

Juliette Fowler Homes

Audited Consolidated Financial Statements

December 31, 2010 and 2009

Juliette Fowler Homes
Audited Consolidated Financial Statements
December 31, 2010 and 2009

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Independent Auditor's Report

To the Board of Directors
Juliette Fowler Homes
1234 Abrams Road
Dallas, Texas 75214

We have audited the accompanying Consolidated Statements of Financial Position of Juliette Fowler Homes (a group of four related non-profit organizations), as of December 31, 2010 and 2009, and the related Consolidated Statements of Activities and Cash Flows for the years then ended. These consolidated financial statements are the responsibility of Juliette Fowler Homes' management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Juliette Fowler Homes' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Juliette Fowler Homes, as of December 31, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Albright, Hill & Sumpter, PC
Certified Public Accountants

Albright, Hill & Sumpter

September 13, 2011

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Juliette Fowler Homes
Consolidated Statement of Financial Position
December 31, 2010

	Unrestricted and Designated	Temporarily Restricted	Permanently Restricted	Total
Current Assets				
Cash	\$ 1,308,201	\$ 74,801	\$ 18,323	\$ 1,401,325
Marketable securities	12,552,226	5,035,975	1,233,596	18,821,797
Pledges receivable	237,699	-	-	237,699
Resident accounts receivable, net	757,811	-	-	757,811
Receivable - related party	163,720	-	-	163,720
Prepaid expenses	40,027	-	-	40,027
Total current assets	15,059,684	5,110,776	1,251,919	21,422,379
Property, Plant and Equipment				
Land	1,023,260	-	-	1,023,260
Building and improvements	28,159,981	-	-	28,159,981
Furniture and equipment	1,707,283	-	-	1,707,283
Automobiles	172,436	-	-	172,436
Accumulated depreciation	(9,387,836)	-	-	(9,387,836)
Total property, plant and equipment	21,675,124	-	-	21,675,124
Other Assets				
Beneficial interest in perpetual trusts	2,333,461	-	-	2,333,461
Split-interest agreements	754,347	-	-	754,347
Mineral interest	1,234,712	-	-	1,234,712
Construction in progress	240,715	-	-	240,715
Real estate	36,800	-	-	36,800
Other assets	906,717	-	-	906,717
Total other assets	5,506,752	-	-	5,506,752
Total assets	\$ 42,241,560	\$ 5,110,776	\$ 1,251,919	\$ 48,604,255

The accompanying notes are an integral part of this statement.

Juliette Fowler Homes
Consolidated Statement of Financial Position
December 31, 2010

	Unrestricted and Designated	Temporarily Restricted	Permanently Restricted	Total
Current Liabilities				
Accrued wages	\$ 219,833	\$ -	\$ -	\$ 219,833
Accrued payroll taxes	15,472	-	-	15,472
Accounts payable	466,994	-	-	466,994
Capital lease	31,149	-	-	31,149
Total current liabilities	733,448	-	-	733,448
Other Liabilities				
Capital lease	129,962	-	-	129,962
Resident funds held in trust	122,170	-	-	122,170
Total other liabilities	252,132	-	-	252,132
Total liabilities	985,580	-	-	985,580
Net Assets				
Unrestricted and designated	41,255,980	-	-	41,255,980
Temporarily restricted	-	5,110,776	-	5,110,776
Permanently restricted	-	-	1,251,919	1,251,919
Total net assets	41,255,980	5,110,776	1,251,919	47,618,675
Total liabilities and net assets	\$ 42,241,560	\$ 5,110,776	\$ 1,251,919	\$ 48,604,255

The accompanying notes are an integral part of this statement.

Juliette Fowler Homes
Consolidated Statement of Financial Position
 December 31, 2009
 (Restated)

	Unrestricted and Designated	Temporarily Restricted	Permanently Restricted	Total
Current Assets				
Cash	\$ 535,321	\$ 301,659	\$ 96,398	\$ 933,378
Marketable securities	13,176,967	3,615,992	1,155,521	17,948,480
Pledges receivable	59,071	-	-	59,071
Resident accounts receivable, net	805,119	-	-	805,119
Receivable - related party	252,040	-	-	252,040
Prepaid expenses	51,491	-	-	51,491
Total current assets	14,880,009	3,917,651	1,251,919	20,049,579
Property, Plant and Equipment				
Land	1,023,260	-	-	1,023,260
Building and improvements	24,104,749	-	-	24,104,749
Furniture and equipment	1,220,858	-	-	1,220,858
Automobiles	117,143	-	-	117,143
Accumulated depreciation	(8,602,235)	-	-	(8,602,235)
Total property, plant and equipment	17,863,775	-	-	17,863,775
Other Assets				
Beneficial interest in perpetual trusts	1,943,090	-	-	1,943,090
Split-interest agreements	648,165	-	-	648,165
Mineral interest	1,143,510	-	-	1,143,510
Construction in progress	2,473,601	-	-	2,473,601
Real estate	36,800	-	-	36,800
Other assets	830,497	-	-	830,497
Total other assets	7,075,663	-	-	7,075,663
Total assets	\$ 39,819,447	\$ 3,917,651	\$ 1,251,919	\$ 44,989,017

The accompanying notes are an integral part of this statement.

Juliette Fowler Homes
Consolidated Statement of Financial Position
 December 31, 2009
 (Restated)

	Unrestricted and Designated	Temporarily Restricted	Permanently Restricted	Total
Current Liabilities				
Accrued wages	\$ 188,736	\$ -	\$ -	\$ 188,736
Accrued payroll taxes	14,779	-	-	14,779
Accounts payable	815,002	-	-	815,002
Total current liabilities	<u>1,018,517</u>	<u>-</u>	<u>-</u>	<u>1,018,517</u>
Other Liabilities				
Resident funds held in trust	136,997	-	-	136,997
Total other liabilities	<u>136,997</u>	<u>-</u>	<u>-</u>	<u>136,997</u>
Total liabilities	<u>1,155,514</u>	<u>-</u>	<u>-</u>	<u>1,155,514</u>
Net Assets				
Unrestricted and designated	38,663,933	-	-	38,663,933
Temporarily restricted	-	3,917,651	-	3,917,651
Permanently restricted	-	-	1,251,919	1,251,919
Total net assets	<u>38,663,933</u>	<u>3,917,651</u>	<u>1,251,919</u>	<u>43,833,503</u>
Total liabilities and net assets	<u>\$ 39,819,447</u>	<u>\$ 3,917,651</u>	<u>\$ 1,251,919</u>	<u>\$ 44,989,017</u>

The accompanying notes are an integral part of this statement.

Juliette Fowler Homes
Consolidated Statement of Activities
For the year ended December 31, 2010

	Unrestricted and Designated	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Net patient services and revenue	\$ 9,140,534	\$ -	\$ -	\$ 9,140,534
Individual and foundation donations	616,249	1,480,410	-	2,096,659
Investment income	426,761	50,756	-	477,517
Oil and gas royalties	372,945	11,094	-	384,039
Church contributions	74,185	-	-	74,185
Other revenue	190,640	-	-	190,640
Trust revenue	69,311	-	-	69,311
Loss on property	-	-	-	-
Non-cash donations	-	1,414,832	-	1,414,832
Change in beneficial interest in perpetual trusts and split-interest agreements	496,553	-	-	496,553
Net assets released from restrictions	2,212,377	(2,212,377)	-	-
Total revenue and other support	13,599,555	744,715	-	14,344,270
Expenses				
Program Services				
Aged care services	8,316,834	-	-	8,316,834
Assisted and independent living	1,311,555	-	-	1,311,555
Youth care	16,565	-	-	16,565
Depreciation	314,926	-	-	314,926
Bad debts	243,556	-	-	243,556
Total program services	10,203,436	-	-	10,203,436
Supporting Services				
General and administrative	997,365	-	-	997,365
Depreciation	546,351	-	-	546,351
Fund raising	590,139	-	-	590,139
Total supporting services	2,133,855	-	-	2,133,855
Total expenses	12,337,291	-	-	12,337,291
Change in net assets before investment gains (losses)	1,262,264	744,715	-	2,006,979
Change in value of mineral interest	91,020	-	-	91,020
Investment gains (losses)	1,238,763	448,410	-	1,687,173
Change in net assets	2,592,047	1,193,125	-	3,785,172
Net assets, 12/31/2009	38,663,933	3,917,651	1,251,919	43,833,503
Net assets, 12/31/2010	<u>\$ 41,255,980</u>	<u>\$ 5,110,776</u>	<u>\$ 1,251,919</u>	<u>\$ 47,618,675</u>

The accompanying notes are an integral part of this statement.

Juliette Fowler Homes
Consolidated Statement of Activities
For the year ended December 31, 2009
(Restated)

	Unrestricted and Designated	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Net patient services and revenue	\$ 8,679,515	\$ -	\$ -	\$ 8,679,515
Individual and foundation donations	431,711	-	-	431,711
Interest and dividends	441,967	129,532	-	571,499
Oil and gas royalties	354,336	-	-	354,336
Church contributions	79,099	-	-	79,099
Other revenue	419,147	9,052	-	428,199
Trust revenue	76,776	-	-	76,776
Loss on property	(1,500)	-	-	(1,500)
Non-cash donations	9,593	-	-	9,593
Change in beneficial interest in perpetual trusts and split-interest agreements	505,311	-	-	505,311
Net assets released from restrictions	-	-	-	-
Total revenue and other support	10,995,955	138,584	-	11,134,539
Expenses				
Program Services				
Aged care services	7,710,530	-	-	7,710,530
Assisted and independent living	1,356,011	-	-	1,356,011
Youth care	-	-	-	-
Depreciation	149,620	-	-	149,620
Bad debts	290,001	-	-	290,001
Total program services	9,506,162	-	-	9,506,162
Supporting Services				
General and administrative	1,437,252	-	-	1,437,252
Depreciation	510,421	-	-	510,421
Fund raising	460,368	-	-	460,368
Total supporting services	2,408,041	-	-	2,408,041
Total expenses	11,914,203	-	-	11,914,203
Change in net assets before investment gains (losses)	(918,248)	138,584	-	(779,664)
Change in value of mineral interest	(1,202,418)	-	-	(1,202,418)
Investment gains (losses)	2,473,172	659,386	-	3,132,558
Change in net assets	352,506	797,970	-	1,150,476
Net assets, 12/31/2008 (as restated)	38,311,427	3,119,681	1,251,919	42,683,027
Net assets, 12/31/2009	\$ 38,663,933	\$ 3,917,651	\$ 1,251,919	\$ 43,833,503

The accompanying notes are an integral part of this statement.

Juliette Fowler Homes
Consolidated Statements of Cash Flows
For the years ended December 31, 2010 and 2009

	2010	2009 (Restated)
Cash Flows From Operating Activities		
Change in net assets	\$ 3,785,172	\$ 1,150,476
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	861,277	660,041
Unrealized and realized (gain) on investments	(1,757,786)	(3,132,558)
Change in value of mineral interest	(91,020)	1,202,418
In-kind donation of stock	(1,414,832)	-
Loss on disposal of property, plant and equipment	-	1,500
Reinvested earnings	-	(32,369)
(Increase) in pledges receivable	(178,628)	(45,216)
Decrease (increase) in accounts receivable	135,628	(4,151)
Decrease (increase) in prepaid expenses	11,464	(9,947)
(Increase) in other assets	(572,773)	(650,386)
Decrease in notes receivable	-	54,336
(Decrease) increase in accounts payable	(348,028)	462,370
Increase (decrease) in accrued liabilities	31,810	(528)
(Decrease) in other liabilities	(14,827)	(17,963)
Net cash provided by (used in) operating activities	447,457	(361,977)
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(2,283,890)	(232,875)
Payments on capital lease	(12,389)	-
Payments for construction in progress	-	(2,473,601)
Net sale of investments	2,316,769	3,103,292
Net cash provided by investing activities	20,490	396,816
Net increase in cash	467,947	34,839
Beginning cash	933,378	898,539
Ending cash	\$ 1,401,325	\$ 933,378
Supplemental cash flow information:		
Interest expense	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Supplemental non-cash flow information:		
In-kind donation of stock	\$ 1,414,832	\$ -
Fixed assets financed through a capital lease	\$ 173,500	\$ -

The accompanying notes are an integral part of these statements.

Juliette Fowler Homes
Notes to Consolidated Financial Statements
December 31, 2010 and 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of Juliette Fowler Homes' (JFH) consolidated financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.

A. Nature of Activities

Juliette Fowler Homes (JFH) is one of four (4) related not-for-profit corporations which are consolidated for financial statement reporting purposes in accordance with accounting principles generally accepted in the United States of America. Effective January 1, 2003, JFH reorganized into Juliette Fowler Homes, Inc. (OPERATING), Juliette Fowler Properties, Inc. (PROPERTIES), Juliette Fowler Realty, Inc. (REALTY) and Juliette Fowler Foundation (FOUNDATION). The entities are consolidated for financial statement purposes in accordance with generally accepted accounting principles. OPERATING is the primary beneficiary of the related companies. The consolidated Juliette Fowler Homes entities are related institutions of the Christian Church (Disciples of Christ) in the United States and Canada, and are so listed in its yearbook under the heading Christian Church (Disciples of Christ) in the Southwest. OPERATING and FOUNDATION are 501(c)(3)'s and PROPERTIES and REALTY are 501(c)(2)'s. All income of each corporation is dedicated to the OPERATING entity, Juliette Fowler Homes, Inc.

B. Juliette Fowler Homes, Inc. (OPERATING)

Juliette Fowler Homes, Inc. (OPERATING) is an operating not-for-profit corporation with approximately 200 employees working on the sixteen-acre campus in Dallas, Texas. OPERATING provides residential care as a 116 bed skilled and intermediate care nursing facility, a 32-unit senior living facility and a 32-unit assisted living facility. Until February 2009, services included a 26-bed treatment facility for adolescents. In 2010 and 2009, OPERATING explored options for other services for youths and families to replace the adolescent program. New programming began in 2011.

C. Juliette Fowler Properties, Inc. (PROPERTIES)

Juliette Fowler Properties, Inc. (PROPERTIES) is a not-for-profit corporation that holds all buildings and real estate on the sixteen-acre campus. PROPERTIES collects rent from OPERATING. The rent collected during 2010 and 2009 was \$584,520 and has been eliminated from the consolidated financial statements.

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D. Juliette Fowler Realty, Inc. (REALTY)

Juliette Fowler Realty, Inc. (REALTY) is a not-for-profit corporation that manages real property that is not on the sixteen-acre campus.

E. Juliette Fowler Foundation (FOUNDATION)

Juliette Fowler Foundation (FOUNDATION) is a not-for-profit corporation that manages the mineral and royalty interests. This corporation also handles the investment assets, including stocks and bonds, and makes distributions in the form of grants to OPERATING, PROPERTIES and REALTY for operating needs. During the year, FOUNDATION issued grants and other distributions to OPERATING, PROPERTIES and REALTY. These amounts were eliminated through transfers, in and (out), from the consolidated financial statements.

Financial Statement Presentation

These entities (JFH) are consolidated for financial statement purposes. JFH has adopted Financial Accounting Standards Board (FASB) ASC 958, "*Financial Statements of Not-for-Profit Entities*." Under ASC 958, JFH 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. In addition, JFH is required to present a Statement of Cash Flows. As permitted by this statement, JFH has classified its consolidated financial statements to present the three classes of net assets required. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – those funds available for support of JFH and its programs. JFH receives unrestricted donations which may be internally designated for specific purposes by the Board of Directors. These Board designated funds are classified as unrestricted net assets because the Board may revise its designations.

Temporarily restricted net assets – those funds limited by the donor(s) for later periods or specific purposes. Temporarily restricted net assets are donations and grants received from individuals, foundations, churches and private groups, which are restricted by the donor(s) for specific expenditures. Donations and grants restricted by donor(s) are to be used for the aged or youth, educational activities for youth, staff training, improvements to the physical plant and grounds and other donor-specified purposes.

Permanently restricted net assets – those funds limited by the donor(s) for permanent investment of principal and use of income. Permanently restricted net assets are (a) funds held in trust for residents and (b) donations received from individuals, foundations, churches and private groups. The principal and

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earnings on the resident trust funds may not be expended by JFH. The principal amount of donations classified as permanently restricted may not be expended. Earnings from permanently restricted donations may themselves be permanently restricted, temporarily restricted, or unrestricted based upon the donors' stipulated conditions. Earnings classified as temporarily restricted or unrestricted are available for use by JFH.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Income Taxes

The consolidated entities (JFH) are not-for-profit corporations as described in Section 501(c)(3) or 501(c)(2) of the Internal Revenue Code and are exempt from federal income taxes under the IRS group ruling #1125 issued to the General Assembly of the Christian Church in July 1951.

Resident Service Revenue

Resident service revenue is reported at the net realizable amounts from residents, third party payers and others for services rendered.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted donations that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions.

Investments and Investment Income

Donated investments are reported at estimated fair value at the date of receipt. Funds are classified as permanently restricted, temporarily restricted, or unrestricted in accordance with the wishes of the donor. The general policy of Juliette Fowler Foundation, Inc. is to preserve the corpus of permanently restricted funds. Investment income (expenses) and investment gains (losses) are added to (subtracted from) all funds unless otherwise instructed by the donor. In the event that such allocations would reduce the balance of any permanently restricted fund below the corpus, such allocation would instead be applied to unrestricted funds. Three investment firms manage all significant investments.

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Notes to Consolidated Financial Statements
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Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the respective assets.

Estimated useful lives used in computing depreciation for consolidated financial statement purposes are as follows:

	<u>Useful Lives</u>
Buildings and improvements	5-40 years
Automobiles	4-5 years
Furniture and equipment	3-20 years

Repairs and maintenance are charged to expense as incurred. It is JFH's policy to capitalize property and equipment over \$5,000 for children, youth and family services and \$2,500 for all others. Additionally, building improvements over \$5,000 are capitalized. Lesser amounts are expensed.

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or estimated fair value, less costs to sell.

Accounting Estimates and Assumptions

The process and preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates and assumptions primarily relate to valuation, unsettled transactions, funding continuity and events as of the date of the consolidated financial statements. Accordingly, actual results could differ from these estimates and assumptions. Significant estimates and assumptions are valuation of accounts/pledges receivable, investments and mineral interest, lives used to depreciate fixed assets, estimates of accrued expenses and allocation of functional expenses. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Allowance for Bad Debts

The allowance method is used in accounting for bad debts. Management periodically reviews accounts receivable on an account-by-account basis concentrating on accounts more than ninety (90) days old. Management considers JFH's past history with the

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Notes to Consolidated Financial Statements
December 31, 2010 and 2009

resident or debtor, current contact information and the size of the account. Accounts are written off when it appears collection efforts will not be successful.

Beneficial Interest in Perpetual Trusts and Split-Interest Agreements

JFH has received as contributions various types of split-interest agreements, for which JFH is not the Trustee of the assets. In addition, JFH has received as contributions beneficial interests in various perpetual trusts in which JFH is not the Trustee of the assets.

Under the arrangements for which JFH is not the Trustee of the assets, JFH records receivables and contribution revenue at the present value of the estimated future distributions expected to be received over the expected term of the agreement. However, if an unrelated third party has variance power to redirect the benefits to another organization or if JFH's rights to the benefits are conditional, JFH does not recognize its potential for future distributions from the asset held by the Trustee.

Under perpetual trusts held by a third party arrangement, JFH records contribution revenue and assets when notified of the trusts existence. The fair value of the contribution is measured at the present value of the estimated future cash receipts from the trust's assets, and that value may generally be measured by the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the assets contributed to the trust differs from the present value of the expected future cash flows. Distributions from the trust are reported as investment income that increases the appropriate net asset class. Adjustments to the amount reported as an asset, based on periodic review, are recognized as unrealized gains or losses on beneficial interest in perpetual trusts in the permanently restricted net assets class.

The discount rates and actuarial assumptions used in calculating present values have been based on Internal Revenue Service guidelines and actuarial tables. Pursuant to FASB ASC 958, "*Financial Statements of Not-for-Profit Entities*," split-interest agreements held by others, net of expected cash flows, are revalued to fair value at each year end using a current risk-free rate of return. For 2010 and 2009, the discount rates utilized were 1.65% and 2.02%.

Mineral Interests

Mineral interests are carried at estimated fair value based on 36 months of undiscounted income based on the most recent 12 month income history. Unrealized gains and losses are calculated at the estimated current fair value at the end of the year less estimated current fair value at the beginning of the year. Investment income consists of mineral interest royalties net of related expenses.

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Consolidated Statements of Cash Flows

The Consolidated Statements of Cash Flows is presented using the indirect method. For the purpose of these statements, JFH considers all highly liquid investments with original maturities of three months or less as cash on hand.

Inter-Company Elimination Entries

OPERATING paid lease payments to PROPERTIES for the use of the building and equipment owned by PROPERTIES. The related lease income and lease expense have been eliminated and the depreciation for the building and equipment has been included in the Consolidated Statement of Activities.

NOTE 2 - PENSION PLAN

JFH has a defined benefit pension plan (the Plan), which is administered through the Pension Fund of the Christian Church. The pension fund is a church plan as defined in IRS Code 414(e) and in Title 1 of the Employee Retirement Income Security Act of 1974, as amended. The Plan has not elected to be subject to ERISA. By virtue of the Plan's inclusion in the group exemption ruling of the General Assembly of the Christian Church (Disciples of Christ), the pension fund is exempt from federal income taxes under IRS Code 501(c)(3).

The pension fund is ordinarily thought of as the insuring instrumentality of the Christian Church (Disciples of Christ), providing contractual pensions and other benefits upon a fully funded and actuarially sound basis. It also serves as the church's unit extending ministerial relief and assistance in times of need for those without contractual benefits or for whom such benefits are low because of low salaries or lack of church support during previous days of active ministry. The pension fund also serves as the Board of Ministerial Relief and Assistance for the Christian Church (Disciples of Christ). The pension fund administers the church wide retirement program on behalf of the Christian Church (Disciples of Christ).

Full-time employees under the age of sixty-five (65) may enroll in the pension plan after twelve (12) months of employment. The Plan provides for retirement benefits generally at age 65 based upon such accrued pension credits and includes provisions for early retirement, disability and death benefits. Certain members of the Plan are fully vested immediately while others vest after two years of participation. The cost of this pension plan is 14% of the employee's annual salary. Employees choosing to participate contribute 3% of their annual salary through payroll deductions. JFH contributes 11% of the employee's salary for those employees who participate. JFH pays the entire cost of the pension plan for corporate officers.

For the years ended December 31, 2010 and 2009, JFH's contributions to the Plan totaled \$181,039 and \$150,294, respectively. The pension plan is fully funded.

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Notes to Consolidated Financial Statements
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NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment as of December 31, 2010 is as follows:

	December 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 1,023,260	\$ -	\$ 1,023,260
Building and improvements	28,159,981	(8,382,733)	19,777,248
Furniture and equipment	1,707,283	(883,966)	823,317
Automobiles	172,436	(121,137)	51,299
Total	\$ 31,062,960	\$ (9,387,836)	\$ 21,675,124

A summary of property, plant and equipment as of December 31, 2009 is as follows:

	December 31, 2009		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 1,023,260	\$ -	\$ 1,023,260
Building and improvements	24,104,749	(7,590,667)	16,514,082
Furniture and equipment	1,220,858	(905,669)	315,189
Automobiles	117,143	(105,899)	11,244
Total	\$ 26,466,010	\$ (8,602,235)	\$ 17,863,775

Depreciation expense for 2010 and 2009 was \$861,277 and \$660,041, respectively.

NOTE 4 - INVESTMENTS

As stated in FASB ASC 958, not-for-profit organizations are required to report certain investments, such as marketable securities, at estimated fair value. Investments held by JFH are as follows:

	2010	2009
Cash and cash equivalents	\$ -	\$ 1,266,846
Bonds	4,346,282	4,379,599
Stocks	13,549,597	11,177,637
Other equity	704,237	486,829
Growth fund	221,681	637,569
Total investments	\$ 18,821,797	\$ 17,948,480

Investment expense in 2010 and 2009 was \$152,040 and \$105,430, respectively.

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FASB ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that JFH has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets 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.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds: Valued at the net asset value (NAV) per unit at year end.

Equity Securities: Quoted market prices.

Debt Securities: Valued using quoted prices for investments with similar yields and bond ratings.

Mutual Funds: Quoted market prices.

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The methods described above may produce fair value estimates that may not be indicative of net realized value or reflective of future fair values. Furthermore, although JFH 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.

The following table sets forth by level, within the fair value hierarchy, JFH's investments at estimated fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Bonds	\$ -	\$ 4,346,282	\$ -	\$ 4,346,282
Stocks	13,549,597	-	-	13,549,597
Other equities	-	704,237	-	704,237
Growth fund	221,681	-	-	221,681
	<u>\$ 13,771,278</u>	<u>\$ 5,050,519</u>	<u>\$ -</u>	<u>\$ 18,821,797</u>

NOTE 5 - RESIDENT ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of December 31, 2010 and 2009:

	2010	2009
Resident accounts receivable	\$ 1,008,933	\$ 1,040,119
Less: allowance for bad debts	(251,122)	(235,000)
Resident accounts receivable, net	<u>\$ 757,811</u>	<u>\$ 805,119</u>

NOTE 6 - PLEDGES RECEIVABLE

Pledges receivable were as follows as of December 31, 2010 and 2009:

	2010	2009
Building fund	\$ 154,009	\$ 52,036
Operating	83,690	7,035
Pledges receivable	<u>\$ 237,699</u>	<u>\$ 59,071</u>

NOTE 7 - THIRD PARTY PAYERS

For the years ended December 31, 2010 and 2009, JFH had net revenue from governmental programs approximating \$4,900,000 and \$4,860,000, respectively.

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NOTE 8 - RELATED PARTY TRANSACTIONS

JFH provides various services to and receives funds from related parties, Fowler Christian Apartments, Inc. (FCA) and Fowler Christian Apartments II, Inc. (FCA II). For the years ended December 31, 2010 and 2009, JFH received from FCA \$143,544 and \$139,744 for management fees, \$110,276 and \$81,600 for security services, \$7,200 for trash removal, \$193,844 and \$191,979 for meals provided for residents and staff, and \$100,954 and \$371,746 for reimbursement of jointly purchased goods and services. For the years ended December 31, 2010 and 2009, JFH received from FCA II \$10,637 and \$9,878 for management fees, \$6,418 and \$5,308 for security services, \$1,200 for trash removal, \$3,558 and \$5,447 for meals provided for residents and staff, and \$2,261 and \$4,167 for reimbursement of jointly purchased goods and services. At December 31, 2010, JFH had accounts receivable from FCA and FCA II of \$398,720 less an allowance for collectibility of \$235,000. As of December 31, 2009, net accounts receivable from FCA and FCA II was \$252,040.

NOTE 9 - SELF-INSURED MALPRACTICE INSURANCE

JFH self-insures for malpractice insurance with a captive insurance company in South Carolina, the non-profit LTC Communities of Faith Alliance Risk Retention Group, Inc. (CFRRG). CFRRG is owned by eleven (11) Texas nursing homes and JFH has an investment in the captive insurance company with ownership equity of \$75,000. JFH adjusts its investment based on the value of the net income allocation account and the paid in capital account provided by the insurance company. The total investment reported as other assets was \$906,115 and \$830,254 at December 31, 2010 and 2009, respectively.

NOTE 10 - CAPITAL LEASE

During 2010, JFH entered into a capital lease for a Pharmacy machine. This lease expires in July 2015. JFH has an option to purchase the machine at the end of the lease for \$1. Future remaining payments pursuant to this capital lease are as follows:

Total Lease Payments Fiscal Year Ending	Amount
2011	\$ 40,800
2012	40,800
2013	40,800
2014	40,800
2015	<u>23,800</u>
Total gross amount	187,000
Amount representing interest	<u>(25,889)</u>
Total	<u><u>\$ 161,111</u></u>

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NOTE 11 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, JFH becomes subject to various claims, litigation and lawsuits. At December 31, 2010, JFH is defending its position on any such claims or believes such claims, litigation or lawsuits are without merit or the amounts are recoverable. As of December 31, 2010, JFH estimates its exposure on such claims to be less than \$20,000.

JFH operates entirely within the Dallas, Texas metropolitan area. Therefore, results of operations and collectibility of receivables are subject to the economic conditions of the area.

JFH maintains balances in financial institutions in excess of federally insured amounts. At December 31, 2010 and 2009, the uninsured balances were approximately \$0 and \$66,000.

Juliette Fowler Homes, Inc. leases its building from Juliette Fowler Properties, Inc. with a lease that expires November 1, 2042. In addition, Juliette Fowler Homes, Inc. utilizes capital leases for copiers currently used in the office. Intercompany leases have been eliminated. At December 31, 2010, total remaining lease commitments were as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2011	<u>\$ 5,341</u>

During 2009, JFH entered into a construction contract for remodeling of the Pearl Norden Care Center.

The status of this contract as of December 31, 2010 was as follows:

Total contract	\$ 2,965,229
Costs incurred through December 31, 2009	(1,762,703)
Costs incurred in 2010	<u>(1,202,526)</u>
Remaining commitment	<u>\$ -</u>

NOTE 12 - ENDOWMENT FUNDS

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds the Board has designated for specific use, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of JFH has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit

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donor stipulations to the contrary. As a result of this interpretation, JFH classifies as permanently restricted net assets:

1. The original value of the gift, if known. If the original value cannot be determined, the value in the books and records as of January 1, 2008 is used; and
2. The original value of subsequent gifts to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by JFH in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, JFH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of JFH and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of JFH; and
7. The investment policies of JFH.

JFH has adopted investment and spending policies for endowment assets the objective of which is to preserve and enhance the purchasing power of assets held for the benefit of JFH while providing a stream of income to provide necessary financial support for those companies as needed.

In order to achieve this objective, JFH selects one or more investment advisors and instructs those advisors as to the proper allocation of the assets under their individual management.

In general, assets are allocated among stocks, exchange traded funds, bonds and cash or cash equivalents.

JFH has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, JFH considered the long-term expected return on its endowment. This is consistent with JFH's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

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Endowment net asset compositions by type of fund as of December 31, 2010 were as follows:

Permanently Restricted	Temporarily Restricted	Board Designated Funds Functioning as Endowments (Unrestricted)	Total
\$ 1,251,919	\$ 5,110,776	\$ 11,733,856	\$ 18,096,551

	Permanently Restricted	Temporarily Restricted	Board Designated Funds Functioning as Endowments (Unrestricted)	Total
Balance as of January 1, 2010	\$ 1,251,919	\$ 3,917,651	\$ 12,970,199	\$ 18,139,769
Contributions	-	2,895,243	-	2,895,243
Interest and dividends (net)	-	50,757	160,697	211,454
Realized and unrealized gain	-	448,407	703,129	1,151,536
Oil and gas revenue	-	11,094	-	11,094
Released from restrictions	-	(2,212,376)	(2,100,169)	(4,312,545)
Balance as of December 31, 2010	\$ 1,251,919	\$ 5,110,776	\$ 11,733,856	\$ 18,096,551

NOTE 13 - DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

JFH files an information return in U.S. federal jurisdiction. With few exceptions, JFH is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2007.

JFH has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. There were no unrecognized tax benefits as of December 31, 2010 and 2009.

JFH recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. There were no such interest and penalties for 2010 and 2009.

NOTE 14 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to December 31, 2010 through the issue date of the consolidated financial statements, September 13, 2011. Based on this review, no events have occurred requiring disclosure.

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NOTE 15 - RESTATEMENT

During 2010, it was discovered that JFH was the beneficiary of various split-interest agreements and perpetual trusts. Such split-interest agreements and perpetual trusts were established prior to 2009. In addition, the value of mineral interests had not previously been recorded. Accumulated depreciation was also restated. Therefore, the consolidated financial statements for the year ended December 31, 2009 have been restated as follows:

	As Previously Stated	Effect of Restatement	As Restated
Net assets January 1, 2009	\$ 38,251,155	\$ 4,431,872	\$ 42,683,027
Change in net assets	1,815,652	(665,176)	1,150,476
Net assets December 31, 2009	<u>\$ 40,066,807</u>	<u>\$ 3,766,696</u>	<u>\$ 43,833,503</u>

NOTE 16 - FAIR VALUE MEASUREMENTS

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2010, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,060,083	\$ -	\$ -
Money market funds	-	341,242	-
Bonds	-	4,346,282	-
Stocks	13,549,597	-	-
Other equities	-	704,238	-
Growth funds	221,680	-	-
Beneficial interest in perpetual trusts and split-interest agreements	-	-	3,087,808
Mineral interests	-	-	1,234,712
	<u>\$ 14,831,360</u>	<u>\$ 5,391,762</u>	<u>\$ 4,322,520</u>

The following table sets forth the activity in JFH's Level 3 assets for the years ended December 31, 2010 and 2009:

	2010	2009
Beginning balance	\$ 3,734,765	\$ 4,431,872
Change in value of beneficial interests	496,735	505,311
Change in value of mineral interests	91,020	(1,202,418)
Ending balance	<u>\$ 4,322,520</u>	<u>\$ 3,734,765</u>

The fair value of accounts/pledges receivable and accounts payable approximates book value due to the short term nature of these accounts.