

GILLIS CENTER, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

GILLIS CENTER, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Gillis Center, Inc.
Kansas City, Missouri

We have audited the accompanying statements of financial position of Gillis Center, Inc. (a nonprofit corporation) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organizations' 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 Gillis Center, Inc. as of December 31, 2008 and 2007, 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.

Dana F. Cole + Company, LLP

Overland Park, Kansas
July 2, 2009

GILLIS CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	1,065,089	778,361
Accounts receivable, less allowance for losses of \$41,000 at December 31, 2008 and \$40,770 at December 31, 2007	760,517	902,892
Grants receivable		4,982
Other receivables	7,291	
Investments	1,561,579	1,551,668
Property and equipment, less accumulated depreciation	530,932	329,741
Due from related organizations	1,185	57,908
Other assets	<u>81,061</u>	<u>42,133</u>
 TOTAL ASSETS	 <u>4,007,654</u>	 <u>3,667,685</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to related organizations		32,913
Accounts payable and accrued expenses	<u>1,149,286</u>	<u>841,069</u>
Total liabilities	<u>1,149,286</u>	<u>873,982</u>
 NET ASSETS		
Unrestricted	2,264,812	2,258,564
Unrestricted - board designated	<u>176,700</u>	<u>176,700</u>
Total unrestricted net assets	<u>2,441,512</u>	<u>2,435,264</u>
 Temporarily restricted	 391,856	 333,439
Permanently restricted	<u>25,000</u>	<u>25,000</u>
 Total net assets	 <u>2,858,368</u>	 <u>2,793,703</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>4,007,654</u>	 <u>3,667,685</u>

See accompanying notes to financial statements.

GILLIS CENTER, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT								
Program fees								
Government agencies	4,972,088			4,972,088	5,441,036			5,441,036
Other program fees	1,360,471			1,360,471	831,245			831,245
Total program fees	<u>6,332,559</u>			<u>6,332,559</u>	<u>6,272,281</u>			<u>6,272,281</u>
Other support and revenue								
Grants from governmental agencies					10,498			10,498
Contributions and bequests	675,329	396,647		1,071,976	289,516	273,303		562,819
United Way	174,844			174,844	167,685			167,685
Special events	292,795			292,795	251,863	29,471		281,334
Less direct costs	(63,090)			(63,090)	(64,274)			(64,274)
Investment income (loss)	(439,284)			(439,284)	121,518	729		122,247
Miscellaneous	13,174			13,174	30,030	863		30,893
Total other support and revenue	<u>653,768</u>	<u>396,647</u>		<u>1,050,415</u>	<u>806,836</u>	<u>304,366</u>		<u>1,111,202</u>
Net assets released from restrictions	338,230	(338,230)			184,572	(184,572)		
Satisfaction of program restrictions	7,324,557	58,417		7,382,974	7,263,689	119,794		7,383,483
Total revenue and other support								
	<u>6,672,652</u>			<u>6,672,652</u>	<u>6,116,557</u>			<u>6,116,557</u>
EXPENSES								
Program services								
Supporting services								
Administrative	392,355			392,355	320,561			320,561
Development	253,302			253,302	274,854			274,854
Total supporting services	<u>645,657</u>			<u>645,657</u>	<u>595,415</u>			<u>595,415</u>
Total expenses	<u>7,318,309</u>			<u>7,318,309</u>	<u>6,711,972</u>			<u>6,711,972</u>
CHANGE IN NET ASSETS BEFORE EFFECT OF ADOPTION OF FASB STATEMENT NO. 158	6,248	58,417		64,665	551,717	119,794		671,511
EFFECT OF ADOPTION OF RECOGNITION AND MEASUREMENT PROVISIONS OF FASB STATEMENT NO. 158					(279,500)			(279,500)
CHANGE IN NET ASSETS	6,248	58,417		64,665	272,217	119,794		392,011
NET ASSETS, beginning of year	2,435,264	333,439	25,000	2,793,703	2,163,047	213,645	25,000	2,401,692
NET ASSETS, end of year	<u>2,441,512</u>	<u>391,856</u>	<u>25,000</u>	<u>2,858,368</u>	<u>2,435,264</u>	<u>333,439</u>	<u>25,000</u>	<u>2,793,703</u>

See accompanying notes to financial statements.

GILLIS CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008				2007			
	Supporting Services		Total		Supporting Services		Total	
	Program Services	Administrative	Development	Total Expenses	Program Services	Administrative	Development	Total Expenses
SALARIES AND RELATED EXPENSES								
Salaries	3,995,163	4,171	175,618	4,174,952	3,905,598	3,681	164,436	4,073,715
Employee benefits	410,983	754	11,307	423,044	338,542	429	14,620	353,591
Retirement	306,772	213	8,682	315,667	74,897	335	14,704	89,936
Payroll taxes	293,250	298	12,997	306,545	280,915	272	12,028	293,215
Other	63,218	1	1,863	65,082	51,519	13	2,335	53,867
Total salaries and related expenses	5,069,386	5,437	210,467	5,285,290	4,651,471	4,730	208,123	4,864,324
OTHER EXPENSES								
Professional fees	585,918	342,723	1,768	930,409	484,805	270,143	4,615	759,563
Food service	164,008	39	24	164,071	148,609	44	27	148,680
Supplies	107,680	799	3,188	111,667	88,950	754	6,341	96,045
Postage and printing	5,940		5,134	11,074	7,749	17	1,880	9,646
Telephone	25,092	169	445	25,706	23,757	157	396	24,310
Occupancy	209,040	8,289	5,028	222,357	235,516	11,906	7,614	255,036
Equipment rental and maintenance	69,936	247	678	70,861	71,807	88	152	72,047
Marketing	182,441	1,153	81,387	81,387	173,572	1,082	101,744	101,744
Local transportation	3,957		2,745	3,898	186,339		1,878	2,960
Conferences and meetings	86,177		857	4,814	4,685		737	5,422
Assistance to individuals				86,177	74,891			74,891
Interest expense					1,578			1,578
Dues and subscriptions	11,145		1,100	12,245	10,552		1,204	11,756
Bank charges	12,411	123	893	13,427	13,369		1,577	14,946
Bad debt	27,951			27,951	25,253			25,253
Professional liability insurance	34,390	30,267	775	31,042	31,256	28,872	821	29,693
Loss on disposal	1,042			1,042				
Miscellaneous	1,229		25	1,254	7,045		114	7,159
Total other expenses	1,528,357	383,809	104,047	2,016,213	1,403,394	313,063	129,100	1,845,557
TOTAL EXPENSES BEFORE DEPRECIATION	6,597,743	389,246	314,514	7,301,503	6,054,865	317,793	337,223	6,709,881
Depreciation	74,909	3,109	1,878	79,896	61,692	2,768	1,905	66,365
TOTAL GROSS EXPENSES	6,672,652	392,355	316,392	7,381,399	6,116,557	320,561	339,128	6,776,246
Less: Direct costs of special events			(63,090)	(63,090)			(64,274)	(64,274)
TOTAL NET EXPENSES	6,672,652	392,355	253,302	7,318,309	6,116,557	320,561	274,854	595,415

See accompanying notes to financial statements.

GILLIS CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>64,665</u>	<u>392,011</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,896	66,365
Realized (gain) loss on sale of investments	90,200	(57,864)
Unrealized (gain) loss on investments	402,968	41,527
Loss on disposal	1,042	
(Increase) decrease in operating assets:		
Accounts receivable	142,375	(228,602)
Grants receivable	4,982	
Other receivables	(7,291)	
Other assets	(38,928)	27,996
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	<u>308,217</u>	<u>506,507</u>
Total adjustments	<u>983,461</u>	<u>355,929</u>
Net cash provided by operating activities	<u>1,048,126</u>	<u>747,940</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in due from related agency	56,723	78,148
Investment in property and equipment	(282,129)	(110,155)
Purchase of investments	(1,517,577)	(843,995)
Proceeds from the sale of investments	<u>1,014,498</u>	<u>732,194</u>
Net cash used in investing activities	<u>(728,485)</u>	<u>(143,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in due to related agency	<u>(32,913)</u>	<u>(264,979)</u>
Net cash used in financing activities	<u>(32,913)</u>	<u>(264,979)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	286,728	339,153
CASH AND CASH EQUIVALENTS, beginning of year	<u>778,361</u>	<u>439,208</u>
CASH AND CASH EQUIVALENTS, end of year	<u>1,065,089</u>	<u>778,361</u>

See accompanying notes to financial statements.

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Gillis Center, Inc., located in Kansas City, Missouri, provides residential programs to boys ages 5 to 18, day treatment programs to boys and girls ages 5 to 18, and community based therapeutic programs to families throughout the metropolitan area. The Organization is supported primarily through donor contributions, grants, the United Way and government agencies. Approximately 67% and 74% of Gillis Center, Inc.'s support for the years ended December 31, 2008 and 2007 came from government agencies.

Gillis Charities, Inc. was formed to conduct and support activities for the benefit of Gillis Center, Inc. Gillis Charities did not engage in any activities in 2006 and transferred all remaining assets to Gillis Center, Inc. during 2006. Gillis Charities, Inc. was formally dissolved and terminated its corporate existence in February 2007.

Gillis Center, Inc. is an affiliate of Cornerstones of Care (Cornerstones). Cornerstones is the sole member of Gillis Center, Inc. and has the authority to approve or disapprove the nominees to the Board of Directors of Gillis. Cornerstones provides leadership for not-for-profit organizations that specialize in children's treatment services for the Kansas City community.

The Gillis Center Endowment is an endowment fund created by a Trust Agreement dated May 15, 1985, among the Women's Christian Association (WCA) and certain individuals, as the original trustees of the Trust. On November 2, 2004 it was approved to amend the Trust Agreement, eliminating any rights, obligations or responsibilities of WCA under the Trust and to substitute Gillis Center, Inc. with respect to all rights and privileges. The purpose of the Trust, both before and after the amendment, is to provide funds for the capital needs and operations of Gillis Center, Inc. The Gillis Center Endowment holds substantially all of the investment funds of Gillis Center, Inc.

Basis of Accounting

The policy of the Organization is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when earned, and expenses and purchases are recognized when the obligation is incurred.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories utilized by the Organization follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws. Designated net assets represent monies designated by the Board of Directors for a quasi-endowment. Transfers from designated net assets require a 2/3 vote of the Board.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor.

Contributions

The Organization utilizes Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made," SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with their operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Included in contributions is \$- 0 - and \$9,650 for the years ended December 31, 2008 and 2007, for equipment and supplies that were donated to the Organization. This amount has also been included in fixed assets and expenses.

Bequests to the Organizations from trusts and estates are recorded as income in the year the assets are ultimately received due to the uncertainty of the actual amounts to be received at the time the bequests are made.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Investments

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." SFAS No. 124 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Accounts Receivable

The Organization uses the allowance method to account for uncollectible accounts receivable.

Reclassification

Certain amounts in the 2007 financial statements have been reclassified to the 2008 presentation.

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, if purchased or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives as follows:

<u>Fixed Assets</u>	<u>Useful Lives</u>
Furniture and equipment	5 years
Automobiles	5 years
Leasehold improvements	10 years

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization has elected to defer the provisions of FIN 48, "Accounting for Income Taxes", under the provisions of FSP FIN 48-3. The Organization uses a FAS 5, "Loss Contingencies", approach for evaluating uncertain tax positions. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Use of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Income

Investment income is accounted for as unrestricted support.

Functional Allocation of Expenses

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

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2008 and 2007 was \$13,827 and \$34,362.

Compensated Absences

Employees of the Organizations are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. Accordingly, a liability of accrued compensated absences has been recorded.

NOTE 2. FAIR VALUE MEASUREMENTS

During 2008, the Organization adopted Statement No. 157, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. Statement No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended December 31, 2008, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2008 at fair value on a recurring basis.

	2008			
	Total	Level 1	Level 2	Level 3
Investments				
Equity managed funds	781,524	781,524		
Bond Managed Fund	310,415	310,415		
Preferred stock	38,518	38,518		
Common stocks	14,308	14,308		
Corporate bonds	254,699	254,699		
United States Treasury notes	<u>162,115</u>	<u>162,115</u>	_____	_____
Total	<u>1,561,579</u>	<u>1,561,579</u>	=====	=====

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

The carrying amounts, market value, unrealized gains and unrealized losses of the Level 1 marketable securities at December 31, 2008 are disclosed in Note 3.

NOTE 3. INVESTMENTS

Investments consist of the following:

	<u>2008</u>		
	<u>Cost</u>	Unrealized Appreciation (Depreciation)	Fair Value
Equity managed funds	1,141,987	(360,463)	781,524
Bond Managed Fund	285,898	24,517	310,415
Preferred stock	55,661	(17,143)	38,518
Common stocks	15,556	(1,248)	14,308
Corporate bonds	252,951	1,748	254,699
United States Treasury notes	<u>151,225</u>	<u>10,890</u>	<u>162,115</u>
Total investments at fair market value	<u>1,903,278</u>	<u>(341,699)</u>	<u>1,561,579</u>
	<u>2007</u>		
	<u>Cost</u>	Unrealized Appreciation (Depreciation)	Fair Value
Equity managed funds	550,074	(9,562)	540,512
Mutual funds - fixed	50,000	(128)	49,872
Preferred stock	55,661	(9,951)	45,710
Common stocks	454,235	75,080	529,315
Corporate bonds	178,523	135	178,658
United States Treasury notes	<u>201,906</u>	<u>5,695</u>	<u>207,601</u>
Total investments at fair market value	<u>1,490,399</u>	<u>61,269</u>	<u>1,551,668</u>

Investment income for the years ended December 31, 2008 and 2007 is comprised of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	53,884	105,910
Net realized gains (losses)	(90,200)	57,864
Net unrealized gains (losses)	<u>(402,968)</u>	<u>(41,527)</u>
Total investment income	<u>(439,284)</u>	<u>122,247</u>

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

	<u>2008</u>	<u>2007</u>
Furniture and equipment	1,366,407	1,341,624
Automobiles	84,325	86,475
Leasehold improvements	<u>485,665</u>	<u>297,269</u>
	1,936,397	1,725,368
Accumulated depreciation	<u>1,405,465</u>	<u>1,395,627</u>
Net property and equipment	<u>530,932</u>	<u>329,741</u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$79,896 and \$66,365, respectively.

NOTE 5. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets for December 31, 2008 and 2007 were:

	<u>2008</u>	<u>2007</u>
Program services	<u>391,856</u>	<u>333,439</u>

Permanently restricted net assets are permanent endowments restricted by donors in the amount of \$25,000. The income from this endowment is to be used for program services.

NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. For the years ended December 31, 2008 and 2007, net assets were released by satisfying the donors' restrictions as follows:

	<u>2008</u>	<u>2007</u>
Program services	<u>338,230</u>	<u>184,572</u>

NOTE 7. RETIREMENT PLANS

Gillis Center, Inc. previously participated in a defined benefit plan sponsored by the Women's Christian Association (WCA). Gillis Center, Inc. is responsible for approximately 71% (76% in 2007) of the plan obligations and 29% (24% in 2007) for WCA, based upon the mix of Gillis and WCA employees remaining under the plan from time to time. The plan was frozen in 1996 when Gillis Center, Inc. established its separate 401(k) plan. For the years through December 31, 2003, the Organization was not required to make any additional contributions to the defined benefit plan. Subsequently, the Organization has made contributions to the plan to reduce the unfunded balance with the intent to fully fund the plan by 2011 in accordance with

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. RETIREMENT PLANS (Continued)

the Pension Protection Plan Act of 2006. Gillis Center, Inc. has adopted the requirements of SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans effective with the year ended December 31, 2007. SFAS No. 158 requires the Organization to recognize the funded status of a defined benefit plan. Information regarding the plan as of December 31, 2008 and 2007 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Projected benefit obligation	(1,057,200)	(1,064,000)
Plan assets at fair value	<u>371,200</u>	<u>750,309</u>
Funded status	<u>(686,000)</u>	<u>(313,691)</u>
Gillis Center, Inc.'s share at 76% & 71%, respectively	(488,934)	(238,405)
Estimated service and transition costs	<u>(34,064)</u>	<u>(41,095)</u>
Liability recognized at December 31, 2008 and 2007	<u>(522,998)</u>	<u>(279,500)</u>

The accrued liability is included in accounts payable and accrued expenses on the statement of financial position. Employer contributions to this unfunded portion for the years ended December 31, 2008 and 2007 were \$275,200 and \$45,617, respectively.

Gillis Center, Inc. has a 401(k) salary deferral plan covering substantially all of their employees with 90 days or more of service. Under this plan, Gillis Center, Inc. contributes 50% of the contributions deferred by the employee, up to 6% of the employee's compensation. For the years ended December 31, 2008 and 2007, Gillis Center, Inc. contributed \$40,467 and \$44,319, respectively, to the Plan.

NOTE 9. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2008 and 2007, Gillis Center, Inc. paid Cornerstones \$1,139,170 and \$1,271,760 for expenses incurred by Cornerstones on behalf of the Organization. At the years ended December 31, 2008 and 2007, Gillis Center, Inc. had related party receivables of \$1,185 and \$57,908 and related party payables of \$- 0 - and \$32,913, respectively. Included in program services, Gillis billed Cornerstones \$627,008 and \$383,243 for services rendered during the years ended December 31, 2008 and 2007, respectively.

NOTE 10. REQUIRED CASH FLOW DISCLOSURES

For the years ended December 31, 2008 and 2007, there was \$- 0 - and \$1,578 expended for interest, respectively, and there was no cash expended for income taxes for either year.

GILLIS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11. EQUALIZATION OF FINANCIAL RESULTS

Gillis, Cornerstones of Care and certain other agencies, namely Spofford, Marillac and Ozanam adopted an equalization policy in 2001. The Agencies that show net incomes agree to reimburse the Agencies with net losses using an agreed upon formula. The equalization policy assures that, in most cases, Cornerstones of Care has a net income of at least \$50,000.

The equalization policy includes a process that assures donors that the dollars that have been donated to a particular agency stay with that agency and are not included in the equalization contribution.

Gillis and related entities were not required to make equalization payments during the years ended December 31, 2008 and 2007.

NOTE 12. DFS OVERPAYMENT

The Organization is currently working with the Missouri Department of Family Services to repay program revenues that have been overpaid to the Organization in prior years. The Organization has calculated the amount to be \$43,443, which is included in accounts payable. Management feels that the final determination will not vary materially from the amount already recorded.

NOTE 13. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts and financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. On October 2, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009. The bank accounts, at times, exceeded federally insured limits. The Organization has not experienced any losses on such accounts.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Organization generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Organization's broad customer base and its customers' financial resources.

NOTE 14. BOARD-DESIGNATED NET ASSETS

During the year ended December 31, 2007, net assets were set aside by the Board of Directors for start up costs for future projects in the amount of \$176,700. As of December 31, 2008 and 2007, board-designated net assets totaled \$176,700.

ACCOMPANYING INFORMATION

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Directors
Gillis Center, Inc.
Kansas City, Missouri

Our audits were made for the purpose of forming an opinion on the financial statements of Gillis Center, Inc. (a nonprofit corporation) for the years ended December 31, 2008 and 2007 taken as whole. The accompanying information is presented for purposes of additional analysis of the financial statements rather than to present the financial position, activities and cash flows of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the accompanying information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dana F. Cole + Company, LLP

Overland Park, Kansas
July 2, 2009

GILLIS CENTER, INC.
SCHEDULES OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			2007		
	Gillis Center, Inc.		Gillis Center, Inc.	Gillis Center, Inc.		Gillis Center, Inc.
	Gillis Center, Inc.	Gillis Endowment		Gillis Center, Inc.	Gillis Endowment	
	Eliminations	Combined	Eliminations	Combined	Eliminations	Combined
ASSETS						
ASSETS						
Cash and cash equivalents		131,752	1,065,089	107,340		778,361
Accounts receivable, less allowance for losses of \$41,000 at December 31, 2008 and \$40,770 at December 31, 2007	933,337		760,517	671,021		902,892
Grants receivable	760,517		4,982	4,982		4,982
Other accounts receivable	7,191	100	7,291			1,551,668
Investments		1,561,579	1,561,579	1,551,668		1,551,668
Property and equipment, less accumulated depreciation	530,932		530,932	329,741		329,741
Due from related organizations	2,160		1,185	58,043	(135)	57,908
Other assets	81,061		81,061	42,133		42,133
TOTAL ASSETS	<u>2,315,198</u>	<u>1,693,431</u>	<u>4,007,654</u>	<u>2,008,812</u>	<u>1,659,008</u>	<u>3,667,685</u>
LIABILITIES AND NET ASSETS						
LIABILITIES AND NET ASSETS						
LIABILITIES						
Due to related organizations		975	(975)	32,913	135	32,913
Accounts payable and accrued expenses	1,149,286		1,149,286	841,069		841,069
Total liabilities	<u>1,149,286</u>	<u>975</u>	<u>1,149,286</u>	<u>873,982</u>	<u>135</u>	<u>873,982</u>
NET ASSETS						
Unrestricted	597,356	1,667,456	2,264,812	624,691	1,633,873	2,258,564
Unrestricted - board designated	176,700		176,700	176,700		176,700
Total unrestricted net assets	<u>774,056</u>	<u>1,667,456</u>	<u>2,441,512</u>	<u>801,391</u>	<u>1,633,873</u>	<u>2,435,264</u>
Temporarily restricted	391,856		391,856	333,439		333,439
Permanently restricted		25,000	25,000		25,000	25,000
Total net assets	<u>1,165,912</u>	<u>1,692,456</u>	<u>2,858,368</u>	<u>1,134,830</u>	<u>1,658,873</u>	<u>2,793,703</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,315,198</u>	<u>1,693,431</u>	<u>4,007,654</u>	<u>2,008,812</u>	<u>1,659,008</u>	<u>3,667,685</u>

GILLIS CENTER, INC.
SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			2007		
	Gillis Center, Inc.		Gillis Center, Inc.	Gillis Center, Inc.		Gillis Center, Inc.
	Gillis Center, Inc.	Gillis Endowment		Gillis Center, Inc.	Gillis Endowment	
		Eliminations	Combined	Eliminations	Combined	Combined
REVENUE AND OTHER SUPPORT						
Program fees						
Government agencies	4,972,088		4,972,088	5,441,036		5,441,036
Other program fees	1,360,471		1,360,471	831,245		831,245
Total program fees	<u>6,332,559</u>		<u>6,332,559</u>	<u>6,272,281</u>		<u>6,272,281</u>
Other support and revenue						
Grants from government agencies				10,498		10,498
Contributions and bequests	587,548	556,569	(72,141)	1,071,976	79,356	(70,835)
United Way	174,844			174,844		167,685
Special events	292,795			292,795		281,334
Less direct costs	(63,090)			(63,090)		(64,274)
Investment income	2,800	(442,084)		(439,284)	119,136	122,247
Miscellaneous	13,174			13,174		30,893
Total other support and revenue	<u>1,008,071</u>	<u>114,485</u>	<u>(72,141)</u>	<u>1,050,415</u>	<u>198,492</u>	<u>(70,835)</u>
Total revenue and other support	<u>7,340,630</u>	<u>114,485</u>	<u>(72,141)</u>	<u>7,382,974</u>	<u>198,492</u>	<u>(70,835)</u>
EXPENSES						
Program expenses						
Supporting expenses						
Administrative	392,355			392,355		320,561
Development	253,302			253,302		274,854
Total supporting expenses	<u>645,657</u>			<u>645,657</u>		<u>595,415</u>
Total expenses	<u>7,309,548</u>	<u>80,902</u>	<u>(72,141)</u>	<u>7,318,309</u>	<u>97,253</u>	<u>(70,835)</u>
CHANGE IN NET ASSETS BEFORE EFFECT OF ADOPTION OF FASB STATEMENT NO. 158	31,082	33,583		64,665	101,239	671,511
EFFECT OF ADOPTION OF RECOGNITION AND MEASUREMENT DATE PROVISIONS OF FASB STATEMENT NO. 158						(279,500)
CHANGE IN NET ASSETS	31,082	33,583		64,665	101,239	392,011
NET ASSETS, beginning of year	1,134,830	1,658,873		2,793,703	1,557,634	2,401,692
NET ASSETS, end of year	<u>1,165,912</u>	<u>1,692,456</u>		<u>2,858,368</u>	<u>1,658,873</u>	<u>2,793,703</u>