GILLIS CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

GILLIS CENTER, INC.

December 31, 2010 and 2009

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CHV & Co

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Gillis Center, Inc. (the Organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Organization as of December 31, 2009, were audited by other auditors whose report dated October 5, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gillis Center, Inc. as of December 31, 2010, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 28, 2011

Cochran Head Vick & Co PC

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GILLIS CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	2010	2009
ASSETS		
Cash and cash equivalents	$ 743,623	$ 763,107
Accounts receivable, less allowance for doubtful accounts of $32,406 at December 31, 2010 and $41,000 at December 31,2009	642,945	780,041
Contributions receivable	157,372	41,140
Other receivables	12,974	14,537
Prepaid Expenses	83,251	42,033
Investments	2,118,363	1,915,623
Property and equipment, less accumulated depreciation	597,588	602,717
Due from related organizations	65,709	1,500
Other assets	277	277
TOTAL ASSETS	$ 4,422,102	$ 4,160,975

LIABILITIES AND NET ASSETS

	2010	2009
LIABILITIES		
Accounts payable and accrued expenses	$ 620,358	$ 493,226
Due to related organizations	74,950	96,998
Pension plan payable	493,376	520,896
Deferred revenue	52,257	43,341
Total liabilities	1,240,941	1,154,461
NET ASSETS (as restated)		
Unrestricted		
Undesignated	634,333	709,499
Board-designated - Quasi Endowment	1,960,982	1,728,115
Total unrestricted net assets	2,595,315	2,437,614
Temporarily restricted	373,968	357,022
Permanently restricted	211,878	211,878
Total net assets	3,181,161	3,006,514
TOTAL LIABILITIES AND NET ASSETS	$ 4,422,102	$ 4,160,975

See accompanying notes to the financial statements.

GILLIS CENTER, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT								
Program fees								
Government agencies	$ 5,249,694	$ -	$ -	$ 5,249,694	$ 5,119,303	$ -	$ -	$ 5,119,303
Other program fees	1,408,965	-	-	1,408,965	1,456,442	-	-	1,456,442
Total program fees	6,658,659	-	-	6,658,659	6,575,745	-	-	6,575,745
Other support and revenue								
Contributions and bequests	220,007	327,802	-	547,809	308,354	248,660	-	557,014
In-Kind contributions	580	-	-	580	-	-	-	-
United Way	174,421	-	-	174,421	184,555	-	-	184,555
Special events	182,926	-	-	182,926	196,394	-	-	196,394
Less direct costs	(47,751)	-	-	(47,751)	(58,134)	-	-	(58,134)
Investment income	281,081	475	-	281,556	363,367	-	-	363,367
Miscellaneous	49,929	5,822	-	55,751	31,066	-	-	31,066
Total other support and revenue	861,193	334,099	-	1,195,292	1,025,602	248,660	-	1,274,262
Net assets released from restrictions	317,153	(317,153)	-	-	324,509	(324,509)	-	-
Total revenue and other support	7,837,005	16,946	-	7,853,951	7,925,856	(75,849)	-	7,850,007
EXPENSES								
Program services	6,414,365	-	-	6,414,365	6,392,124	-	-	6,392,124
Supporting services								
Administrative	1,109,223	-	-	1,109,223	1,125,366	-	-	1,125,366
Development	221,425	-	-	221,425	224,988	-	-	224,988
Total supporting services	1,330,648			1,330,648	1,350,354			1,350,354
Total expenses	7,745,013	-	-	7,745,013	7,742,478	-	-	7,742,478
CHANGE IN NET ASSETS, prior to equalization transfer	91,992	16,946	-	108,938	183,378	(75,849)	-	107,529
Equalization transfer	65,709	-	-	65,709	-	-	-	-
CHANGE IN NET ASSETS	157,701	16,946	-	174,647	183,378	(75,849)	-	107,529
NET ASSETS, beginning of year, as restated	2,437,614	357,022	211,878	3,006,514	2,254,236	432,871	211,878	2,898,985
NET ASSETS, end of year	$ 2,595,315	$ 373,968	$ 211,878	$ 3,181,161	$ 2,437,614	$ 357,022	$ 211,878	$ 3,006,514

See accompanying notes to the financial statements.

GILLIS CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010					2009				
		Supporting Services					Supporting Services			
	Program Services	Administrative	Development	Total	Total Expenses	Program Services	Administrative	Development	Total	Total Expenses
SALARIES AND RELATED EXPENSES										
Salaries	$ 4,232,099	$ 391,123	$ 159,636	$ 550,759	$ 4,782,858	$ 4,085,001	$ 442,045	$ 166,614	$ 608,659	$ 4,693,660
Employee benefits	438,051	43,625	15,322	58,947	496,998	424,216	32,967	12,672	45,639	469,855
Retirement	-	717	-	717	717	38,899	12,753	984	13,737	52,636
Payroll Taxes	305,836	28,959	11,265	40,224	346,060	298,621	29,200	12,096	41,296	339,917
Other	44,869	3,625	355	3,980	48,849	61,380	4,836	1,475	6,311	67,691
Total salaries and related expenses	5,020,855	468,049	186,578	654,627	5,675,482	4,908,117	521,801	193,841	715,642	5,623,759
OTHER EXPENSES										
Professional fees	500,369	389,976	1,365	391,341	891,710	550,974	425,456	1,446	426,902	977,876
Food service	168,343	277	51	328	168,671	163,612	282	52	334	163,946
Supplies	60,649	11,245	2,065	13,310	73,959	122,835	15,334	3,515	18,849	141,684
Postage and printing	477	12,088	605	12,693	13,170	943	5,104	1,857	6,961	7,904
Telephone	28,300	2,579	97	2,676	30,976	27,305	2,081	144	2,225	29,530
Occupancy	178,705	29,653	4,445	34,098	212,803	159,916	52,217	4,332	56,549	216,465
Equipment rental and maintenance	28,186	19,209	447	19,656	47,842	20,063	21,686	624	22,310	42,373
Marketing	570	14,862	64,950	79,812	80,382	567	699	65,775	66,474	67,041
Local transportation	153,668	13,810	943	14,753	168,421	189,830	13,021	1,576	14,597	204,427
Conferences and meetings	113	67,514	2,075	69,589	69,702	958	2,038	301	2,339	3,297
Assistance to individuals	70,807	-	-	-	70,807	62,013	-	-	-	62,013
Dues and subscriptions	15,450	30,517	490	31,007	46,457	464	19,267	619	19,886	20,350
Investment Fees	-	14,615	1,127	15,742	15,742	18	13,972	610	14,582	14,600
Bad debt	42,374	-	-	-	42,374	55,232	-	-	-	55,232
In Kind	580	-	-	-	580	-	-	-		-
Professional liability insurance	43,986	14,408	1,055	15,463	59,449	45,098	17,708	1,200	18,908	64,006
Miscellaneous	5,710	6,171	278	6,449	12,159	-	1,970	4,907	6,877	6,877
Total other expenses	1,298,287	626,924	79,993	706,917	2,005,204	1,399,828	590,835	86,958	677,793	2,077,621
TOTAL EXPENSES BEFORE DEPRECIATION	6,319,142	1,094,973	266,571	1,361,544	7,680,686	6,307,945	1,112,636	280,799	1,393,435	7,701,380
Depreciation	95,223	14,250	2,605	16,855	112,078	84,179	12,730	2,323	15,053	99,232
TOTAL GROSS EXPENSES	6,414,365	1,109,223	269,176	1,378,399	7,792,764	6,392,124	1,125,366	283,122	1,408,488	7,800,612
Less: Direct costs of special events	-	-	(47,751)	(47,751)	(47,751)	-	-	(58,134)	(58,134)	(58,134)
TOTAL NET EXPENSES	$ 6,414,365	$ 1,109,223	$ 221,425	$ 1,330,648	$ 7,745,013	$ 6,392,124	$ 1,125,366	$ 224,988	$ 1,350,354	$ 7,742,478

See accompnanying notes to the financial statements.

GILLIS CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 174,647	$ 107,529
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Addition to net assets due to acquisition	-	40,617
Depreciation	112,078	99,232
Realized (gains) losses on investments	(35,248)	12,439
Unrealized (gains) on investments	(196,294)	(324,795)
(Increase) decrease in operating assets:		
Accounts receivable	137,096	(19,524)
Contributions receivable	(116,232)	(41,140)
Other receivables	1,563	(7,246)
Prepaid expenses	(41,218)	38,751
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	127,132	(36,064)
Pension plan payable	(27,520)	(2,102)
Deferred revenue	8,916	43,341
Total adjustments	(29,727)	(196,491)
Net cash provided by (used in) operating activities	144,920	(88,962)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in due from related organizations	(64,209)	(315)
Investment in property and equipment	(106,949)	(171,017)
Purchase of investments	(396,068)	(622,221)
Proceeds from the sale of investments	424,870	580,533
Net cash used in investing activities	(142,356)	(213,020)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in due to related organizations	(22,048)	-
Net cash provided by financing activities	(22,048)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,484)	(301,982)
CASH AND CASH EQUIVALENTS, beginning of year	763,107	1,065,089
CASH AND CASH EQUIVALENTS, end of year	$ 743,623	$ 763,107

See accompanying notes to the 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 65% of the Organization's support for the years ended December 31, 2010 and 2009 came from government agencies.

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.

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. Under this method, revenues are recognized when earned, and expenses and purchases are recognized when the obligation is incurred.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205 "Financial Statements of Not-for-Profit Organizations". Under this standard, 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.

Unrestricted Net Assets

Unrestricted net assets include all assets which are neither temporarily or permanently restricted. Unrestricted net assets may include Board-designated funds that are not restricted by the donor. Earnings on investments are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws. Temporarily restricted contributions made during the current year and whose restrictions are met in the current year are also classified as unrestricted.

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

Permanently restricted net assets include contributed net assets 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 restrictions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization utilizes FASB ASC 958-605, "Not-for Profit Entities Revenue Recognition." This standard 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 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 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.

Volunteers

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

Bequests

Bequests to the Organization 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 FASB ASC 958-320, "Not-for Profit Entities Investments - Debt and Equity Securities." FASB ASC 958-320 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. Investment income is accounted for as unrestricted unless donor restricted.

Accounts Receivable

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

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 (over $1,000) 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:

Property and Equipment	Useful Lives
Leasehold improvements	5 - 12 years
Furniture and equipment	3 - 20 years
Automobiles	5 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 may be 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)(1). Accordingly, no provision has been made for income taxes in these financial statements.

The Organization has adopted the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions. The Organization has evaluated its tax positions and does not believe there are any uncertain tax positions taken by the Organization. The Organization's Forms 990, *Return of Organizations Exempt from Income Tax,* for the years ending 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

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 the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates include depreciation, compensated absences, the functional expense allocation and the allowance for doubtful accounts of $32,406 and $41,000 for December 31, 2010 and 2009, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. In 2010, management revised the methodology with respect to the allocation of expenses on a functional basis. In connection with this change, for comparative purposes, certain 2009 amounts appearing on the accompanying Combined Statements of Functional Expenses have been revised from amounts previously reported to reflect this change in methodology. In addition, the 2009 statement reflects the addition of $36,960 for in-kind contributions not previously reported.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2010 and 2009 was $27,741 and $5,137.

Compensated Absences

Employees of the Organization 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 included in the financial statements in the amounts of $298,004 and $303,667 for the years ended December 31, 2010 and 2009, respectively.

NOTE 2. FAIR VALUE MEASUREMENTS

The Organization has adopted FASB ASC 820-10, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, 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 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.

NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

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, 2010, 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:

Mutual Funds

The fair value of mutual funds 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, 2010 and 2009 at fair value on a recurring basis.

	2010			
Investments	Total	Level 1	Level 2	Level 3
Mutual funds - equity	$ 1,337,997	$ 1,337,997	$ -	$ -
Mutual funds - fixed income	698,057	698,057		
Mutual funds - commodities	82,309	82,309		
Total	$ 2,118,363	$ 2,118,363	$ -	$ -

	2009			
Investments	Total	Level 1	Level 2	Level 3
Mutual funds - equity	$ 1,132,032	$ 1,132,032		
Mutual funds - fixed income	720,403	720,403		
Mutual funds - commodities	63,188	63,188		
Total	$ 1,915,623	$ 1,915,623	$ -	$ -

NOTE 3. INVESTMENTS

Investments at December 31, 2010 and 2009 are comprised of the following:

	2010		
Investments	Cost	Unrealized Gain	Fair Value
Mutual funds - equity	$ 1,193,392	$ 144,605	$ 1,337,997
Mutual funds - fixed income	680,577	17,480	698,057
Mutual funds - commodities	65,000	17,309	82,309
Total	$ 1,938,969	$ 179,394	$ 2,118,363

	2009		
Investments	Cost	Unrealized Gain (Loss)	Fair Value
Mutual funds - equity	$ 1,187,743	$ (55,711)	$ 1,132,032
Mutual funds - fixed income	689,784	30,619	720,403
Mutual funds - commodities	55,000	8,188	63,188
Total	$ 1,932,527	$ (16,904)	$ 1,915,623

Investment income for the years ended December 31, 2010 and 2009 is comprised of the following:

	2010	2009
Interest and dividend income	$ 50,015	$ 51,011
Net realized gains (losses)	35,248	(12,439)
Net unrealized gains	196,293	324,795
Total investment income (losses)	$ 281,556	$ 363,367

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2010	2009
Furniture and equipment	$ 1,417,476	$ 1,401,702
Automobiles	119,326	84,325
Leasehold improvements	687,532	631,357
	2,224,334	2,117,384
Accumulated depreciation	(1,626,746)	(1,514,667)
Net property and equipment	$ 597,588	$ 602,717

Depreciation expense for the years ended December 31, 2010 and 2009 was $112,078 and $99,232 respectively.

NOTE 5. RETIREMENT PLANS

Gillis Center, Inc. previously participated in a defined benefit plan sponsored by the Women's Christian Association (WCA). As determined by management and based upon the mix of Gillis and WCA employees remaining in the plan, at December 31, 2010 and 2009, Gillis Center, Inc. is responsible for approximately 68% of the total plan obligations. 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 in accordance with the Pension Protection Plan Act of 2006. At the time of the audit the Valuation Report as of 1/01/11 was not yet available, however management believes that they have accurately accounted for the liability. Information regarding the plan as of December 31, 2010 and 2009 is summarized as follows:

	2010	2009
Projected benefit obligation	$ (958,200)	$ (958,200)
Plan assets at fair value	413,500	413,500
Funded status	$ (544,700)	$ (544,700)
Gillis Center, Inc.'s share at 68%	$ (371,603)	$ (371,603)
Estimated service and transition costs	(121,773)	(149,293)
Liability recognized	$ (493,376)	$ (520,896)

Employer contributions to this unfunded portion for the years ended December 31, 2010 and 2009 were $27,521 and $2,101, respectively.

Gillis Center, Inc. participated in a multi-employer defined contribution retirement plan organized through Cornerstones of Care that is open to substantially all of its employees with 90 days or more of service. Prior to 2010, Gillis Center, Inc. contributed 50% of the contributions deferred by the employee, up to 6% of the employee's compensation. In 2010, the Organization discontinued making contributions. For the years ended December 31, 2010 and 2009, the Organization contributed $0 and $52,636, respectively, to the plan.

NOTE 6. LINE OF CREDIT

The Organization has a $350,000 revolving line of credit with a bank which requires monthly interest payments at the bank's prime rate minus 1/4% adjusted daily with a floor of 4%. The line is collateralized by a security interest in accounts receivable. There was no balance owed on this line of credit as of December 31, 2010 and 2009.

NOTE 7. FACILITY LEASE

On January 3, 1997 the Women's Christian Association of Kansas City, Missouri (the Lessor) and Gillis Center, Inc. (the Lessee) entered in to a facility lease agreement where as the Lessee has agreed to pay $1 per annum and an amount equal to all costs, charges, expenses, fees, and other financial responsibilities incurred by the Lessor in connection with its ownership of the property exclusively used by the Lessee. The term of this Lease may be extended, at the option of the Lessee, for nine successive periods of five years each.

NOTE 8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009, the Organization reimbursed Cornerstones of Care for the following expenses:

	2010	2009
Cornerstones of Care support services	$ 435,313	$ 387,301
Expenses paid on behalf of Gillis	861,856	812,352
	$1,297,169	$1,199,653

In connection with above expenses, at December 31, 2010 and 2009, the Organization owed Cornerstones $79,950 and $96,998, respectively.

Included in other program fees, for the years ended December 31, 2010 and 2009 were $562,299 and $649,081, respectively, of payments made by Cornerstones to Gillis for program services rendered. In connection with these program services, at December 31, 2010 and 2009, Cornerstones owed Gillis $69,997 and $36,107, respectively.

NOTE 9. EQUALIZATION TRANSFER

Cornerstones of Care and certain other related organizations, namely Ozanam, Marillac, Gillis, and Spofford adopted an equalization policy (the Policy) in 2001. In 2010 the Policy was revised effective January 1, 2010. The revisions provide for the equalization adjustment to be generally limited to the change in net assets derived from operations for the period as defined by the Policy for each entity. As such, entities generally experiencing an increase in operating net assets agreed to provide support for entities generally experiencing a decrease in operating net assets for the period.

The Organization did not make equalization payments for the year ended December 31, 2009. For the year ended December 31, 2010, Gillis has recorded an equalization amount due from Cornerstones of Care in the amount of $65,709. Cornerstones of Care will transfer the sum of all amounts received from related organizations to the organizations that are to receive an equalization transfer.

NOTE 10. REQUIRED CASH FLOW DISCLOSURES

For the years ended December 31, 2010 and 2009, the Organization had no cash expended for interest or income taxes.

NOTE 11. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts and money market accounts at investment institutions. Accounts at the banking institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Accounts at the investment institution are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000 ($250,000 for cash balances). As of December 31, 2010, $175,123 of deposits were uninsured.

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

NOTE 12. ENDOWMENT FUNDS – DONOR RESTRICTED

Permanently restricted net assets at December 31, 2010 and 2009 as restated (see Note 17) consist of endowment funds established to support the Organization. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expended for general purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Missouri adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2009 and therefore the Organization has interpreted this by requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added 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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 the Organization, and (7) the Organization's investment policies.

The Organization invests the Endowment funds in a similar manner as Board Designated funds. The Organization seeks to build endowment assets through additional contributions. The Organization has a policy of appropriating for distribution each quarter the endowment fund's investment income that is not permanently restricted. The Organization generally distributes the endowment fund's investment income in accordance with the Board's spending policy. The current spending policy is not expected to allow the Organization's endowment fund to grow as a result of investment returns except those restricted by the donor. Management believes this is consistent with the Organization's objectives to provide income for its program, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

Endowment net assets as of December 31, 2010 and 2009, are $211,878 respectively.

NOTE 13. BOARD-DESIGNATED QUASI ENDOWMENT

During the current year the Board determined that amounts previously reported at December 31, 2009 as unrestricted – board designated of $1,981,008 (restated to $1,728,115 in 2010) should have been reported as a board designated quasi endowment. At December 31, 2010 the amount of $1,960,982 had also been designated as a quasi endowment.

The Board has a longstanding practice of managing these net assets as a quasi endowment. Their practice is to spend, each year, 5% of the rolling 3-year average quasi endowment balance, for general support of the Gillis mission. The 5% is meant to approximate average earnings on the assets. The practice is confirmed each year in the budgeting process.

NOTE 13. BOARD-DESIGNATED QUASI ENDOWMENT (Continued)

Composition of and changes in the Organization's board designated quasi endowment net assets for the year ended December 31, 2010 is as follows:

Board-designated quasi endowment, beginning of the year, as restated	$ 1,728,115
Contributions	11,517
Investment Income	42,507
Net appreciation	266,056
Amounts appropriated for expenditure	(87,213)
Board-designated quasi endowment, end of year	$ 1,960,982

NOTE 14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2010	2009
Case managers	$ 156,501	$ 125,000
Vocational program	85,259	-
Building repair and maintenance	25,000	37,365
Technology	-	22,787
Other - program services	78,836	130,855
Grants receivable	28,372	41,015
	$ 373,968	$ 357,022

NOTE 15. JACKSON COUNTY COMMUNITY MENTAL HEALTH FUND

Management has determined the Organization has complied in all material respects with the agreement signed with the Jackson County Community Mental Health Fund Board of Trustees during the years ended December 31, 2010 and 2009. The agreement states that funds provided by the Mental Health Board can be used to provide services to Jackson County, Missouri residents only.

NOTE 16. ACQUISITION

In 2009, Gillis Center acquired Intensive Family Counseling, another 501(c)(3) organization. The acquisition increased net assets by $40,617. Gillis incurred no long-term liabilities due to this acquisition.

NOTE 17. RESTATEMENT OF NET ASSETS

During the year ended December 31, 2010 the Organization reviewed all net asset balances and determined that certain amounts previously classified as unrestricted at December 31, 2009 needed to be restated as temporarily or permanently restricted as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
As previously reported at December 31, 2009	$ 2,690,507	$ 316,007	$ -
Restatement	(252,893)	41,015	211,878
As restated at December 31, 2009	$ 2,437,614	$ 357,022	$ 211,878

NOTE 18. RECLASSIFICATION OF PRIOR YEAR AMOUNTS

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on total assets, liabilities, net assets or changes in net assets.

NOTE 19. SUBSEQUENT EVENTS

The Organization evaluated subsequent events through July 28, 2011 the date the financial statements were available to be issued. No subsequent events were identified that required adjustments to or disclosure within the financial statements.