the Organization held a line of credit with a commercial bank for \$10,000, with an interest rate of prime plus one percent, maturing on October 1, 2010. At June 30, 2009, the outstanding balance was \$5,000. During the year ended June 30, 2010, the Organization paid off its original line of credit and entered into a new line of credit agreement for \$15,000 with a new lender. The line matures on June 1, 2011. At June 30, 2010, there was no balance outstanding on the line of credit.

6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2010</u>	<u>2009</u>
For subsequent year's activities -		
Community Chest/United Way	\$ 7,596	\$ 9,433
Literacy grants		
Teen program	4,700	4,970
Parenting on Our Own	<u>2,293</u>	<u>2,355</u>
	<u>\$ 14,589</u>	<u>\$ 16,758</u>

Permanently restricted net assets consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Loan Restricted Endowment Fund	<u>\$ 55,777</u>	<u>\$ 55,777</u>

PARENTHESIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

6. RESTRICTIONS ON NET ASSETS - CONTINUED

Earnings on permanently restricted net assets are available for current operations and are reflected in unrestricted revenues. The gift also provides for loans to current operations when deemed necessary by the Board of Directors. The loans must be repaid within one year unless approved by the Board of Directors. At June 30, 2010 and 2009, approximately \$15,000 has been borrowed from the Fund.

7. OPERATING LEASE

The Organization leases its operating space from the Euclid Avenue United Methodist Church. On June 27, 2007, the Organization agreed to a new three year lease with United Methodist Church. Rent expense under this lease totaled \$20,400 in both 2010 and 2009, respectively. In addition, the estimated fair value of the donated space was approximately \$6,500, and \$6,000 in 2010 and 2009, respectively.

In October 2010, the Organization extended its lease to June 30, 2011 at the rate of \$1,800 per month.

8. CONTINGENCY

The Organization has received significant financial assistance from federal and state agencies. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability.