

FINANCIAL REPORT
UNICORN CENTERS, INC.
JUNE 30, 2009

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Unicorn Centers, Inc.
San Antonio, Texas

We have audited the accompanying statements of financial position of Unicorn Centers, Inc., (the Center) as of June 30, 2009 and 2008, and the statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the Center's 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 financial statements, 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 the Center as of June 30, 2009 and 2008, and the results of its activities, and its cash flows for the years then ended, in conformity with United States generally accepted accounting principles.



October 27, 2009

UNICORN CENTERS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Current Assets:		
Cash	268,923	350,262
Accounts receivable - net of allowance of \$1,713 for 2009 and \$8,208 for 2008	140,593	185,822
Affiliate receivable	16,501	16,619
Prepaid expenses and other assets	4,764	4,034
Total Current Assets	430,781	556,737
Fixed Assets –		
Land, buildings, and equipment - net of accumulated depreciation of \$289,771 in 2009 and \$201,349 in 2008	2,125,016	2,102,020
TOTAL ASSETS	2,555,797	2,658,757
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable:		
Trade	42,870	27,350
Affiliate	29,706	23,568
Accrued retirement contribution	22,235	10,666
Accrued salary expenses	84,029	82,538
Total Current Liabilities	178,840	144,122
Long-term debt - affiliate	250,000	500,000
Total Liabilities	428,840	644,122
Net Assets:		
Unrestricted	2,093,095	1,983,952
Temporarily restricted	33,862	30,683
Total Net Assets	2,126,957	2,014,635
TOTAL LIABILITIES AND NET ASSETS	2,555,797	2,658,757

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

UNICORN CENTERS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Unrestricted:		
Revenue, Gains, and Other Support:		
Contributions:		
Individuals	8,109	46,262
Corporations	21,990	1,411
Foundations	137,290	165,270
Affiliate	24,439	10,000
United Way allocation - net of fundraising expenses of \$3,973 in 2009 and \$4,348 in 2008	104,873	99,165
Special events - net of direct expenses of \$9,777 in 2009 and \$11,867 in 2008	104,787	101,087
Governmental support - program service fees	149,790	306,305
Private program service fees and tuition	1,421,898	1,056,899
Rental	--	18,120
Interest	1,781	6,326
Miscellaneous	4,275	21,997
(Loss) on disposal of fixed assets	(533)	--
Net assets released from restrictions	12,141	346,445
Total Revenue, Gains, and Other Support	1,990,840	2,179,287
Expenses:		
Program services - Habilitation and Care	1,699,683	1,404,349
Supporting Services:		
Administrative	163,200	144,000
Fundraising	18,814	18,880
Total Expenses	1,881,697	1,567,229
Increase in Unrestricted Net Assets	109,143	612,058
Temporarily Restricted:		
Contributions:		
Individuals	--	18,000
Foundations	15,320	115,000
Net assets released from restrictions	(12,141)	(346,445)
Increase (Decrease) in Temporarily Restricted Net Assets	3,179	(213,445)
Increase in Total Net Assets	112,322	398,613
Net assets, beginning of year	2,014,635	1,616,022
NET ASSETS, END OF YEAR	2,126,957	2,014,635

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

UNICORN CENTERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash Flows From Operating Activities:		
Increase in net assets	112,322	398,613
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	102,586	61,187
Loss on disposal of fixed assets	533	--
(Increase) Decrease in:		
Accounts receivable	45,229	(69,017)
Affiliate receivable	118	(3,754)
Prepaid expenses and other assets	(730)	825
Increase (Decrease) in:		
Accounts payable	15,520	13,640
Affiliate payable	6,138	7,283
Accrued retirement contribution	11,569	664
Accrued expenses	1,491	22,564
Net Cash Provided by Operating Activities	<u>294,776</u>	<u>432,005</u>
Cash Flows From Investing Activities -		
Purchase of fixed assets	(123,427)	(468,391)
Payments for construction in progress	(2,688)	--
Net Cash (Used in) Investing Activities	<u>(126,115)</u>	<u>(468,391)</u>
Cash Flows (Used in) Financing Activities -		
Principal payments on long-term debt	<u>(250,000)</u>	<u>(250,000)</u>
Net (Decrease) in Cash	(81,339)	(286,386)
Cash at beginning of year	<u>350,262</u>	<u>636,648</u>
CASH AT END OF YEAR	<u><u>268,923</u></u>	<u><u>350,262</u></u>
Cash Paid for -		
Interest	26,250	39,375

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

UNICORN CENTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

EXPENSES	Program Services	Supporting Services		Total
	Habilitation and Care	Administrative	Fundraising	
Salaries	981,194	114,850	15,651	1,111,695
Employee health and welfare	99,215	9,263	1,415	109,893
Employee retirement	39,445	4,094	557	44,096
Payroll taxes	73,400	8,374	1,191	82,965
Workers' compensation insurance	10,467	457	--	10,924
Total Salary Expenses	<u>1,203,721</u>	<u>137,038</u>	<u>18,814</u>	<u>1,359,573</u>
Professional fees - Accounting, legal, and other	17,848	4,465	--	22,313
Training	123,625	--	--	123,625
Supplies	46,575	4,521	--	51,096
Telephone	12,030	2,231	--	14,261
Postage and shipping	6,661	1,172	--	7,833
Occupancy	28,689	313	--	29,002
Utilities	43,227	1,184	--	44,411
Equipment maintenance	7,967	2,212	--	10,179
Director and officer insurance	--	2,255	--	2,255
Corporate insurance	24,952	1,085	--	26,037
Printing and publications	4,729	4,938	--	9,667
Transportation	45,456	555	--	46,011
Meetings/conferences	1,022	31	--	1,053
Membership dues	540	123	--	663
Interest	26,250	--	--	26,250
Miscellaneous	--	64	--	64
Bad debt	2,074	849	--	2,923
Public relations/charitable contribution	637	156	--	793
Bank fees	904	8	--	912
Rent	190	--	--	190
Total Expenses Before Depreciation	<u>1,597,097</u>	<u>163,200</u>	<u>18,814</u>	<u>1,779,111</u>
Depreciation	102,586	--	--	102,586
TOTAL EXPENSES	<u><u>1,699,683</u></u>	<u><u>163,200</u></u>	<u><u>18,814</u></u>	<u><u>1,881,697</u></u>

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

UNICORN CENTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2008

EXPENSES	Program	Supporting Services		Total
	Habilitation and Care	Administrative	Fundraising	
Salaries	871,283	93,794	14,950	980,027
Employee health and welfare	86,227	8,236	2,226	96,689
Employee retirement	20,621	3,241	465	24,327
Payroll taxes	68,544	6,986	1,170	76,700
Workers' compensation insurance	8,645	720	69	9,434
Total Salary Expenses	1,055,320	112,977	18,880	1,187,177
Professional fees - Accounting, legal, and other	18,357	7,867	--	26,224
Training	2,202	--	--	2,202
Supplies	44,536	2,761	--	47,297
Telephone	11,435	961	--	12,396
Postage and shipping	6,579	958	--	7,537
Occupancy	25,288	324	--	25,612
Utilities	38,171	1,186	--	39,357
Equipment maintenance	8,726	2,181	--	10,907
Director and officer insurance	9,343	2,444	--	11,787
Corporate insurance	24,937	1,277	--	26,214
Printing and publications	1,518	8,988	--	10,506
Transportation	41,240	495	--	41,735
Meetings/conferences	2,430	181	--	2,611
Membership dues	454	196	--	650
Interest	39,375	--	--	39,375
Miscellaneous	2,247	979	--	3,226
Bad debt	9,479	72	--	9,551
Public relations/charitable contribution	287	123	--	410
Bank fees	457	30	--	487
Rent	781	--	--	781
Total Expenses Before Depreciation	1,343,162	144,000	18,880	1,506,042
Depreciation	61,187	--	--	61,187
TOTAL EXPENSES	1,404,349	144,000	18,880	1,567,229

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

UNICORN CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Note 1: Reporting Entity

Unicorn Centers, Inc., (the Center) is a not-for-profit organization whose mission is to provide vocational training in San Antonio, Texas for adults with mental retardation and other developmental disabilities. Services include, but are not limited to, extended employment (sheltered workshop), life skills training, prevocational and job supported employment. The Center is supported primarily through client tuition, contributions, grants, and the United Way.

On July 1, 2000, the Center became affiliated with a newly formed Texas corporation, Mission Road Ministries, Inc., (MRM) a not-for-profit corporation under Internal Revenue Code Section 501(c)(3). MRM was incorporated with an oversight Board of Directors from the Center and Mission Road Developmental Center (MRDC). The two agencies, the Center and MRDC, mutually agreed to coordinate services for persons with mental retardation and other disabilities. The Center provides vocational and job related training for these adults while the MRDC provides residential, day care, and in-home services for both children and adults. Two additional organizations, 200 Oblate, Incorporated (200 Oblate) and Independence Square, Inc., (Independence Square), also became members of this affiliation with MRM effective July 1, 2000. Subsequently, Meadow Brook Apartments (Meadow Brook) opened November 1, 2003, adding a third apartment program similar to 200 Oblate and Independence Square, to provide affordable supervised apartment living for persons with mental retardation and other disabilities (see Note 10).

In addition to the entity relationships discussed above, the Center is affiliated with the Bledsoe Foundation through a common Board of Trustees. The Bledsoe Foundation was created in a Trust Indenture on July 3, 1967, for the sole purpose of providing support to MRDC. In November 2005, the Bledsoe Foundation elected Trustees to occupy unfilled Trustee positions. In January 2007, additional Trustees and a new Chairperson were elected. With these actions, a majority of Trustees serving on the Bledsoe Foundation also serve as Board members for MRM and MRDC.

The Center's financial statements have been included in the combined financial statements of MRM and its affiliates as noted above.

Note 2: Significant Accounting Policies

Financial Statement Presentation

Financial Accounting Standards Board (FASB) Statement 116, *Financial Statements of Not-for-Profit Organizations*, requires reporting financial position and activities according to classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets account for the operating activities of the Center. Temporarily restricted net assets result from contributions whose use by the Center is limited by donor-imposed stipulations. Permanently restricted net assets have donor-imposed restrictions that stipulate that resources be maintained permanently. The Center does not have any permanently restricted net assets.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

Net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

(Continued)

UNICORN CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(Continuation)

Note 2: Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time.

Estimates and Assumptions

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

Functional Expenses

Until June 30, 2004, most professional administrative expenses were managed by each affiliate organization. Beginning July 1, 2004, these expenses were centralized under MRM to eliminate some redundancy at the affiliate level. MRM charges its affiliates a management fee to perform this function. The total annual management fee expenditure has been allocated to various Center expense accounts based on the actual administrative expense account activities of MRM.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered cash and cash equivalents for cash flow purposes (see Note 3).

Accounts Receivable

Accounts receivable primarily consist of tuition reimbursements from various individuals, organizations, and governmental agencies (see Notes 3 and 4).

Allowance for Doubtful Accounts

Management analyzes aging of accounts receivable on a monthly basis. Accounts receivable are considered delinquent when they are over 60 days old. Payment trends by delinquent accounts are considered by management when estimating the allowance for doubtful accounts. Accounts determined to be uncollectible by management are charged to the allowance for doubtful accounts (see Note 4).

Depreciable Assets

Depreciable assets are stated at cost when purchased or fair value on the date of donation when donated to the Center. For the years ended June 30, 2009 and 2008, expenditures for assets over \$1,000 are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method (see Note 5).

(Continued)

UNICORN CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(Continuation)

Note 2: Significant Accounting Policies (Continued)

Depreciation is based on the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5 - 30
Equipment	5 - 15
Furniture and fixtures	5 - 7
Vehicles	5 - 7

Program Revenue

Program revenue is considered earned as services are provided to clients.

Tax Exemption

The Center is exempt from federal income taxes pursuant to provisions of Internal Revenue Code Section 501(c)(3).

Fair Value of Financial Instruments

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Therefore, for instruments classified in levels 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within level 3 of the hierarchy, judgments are more significant. For other financial instruments such as accounts receivable, prepaid expenses, and payables, carrying value approximates market value.

Note 3: Concentration of Credit Risk

Financial instruments which potentially subject the Center to a concentration of credit risk, consist principally of cash and accounts receivable. The Center maintains cash balances at a financial institution in San Antonio. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. On October 3, 2008, the federal government temporarily increased this FDIC limit to \$250,000 per depositor through December 31, 2013, for interest bearing accounts. At various times of the year, the Center may exceed this coverage.

On October 14, 2008, the FDIC announced its temporary Transaction Account Guarantee Program, which provides full coverage for non-interest bearing transaction deposit accounts at FDIC insured institutions that agree to participate in the program. The transaction account guarantee applies to all personal and business checking deposit accounts that do not earn interest at participating institutions. This unlimited insurance coverage is temporary and will remain in effect for participating institutions until June 30, 2010.

(Continued)

UNICORN CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(Continuation)

Note 4: Accounts Receivable and Affiliate Receivable

Tuition revenue is received from individual families and from organizations on behalf of joint clients, all of which are located in San Antonio, Texas. Accounts receivable consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Government agency fees	35,571	29,629
Tuition and job coaching	103,464	148,253
Workshop contracts	19,472	32,267
Special events	--	500
Other	<u>300</u>	<u>--</u>
Total Accounts Receivable and Affiliate Receivable	158,807	210,649
Less: Allowance for uncollectible amounts	<u>(1,713)</u>	<u>(8,208)</u>
Net Accounts Receivable	<u>157,094</u>	<u>202,441</u>

Note 5: Land, Buildings, and Equipment

At June 30, the carrying values of land, buildings, and equipment were as follows:

	<u>2009</u>	<u>2008</u>
Land and land improvements	300,000	300,000
Buildings and improvements	1,881,069	1,769,354
Construction in process	2,688	--
Facility equipment	57,194	46,881
Furniture and fixtures	29,038	39,944
Office equipment	57,535	59,927
Vehicles	<u>87,263</u>	<u>87,263</u>
Total Fixed Assets	2,414,787	2,303,369
Less: Accumulated depreciation	<u>(289,771)</u>	<u>(201,349)</u>
Net Fixed Assets	<u>2,125,016</u>	<u>2,102,020</u>

Note 6: Long-Term Debt

The Center's long-term debt as of June 30, consists of a promissory note to MRDC for the purchase of a building. The note was executed on June 22, 2004 and matures June 22, 2034. Interest only at 5.25% is due annually for a period of five years beginning July 1, 2005, through July 1, 2009. Beginning July 1, 2010, and monthly thereafter on or before the first day of each month, unpaid principal and accrued but unpaid interest will be due and payable in monthly installments until interest and principal due are paid in full. The note is collateralized by land and the building. The balance due to MRDC at June 30, 2009 and 2008, is \$250,000 and \$500,000, respectively.

(Continued)

UNICORN CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(Continuation)

Note 6: Long-Term Debt (Continued)

Future principal maturities of long-term debt are as follows:

2011	5,565
2012	5,860
2013	6,171
2014	6,498
2015	6,259
Thereafter	<u>219,647</u>
	<u>250,000</u>

Note 7: Temporarily Restricted Net Assets

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

	<u>2009</u>	<u>2008</u>
Purpose Restrictions:		
Automatic doors	16,494	16,494
Employment skills computers	3,000	3,000
Exercise equipment	1,575	1,575
Forklift	5,086	9,614
Software	7,661	--
Classroom	<u>46</u>	<u>--</u>
	<u>33,862</u>	<u>30,683</u>

Note 8: Net Assets Released from Restrictions

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2009</u>	<u>2008</u>
Purpose Restrictions Accomplished:		
Building improvements	--	295,097
Classroom	2,454	--
Forklift	4,528	--
Furniture	--	26,476
Shrink wrap equipment	--	19,872
Software	5,159	--
Supported employment computers	<u>--</u>	<u>5,000</u>
Total Restrictions Released	<u>12,141</u>	<u>346,445</u>

(Continued)

UNICORN CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(Continuation)

Note 9: Revenue and Support Concentrations

United Way support received totaled \$104,873 and \$99,165 for the years ended June 30, 2009 and 2008, respectively. This equates to approximately 5% of total revenue and support during the years 2009 and 2008, respectively. The Center's approved United Way allocation for the year ending June 30, 2010, is \$104,100.

Note 10: Affiliate Organizations and Related Party Information

Two of the officers of MRM are members of the Board of Directors of 200 Oblate, Independence Square, and Meadow Brook and one of the officers of MRM is a member of the Board of Directors of the Center and MRDC. MRM provides centralized focus and ongoing coordinated oversight of the Center and other affiliates, as well as cost benefits as a result of common management.

Total tuition and job coaching revenue billed to MRDC from the Center was \$161,250 for year ended June 30, 2009, and \$154,681 for year ended June 30, 2008. The Center paid MRM \$163,200 in management fees, and paid MRDC \$26,250 in interest expense payable during fiscal year 2009. The Center paid MRM \$144,000 in management fees, and paid MRDC \$39,375 in interest expense during fiscal year 2008. MRM made a contribution of \$24,439 and \$10,000 to the Center in 2009 and 2008, respectively.

At June 30, 2009 and 2008, the following amounts were owed by/to the Center:

	<u>2009</u>	<u>2008</u>
Accounts Receivable:		
MRM	1,509	--
MRDC	<u>14,992</u>	<u>16,619</u>
	<u>16,501</u>	<u>16,619</u>
Accounts Payable:		
MRM	15,804	14,068
MRDC	<u>13,902</u>	<u>9,500</u>
	<u>29,706</u>	<u>23,568</u>
Note payable – MRDC	250,000	500,000

The Center and its affiliates share pooled corporate insurance policies. The annual premiums for these insurance policies are paid proportionately by the Center and its affiliates.

Note 11: Pension Plans

MRDC had a defined benefit pension plan through June 30, 2006, covering all eligible employees who elected to participate, including affiliate, (the Center), employees. It was the policy of MRDC to fund the plan based upon the actuarial cost method. Plan benefits were based upon years of service and compensation earned by the participant.

(Continued)

UNICORN CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(Continuation)

Note 11: Pension Plans (Continued)

MRDC's defined benefit pension plan was terminated June 30, 2006, and total assets were distributed to eligible participants prior to June 30, 2006. MRM established a defined contribution plan to replace the terminated defined benefit plan. This plan covers all MRM full-time and non-excluded class employees who have attained age 21 and who have completed three months of service, including affiliate, (the Center), employees. The Center's portion of pension contributions for the years ended June 30, 2009 and 2008 was \$35,894 and \$18,170, respectively.

In addition to the new defined contribution plan, MRDC sponsors a deferred annuity program for its employees, including affiliate, (the Center), employees. The program is administered by Mutual of America Life Insurance Company. The program is voluntary and is funded entirely through employee payroll deductions.

Note 12: Reclassifications

2008 unrestricted and temporarily restricted net assets on the statement of financial position have been reclassified to reflect the donors' original intent. The unrestricted net assets have been reduced by \$16,494 and temporarily restricted net assets have been increased by \$16,494. The reclassifications had no cumulative effect on the total net assets balance as a whole (see Note 7).

Contribution revenue in the prior-year statement of activities has been detailed by type of donor for comparative purposes to conform to the presentation in the current-year financial statements.