

CHILDHELP, INC. AND AFFILIATE
Scottsdale, Arizona

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

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Independent Auditor's Report

Board of Directors
Childhelp, Inc. and Affiliate
Scottsdale, Arizona

We have audited the accompanying consolidated statements of financial position of Childhelp, Inc. and Affiliate (Childhelp) as of June 30, 2010 and 2009, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of Childhelp's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Childhelp, Inc. and Affiliate as of June 30, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, contained on pages 22, 23 and 24, is presented for purposes of additional analysis of the consolidating information rather than to present the financial position, changes in net assets, and cash flows of the individual locations. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and, in our opinion, is presented fairly, in all material respects, in relation to the consolidated financial statements taken as a whole.

The supplemental information accompanying the consolidated financial statements contained on pages 25 and 26 is presented only for additional analysis purposes. We have not audited or reviewed the accompanying supplemental information and, accordingly, do not express an opinion or any other form of assurance on such information.

Clifton Gunderson LLP

Phoenix, Arizona
January 18, 2011

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 667,974	\$ 1,279,847
Restricted cash and cash equivalents	-	12,764
Accounts receivable, net of allowance for doubtful accounts of \$219,055 in 2010 and \$225,218 in 2009	5,029,055	3,663,944
Contributions receivable	-	59,000
Property, plant and equipment, net	8,862,493	9,515,530
Other assets	<u>575,344</u>	<u>451,752</u>
TOTAL ASSETS	<u>\$ 15,134,866</u>	<u>\$ 14,982,837</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 2,640,882	\$ 2,554,912
Accrued expenses	2,242,706	2,033,361
Line of credit	2,540,581	1,757,284
Notes payable	10,026,984	9,541,161
Deferred revenues	121,066	271,701
Liability to partnership in excess of basis	<u>276,395</u>	<u>297,068</u>
Total liabilities	<u>17,848,614</u>	<u>16,455,487</u>
NET ASSETS		
Unrestricted – partially designated	(3,075,774)	(1,881,135)
Temporarily restricted	177,248	224,726
Permanently restricted	<u>184,778</u>	<u>183,759</u>
Total net assets	<u>(2,713,748)</u>	<u>(1,472,650)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,134,866</u>	<u>\$ 14,982,837</u>

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

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2010 and 2009

	2010			2009			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
SUPPORT AND REVENUES							
Program income – government assistance	\$ 28,252,357	\$ -	\$ -	\$ 26,563,683	\$ -	\$ -	\$ 26,563,683
Special events, net	2,957,993	15,399	-	4,374,185	3,543	-	4,377,728
Direct mail and other	147,049	-	-	199,251	-	-	199,251
Foundations, corporations, individuals and organizations	4,897,130	173,963	1,019	4,204,056	339,869	33,759	4,577,684
Contributed goods and services	1,303,476	-	-	1,134,900	-	-	1,134,900
Other	315,998	-	-	369,011	-	-	369,011
Total support and revenues	37,874,003	189,362	1,019	36,845,086	343,412	33,759	37,222,257
NET ASSETS RELEASED FROM RESTRICTION	236,840	(236,840)	-	440,863	(440,863)	-	-
RECLASSIFICATION OF BOARD DESIGNATED AMOUNTS	-	-	-	407,820	-	(407,820)	-
Total support and revenues and net assets released from restrictions	38,110,843	(47,478)	1,019	37,693,769	(97,451)	(374,061)	37,222,257
FUNCTIONAL EXPENSES AND LOSSES							
Program services							
Residential treatment	19,936,822	-	-	20,557,031	-	-	20,557,031
Hotline	639,501	-	-	877,339	-	-	877,339
Public awareness	761,274	-	-	1,061,069	-	-	1,061,069
Educational programs	3,043,131	-	-	3,255,561	-	-	3,255,561
Foster care	3,998,077	-	-	3,791,820	-	-	3,791,820
Advocacy/diagnostic services	6,454,499	-	-	6,820,052	-	-	6,820,052
Total program services	34,833,304	-	-	36,362,872	-	-	36,362,872
Support services							
Management and general	1,818,788	-	-	1,679,469	-	-	1,679,469
Fund-raising	2,533,856	-	-	2,562,152	-	-	2,562,152
Total support services	4,352,644	-	-	4,241,621	-	-	4,241,621
Total functional expenses	39,185,948	-	-	40,604,493	-	-	40,604,493
Losses							
Provision for doubtful accounts	119,534	-	-	142,973	-	-	142,973
Total functional expenses and losses	39,305,482	-	-	40,747,466	-	-	40,747,466
CHANGES IN NET ASSETS	(1,194,639)	(47,478)	1,019	(3,053,697)	(97,451)	(374,061)	(3,525,209)
NET ASSETS, BEGINNING OF YEAR	(1,881,135)	224,726	183,759	1,172,562	322,177	557,820	2,052,559
NET ASSETS, END OF YEAR	\$ (3,075,774)	\$ 177,248	\$ 184,778	\$ (1,881,135)	\$ 224,726	\$ 183,759	\$ (1,472,650)

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

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010

	Program Services						Support Services			Total Functional Expenses	
	Residential Treatment	Hotline	Public Awareness	Educational Programs	Foster Care	Advocacy/Diagnostic Services	Total Program Services	Management and General			Total Support Services
								Fund-Raising	Support Services		
Salaries	\$ 12,613,197	\$ 370,476	\$ 301,976	\$ 2,059,845	\$ 1,481,009	\$ 2,932,139	\$ 19,758,642	\$ 824,047	\$ 829,577	\$ 1,653,624	\$ 21,412,266
Payroll taxes and employee benefits	2,274,366	50,420	47,257	308,891	260,912	486,917	3,428,763	125,389	102,705	228,094	3,656,857
Total salaries and related expenses	14,887,563	420,896	349,233	2,368,736	1,741,921	3,419,056	23,187,405	949,436	932,282	1,881,718	25,069,123
Automobiles and travel	221,375	4,347	85,299	49,683	83,322	113,292	557,318	51,906	250,934	302,840	860,158
Children's clothing and related needs	312,030	-	-	-	59,698	51,599	423,327	-	530	-	423,857
Cost of materials for resale	-	-	-	-	-	62,172	62,172	-	-	-	62,172
Conferences and meetings	18,454	66	2,187	4,907	8,977	25,230	59,821	1,681	1,588	3,269	63,090
Dues and subscriptions	30,679	347	206	939	9,483	28,117	69,771	2,720	6,473	9,193	78,964
Food	729,959	-	-	227,867	51	33,390	991,267	-	61,761	61,761	1,053,028
Foster care	-	-	-	-	1,527,788	25	1,527,813	-	-	-	1,527,813
Insurance and taxes	189,168	7	4,551	26,496	14,095	39,941	274,258	4,930	3,839	8,769	283,027
Interest	404,102	9,686	3,379	46,091	60,578	123,986	647,822	509,973	12,686	522,659	1,170,481
Licensing	16,545	8	1,063	3,247	7,408	20,017	48,288	1,484	848	2,332	50,620
Maintenance and repairs	537,328	11,013	7,146	49,234	64,650	147,650	817,021	26,264	82,558	108,822	925,843
Medical	410,989	-	-	-	1,490	1,016,520	1,428,999	-	-	-	1,428,999
Postage	34,637	509	23,958	1,774	8,887	19,308	89,073	8,293	20,136	28,429	117,502
Printing and publishing	3,073	853	68,267	254	7,451	9,451	89,349	2,334	18,081	20,415	109,764
Professional services	272,637	5,663	128,731	21,179	145,372	169,031	742,613	93,935	406,331	500,266	1,242,879
Promotion and recruitment	57,137	3,058	(27,212)	4,748	18,298	42,638	98,667	15,159	326,784	341,943	440,610
Recreation and special education	160,790	-	-	31,837	912	1,736	195,275	-	-	-	195,275
Rent	238,065	74,225	74,712	7,721	102,207	710,984	1,207,914	81,596	102,139	183,735	1,391,649
Supplies	188,566	2,332	16,445	113,387	41,188	88,364	450,282	20,504	289,195	309,699	759,981
Telephone	169,711	95,275	12,530	17,315	41,589	71,493	407,913	29,620	12,475	42,095	450,008
Utilities	383,230	6,586	6,595	67,112	31,688	95,662	590,873	12,123	3,169	15,292	606,165
Total functional expenses before depreciation and amortization	19,266,038	634,871	757,090	3,042,527	3,977,053	6,289,662	33,967,241	1,811,958	2,531,809	4,343,767	38,311,008
Depreciation and amortization	670,784	4,630	4,184	604	21,024	164,837	866,063	6,830	2,047	8,877	874,940
TOTAL FUNCTIONAL EXPENSES	\$ 19,936,822	\$ 639,501	\$ 761,274	\$ 3,043,131	\$ 3,998,077	\$ 6,454,499	\$ 34,833,304	\$ 1,818,788	\$ 2,533,856	\$ 4,352,644	\$ 39,185,948

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

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	Program Services						Support Services				Total Functional Expenses
	Residential Treatment	Hotline	Public Awareness	Educational Programs	Foster Care	Advocacy/Diagnostic Services	Total Program Services	Management and General	Fund-Raising	Support Services	
Salaries	\$ 12,918,594	\$ 506,483	\$ 358,893	\$ 2,216,836	\$ 1,357,010	\$ 2,938,199	\$ 20,296,015	\$ 810,361	\$ 771,021	\$ 1,581,382	\$ 21,877,397
Payroll taxes and employee benefits	2,425,295	67,737	49,033	331,393	229,226	502,014	3,604,698	118,497	95,943	214,440	3,819,138
Total salaries and related expenses	15,343,889	574,220	407,926	2,548,229	1,586,236	3,440,213	23,900,713	928,858	866,964	1,795,822	25,696,535
Automobiles and travel	198,014	11,921	84,987	49,670	107,811	121,357	573,760	55,345	239,107	294,452	868,212
Children's clothing and related needs	273,837	-	-	-	62,482	41,247	377,566	-	-	-	377,566
Cost of materials for resale	-	-	-	-	-	71,188	71,188	-	-	-	71,188
Conferences and meetings	21,616	66	982	2,297	10,986	35,748	71,695	926	648	1,574	73,269
Dues and subscriptions	28,962	1,082	2,687	2,565	19,729	22,729	77,754	4,769	4,863	9,632	87,386
Food	794,044	-	-	254,915	1,208	31,272	1,081,439	-	77,908	77,908	1,159,347
Foster care	-	-	-	-	1,373,381	-	1,373,381	-	-	-	1,373,381
Insurance and taxes	186,809	3,676	4,862	31,874	12,431	42,969	282,621	4,058	15,086	19,144	301,765
Interest	315,596	21,193	27,000	41,105	49,755	95,304	549,953	365,980	29,016	394,996	944,949
Licensing	12,341	460	608	996	8,903	2,880	26,188	605	482	1,087	27,275
Maintenance and repairs	562,126	16,141	8,549	61,591	38,810	139,368	826,585	19,813	78,413	98,226	924,811
Medical	306,986	-	-	-	419	996,913	1,304,318	-	-	-	1,304,318
Miscellaneous	34,656	2,053	6,021	4,632	6,699	44,331	98,392	4,756	20,040	24,796	123,188
Parent activities assistance	20	-	-	-	-	-	20	-	-	-	20
Postage	36,380	3,869	29,996	4,685	14,210	34,267	123,407	10,196	18,177	28,373	151,780
Printing and publishing	3,971	2,135	43,336	90	9,208	19,721	78,461	16,670	34,302	50,972	129,433
Professional services	473,239	41,315	307,555	60,924	198,255	528,920	1,610,208	116,754	524,817	641,571	2,251,779
Promotion and recruitment	34,923	639	17,655	2,452	51,527	9,599	116,795	15,236	97,084	112,320	229,115
Recreation and special education	202,639	-	-	31,904	1,413	1,930	237,886	-	-	-	237,886
Rent	262,198	79,752	75,911	11,311	97,341	692,360	1,218,873	77,860	69,782	147,642	1,366,515
Supplies	161,993	6,116	19,215	104,192	39,330	96,878	427,724	20,114	467,918	488,032	915,756
Telephone	135,935	98,548	12,879	21,415	45,643	71,738	386,158	19,241	12,326	31,567	417,725
Utilities	448,572	7,085	6,517	19,946	31,621	101,817	615,558	11,605	3,113	14,718	630,276
Total functional expenses before depreciation and amortization	19,838,746	870,271	1,056,686	3,254,793	3,767,398	6,642,749	35,430,643	1,672,786	2,560,046	4,232,832	39,663,475
Depreciation and amortization	718,285	7,068	4,383	768	24,422	177,303	932,229	6,683	2,106	8,789	941,018
TOTAL FUNCTIONAL EXPENSES	\$ 20,557,031	\$ 877,339	\$ 1,061,069	\$ 3,255,561	\$ 3,791,820	\$ 6,820,052	\$ 36,362,872	\$ 1,679,469	\$ 2,562,152	\$ 4,241,621	\$ 40,604,493

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

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,241,098)	\$ (3,525,209)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Provision for doubtful receivables	119,534	142,973
Net realized and unrealized gains on investments	-	(1,097)
Loss on sale of asset	82,716	65,818
Donated vehicles and gemstones	(211,455)	(25,920)
Depreciation and amortization	874,940	941,018
Equity in earnings of partnership	(76,073)	(83,847)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(1,484,645)	(555,382)
Contributions receivable	59,000	(12,695)
Other assets	28,578	82,671
Accounts payable	85,970	1,020,728
Accrued expenses	460,464	74,230
Deferred revenues	<u>(150,635)</u>	<u>173,372</u>
Net cash used in operating activities	<u>(1,452,704)</u>	<u>(1,703,340)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from restricted cash	12,764	-
Maturity of investments	-	201,462
Purchases of property, plant and equipment	(245,334)	(326,707)
Distributions from partnership	<u>55,400</u>	<u>25,000</u>
Net cash used in investing activities	<u>(177,170)</u>	<u>(100,245)</u>

(Continued)

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	850,000	1,973,717
Net changes in line of credit	783,297	1,757,284
Principal payments on notes payable	<u>(615,296)</u>	<u>(2,154,749)</u>
Net cash provided by financing activities	<u>1,018,001</u>	<u>1,576,252</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (611,873)	 (227,333)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>1,279,847</u>	 <u>1,507,180</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 667,974</u>	 <u>\$ 1,279,847</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 1,018,313</u>	<u>\$ 858,929</u>
Accrued interest added to notes payable	<u>\$ 251,119</u>	<u>\$ -</u>

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

CHILDHHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Childhelp, Inc. (Childhelp) is a California not-for-profit corporation formed to meet the physical, emotional, educational and spiritual needs of abused and neglected children through focusing its efforts and resources in the areas of treatment, prevention, and research. Childhelp's activities include residential treatment centers, children's advocacy and diagnostic centers, child abuse prevention programs, non-public schools, foster family agencies and a national telephone hotline that was established to assist children and their families, many of whom are in crisis situations. Childhelp's activities are primarily conducted in Arizona, California, Colorado, Michigan, Tennessee, and Virginia.

An affiliated organization (the affiliate) carries out programs that complement the activities of Childhelp. The affiliate is Childhelp Lifeline Empowerment Trust. The activities of this affiliated organization have been consolidated with those of Childhelp. All inter-company transactions and balances have been eliminated in consolidation.

Basis of Presentation

Childhelp prepares its consolidated financial statements in accordance with the *American Institute of Certified Public Accountants Audit and Accounting Guide for Not-For-Profit Organizations* (Audit Guide). Under the Audit Guide, Childhelp is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Childhelp and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of Childhelp.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of Childhelp and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated financial statements as net assets released from restriction. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. Contributions of land, building, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with donor stipulations are reported as revenues of temporarily restricted net assets. The restrictions are considered to be released at the time such long-lived assets are placed in service.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that require that the amounts be invested in perpetuity. Income and gains relating to such contributions are available for the general operations of Childhelp.

CHILDHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of 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.

Cash and Cash Equivalents

Childhelp considers money market funds and short-term investments purchased with an original maturity less than ninety days to be cash equivalents. The Organization maintains all of its cash and temporary investments in several commercial banks.

Contributions

Contributions, including unconditional promises to give, that are expected to be collected within one year are recorded as support at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded as a contribution receivable at the present value of their estimated future cash flow. The discounts on those amounts are computed using interest rates commensurate with the risks involved applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed Goods and Services

The value of significant contributed goods and services is reflected as contributions in the accompanying consolidated financial statements and are recorded at the fair value of such goods and services at the date of donations.

Contributed services are recognized 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. In addition to contributed goods and services meeting the aforementioned criteria and that have been recorded in the accompanying consolidated financial statements, Childhelp receives significant amounts of contributed time from volunteers that do not meet the recognition criteria described above. As such, the value of this contributed time has not been determined and is not reflected in the accompanying consolidated financial statements.

Program Income

Program service revenues consist of governmental reimbursements at contracted rates for residential treatment based programs. Program service fees are recognized when earned. Monies received in advance of being earned are recognized as deferred revenues.

CHILDHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are uncollateralized receivables generated from providing program services based on contractual arrangements with state and local agencies and are stated at the invoice amount and are due upon presentation. Generally, account balances with invoices over ninety days old are considered delinquent. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific accounts and the aging of the accounts receivable. If there is a deterioration of the credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due Childhelp could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Investments

Childhelp also has a partnership interest with an unrelated organization to own and manage an office building in Scottsdale, Arizona. Childhelp's 50% interest in this partnership is recorded using the equity method.

Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost and donated property and equipment are recorded at fair value at the date of gift. Depreciation is provided using the straight-line method over their respective estimated useful lives, which range from 3 to 40 years.

Copyrights and trademarks are amortized using the straight-line method over their estimated useful lives of 7 years.

Impairment of Long-Lived Assets

Childhelp reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Expense Allocation

Expenses that can be specifically identified with a particular program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by Childhelp's management.

CHILDHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred.

Income Taxes

Childhelp has received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a).

Income determined to be unrelated business taxable income (UBTI) would be taxable. The federal and state corporate tax returns of the Organization for 2007, 2008 and 2009 are subject to examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2010</u>	<u>2009</u>
Unrestricted cash and cash equivalents:		
Cash in bank	\$ 643,617	\$ 1,249,140
Cash on hand	14,000	13,400
Money market funds	<u>10,357</u>	<u>17,307</u>
Total unrestricted cash and cash equivalents	<u>\$ 667,974</u>	<u>\$ 1,279,847</u>
Restricted cash and cash equivalents:		
Cash in bank	<u>\$ -</u>	<u>\$ 12,764</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2010 and 2009, totaled \$0 and \$59,000, respectively. As of June 30, 2009, there was no allowance as management believed the amount was fully collectible.

CHILDHHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 4 – INVESTMENT IN PARTNERSHIP

During 1994, Childhelp, through the Childhelp Lifeline Empowerment Trust, entered into a partnership agreement with an unrelated organization to own and manage an office building in Scottsdale, Arizona, which Childhelp also occupies. Childhelp has contributed approximately \$393,000 since inception and maintains a 50% partnership interest. Allocations of net profits and losses and distributions of cash flows are to be made to the partners on a pro rata basis generally in accordance with the respective capital balances of the partners and as further described in the partnership agreement.

The partnership's unaudited financial statements as of and for the year ended June 30, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Current assets	\$ 145,811	\$ 158,443
Other assets	14,073	15,656
Land and building, net	<u>1,154,304</u>	<u>1,191,077</u>
Total assets	<u>\$ 1,314,188</u>	<u>\$ 1,365,176</u>
Current liabilities	\$ 712	\$ 700
Mortgage payable	<u>1,883,268</u>	<u>1,975,614</u>
Total liabilities	<u>1,883,980</u>	<u>1,976,314</u>
Partners' deficiency:		
Childhelp	(276,395)	(297,068)
Other partner	<u>(293,397)</u>	<u>(314,070)</u>
Total partners' deficiency	<u>(569,792)</u>	<u>(611,138)</u>
Total liabilities and partners' deficiency	<u>\$ 1,314,188</u>	<u>\$ 1,365,176</u>
Revenues	\$ 409,939	\$ 427,138
Expenses	<u>(257,794)</u>	<u>(259,450)</u>
Net income	<u>\$ 152,145</u>	<u>\$ 167,688</u>

Partnership profits allocated to Childhelp totaled \$76,073 and \$83,847 and Childhelp received cash distributions totaling \$55,400 and \$25,000 for the years ended June 30, 2010 and 2009, respectively. In connection with a refinancing in fiscal 2004, the partnership obtained an appraisal in August 2003, concluding on a fair value of approximately \$3.2 million (unaudited) on the underlying building.

Additionally, Childhelp entered into a lease and option-to-purchase agreement with the partnership in July 1994. Under this agreement, Childhelp pays approximately \$28,000 monthly for the use of office space (see Note 8). The lease expires in 2015.

CHILDEHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 2,686,206	\$ 2,686,206
Building and improvements	16,308,027	16,268,514
Furniture, fixtures and equipment	2,873,775	2,834,333
Vehicles	1,146,131	1,421,635
Construction in progress	95,735	29,192
Copyrights/trademark	<u>83,974</u>	<u>208,974</u>
 Total	 23,193,848	 23,448,854
Less accumulated depreciation and amortization	<u>(14,331,355)</u>	<u>(13,933,324)</u>
 Property, plant and equipment, net of accumulated depreciation and amortization	 <u>\$ 8,862,493</u>	 <u>\$ 9,515,530</u>

Childhelp had no assets held under capital leases at June 30, 2010 and 2009, respectively.

Copyrights and trademarks were purchased during the year ended June 30, 2008, for \$125,000 and sold back to the previous owner in the year ended June 30, 2010. Amortization expense totaled \$23,901 and \$27,854 for the years ended June 30, 2010 and 2009, respectively.

Total depreciation and amortization expense was \$874,940 and \$941,018 for the years ended June 30, 2010 and 2009, respectively.

NOTE 6 – LINE OF CREDIT

Childhelp entered into a revolving line of credit and security agreement with CapitalSource Finance, LLC in October 2008 with a maximum principal amount of \$3,000,000. The line of credit bears interest at LIBOR plus 4.25%, is secured by trade receivables and the Tennessee property, and matures in October 2011. The balance outstanding as of June 30, 2010 and 2009 was \$2,540,581 and \$1,757,284, respectively.

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2010</u>	<u>2009</u>
Note payable to a bank (Bank of America, successor to First Republic Mortgage); original amount of \$4,000,000; payable in monthly interest only installments of \$18,068, at 7.10%, through June 2009; thereafter, principal installments of \$41,666 plus interest at 7.1% through January 2012; secured by property.	\$ 2,553,731	\$ 3,053,723

CHILDHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 7 – NOTES PAYABLE (CONTINUED)

	<u>2010</u>	<u>2009</u>
Note payable to a bank; original amount of \$1,342,250; payable in monthly interest only installments of \$6,655, at 5.95% for the first ten years through November 2015, then principal and interest payments through November 2035; secured by property.	1,342,250	1,342,250
Notes payable to individuals; original amounts aggregating \$3,525,000; interest ranging from 3% to 10% payable in monthly and quarterly installments; revised note agreements, principal due at maturity through June 30, 2015; secured by subordinated deeds on the Virginia property (Tyler Village).	4,277,773	2,871,026
Various notes payable to banks; payable in monthly installments ranging from approximately \$735 to \$4,180, including interest ranging from 6% to 8.5%; due at various dates through 2017; secured by first and second deeds of trust on Arizona property.	1,159,301	1,177,247
Note payable to a bank; original amount of \$1,000,000; payable in monthly installments of \$5,556, plus interest at the one-month LIBOR rate plus 1.75%. Note renegotiated January 2009; payable in monthly installments of \$7,133, including interest at 5.75%, through February 1, 2014; secured by deed of trust on the Virginia property (Tyler Village).	563,494	614,604
Various notes payable to banks; payable in monthly installments ranging from approximately \$360 to \$410, including interest ranging from 3.9% to 11.7%; through March 2013; secured by vehicles.	60,967	80,644
Notes payable to individual; original amounts of \$485,000 including interest at 10%; principal and interest payments of \$31,333 payable monthly; revised to 8% interest and monthly principal and interest payments of \$6,026; maturity date extended through December 31, 2011.	<u>69,468</u>	<u>401,667</u>
Total notes payable	<u>\$ 10,026,984</u>	<u>\$ 9,541,161</u>

CHILDHHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 7 – NOTES PAYABLE (CONTINUED)

Future maturities of notes payable are as follows:

2011	\$ 1,833,915
2012	3,594,972
2013	552,219
2014	680,822
2015	818,536
Thereafter	<u>2,546,520</u>
Total	<u>\$ 10,026,984</u>

Childhelp is required to comply with restrictive debt covenants with respect the CapitalSource Finance, LLC revolving credit agreement identified above. Childhelp failed to comply with certain restrictive debt covenants as of June 30, 2010 and through September 30, 2010. The debt covenant violations were waived by the finance company subsequent to June 30, 2010 (see Note 17).

In connection with the terms of notes payable to individuals, Childhelp is required to establish an interest reserve equal to one year's interest on the outstanding principal balance of the notes. The balance of the required reserve at June 30, 2010 and 2009, was \$279,534 and \$90,000, respectively, and is included in cash and cash equivalents on the accompanying consolidated statements of financial position.

NOTE 8 – OPERATING LEASES

Childhelp rents certain facilities and equipment under various operating lease agreements. The following is a schedule of the future minimum lease payments for leases that have a remaining noncancelable term in excess of one year:

2011	\$ 1,005,340
2012	793,076
2013	774,842
2014	773,761
2015	700,531
Thereafter	<u>367,421</u>
Total	<u>\$ 4,414,971</u>

Lease expense for all operating leases was approximately \$1,392,000 and \$1,367,000 for the years ended June 30, 2010 and 2009, respectively.

CHILDHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 9 – NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Capital expenditures	\$ 99,698	\$ 103,063
Residential treatment program	12,609	-
Advocacy/diagnostic services	13,941	121,663
Public awareness	51,000	-
Total	<u>\$ 177,248</u>	<u>\$ 224,726</u>

Permanently Restricted Net Assets

Childhelp's endowment consists of four individual funds established for general program purposes. The income earned on the endowment is available for general program purposes. Its endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and are reported entirely as permanently restricted net assets. All realized investment income is expended in unrestricted net assets.

The Board of Directors of Childhelp has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Childhelp classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 SPMIFA. In accordance with SPMIFA, 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 fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) The possible effects of market volatility
- (4) The expected total return from income and the appreciation of investments
- (5) The investment policies of the organization

The endowment net asset composition by type of fund as of June 30, 2010, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$(184,778)</u>	<u>\$ -</u>	<u>\$184,778</u>	<u>\$ -</u>

CHILDHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 9 – NET ASSETS (CONTINUED)

The endowment net asset composition by type of fund as of June 30, 2009, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$(183,759)	\$ -	\$183,759	\$ -

As described in Note 16, Childhelp did not generate sufficient revenue and other support to sustain operations and was required to use restricted and designated net assets to fund operations.

The changes in endowment net assets for the year ended June 30, 2010 and 2009 follows:

Endowment net assets, June 30, 2008	\$ 557,820
Acquired endowment	33,759
Investment return:	
Net depreciation (realized and unrealized)	-
Reclassification of Board designated endowments	<u>(407,820)</u>
Endowment net assets, June 30, 2009	183,759
Acquired endowment	675
Investment return:	
Net depreciation (realized and unrealized)	<u>344</u>
Endowment net assets, June 30, 2010	<u>\$ 184,778</u>

Board Designated Net Assets

The Board of Directors has designated certain net assets for the purpose of funding the development of new Childhelp programs in various locations, as well as existing programs. Board designated funds were as follows:

	<u>2010</u>	<u>2009</u>
Michigan foster care program	\$ <u>72,549</u>	\$ <u>83,356</u>

A summary of net assets released from restriction follows:

	<u>2010</u>	<u>2009</u>
Capital expenditures	\$ 74,663	\$ 287,940
Residential treatment	71,212	97,029
Diagnostic services	31,965	55,894
Public awareness	<u>59,000</u>	<u>-</u>
Total	<u>\$ 236,840</u>	<u>\$ 440,863</u>

CHILDHHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 10 – CONTRIBUTED GOODS AND SERVICES

In connection with its advocacy/diagnostic programs, Childhelp received contributions of various medical services including those of physicians, nurse practitioners, and therapeutic psychologists, totaling approximately \$904,000 and \$974,000 for the years ended June 30, 2010 and 2009, respectively. These contributions benefited Childhelp's advocacy/diagnostic service operations and are reflected in the accompanying consolidated statements of activities and changes in net assets as contributed goods and services and program expenses.

Additional contributions of approximately \$156,000 and \$135,000 for the years ended June 30, 2010 and 2009, respectively, consisting of equipment, teaching services, food, toys, clothing and other program related donations are recorded in the accompanying consolidated statements of activities and changes in net assets as contributed goods and services and expensed according to the program or supporting service benefited.

Other contributed goods and services of approximately \$30,000 for the year ended June 30, 2010, consisted of other non-program donations. Additionally, eight vehicles valued at approximately \$59,000 and six vehicles valued at \$26,000 were donated to Childhelp during the fiscal years ended June 30, 2010 and 2009, respectively. Lastly, ruby gemstones with an approximate value of \$152,000 were donated to Childhelp during the fiscal year ended June 30, 2010.

NOTE 11 – SPECIAL EVENTS

Childhelp is a beneficiary of various recurring special events conducted by chapters and auxiliaries in various cities and states around the United States, as well as for events sponsored by Childhelp's national headquarters and other third parties. Though conducted in various states, the majority of event proceeds are forwarded to the national headquarters for determination of the use of such proceeds. A summary of special events conducted by state follows:

	<u>2010</u>	<u>2009</u>
Arizona (including national headquarters)	\$ 1,604,462	\$ 3,087,056
California	1,021,077	796,475
Colorado	4,160	12,063
Michigan	144,348	101,114
Tennessee	68,180	166,036
Virginia	<u>131,165</u>	<u>214,984</u>
Total	<u>\$ 2,973,392</u>	<u>\$ 4,377,728</u>

NOTE 12 – DEFINED CONTRIBUTION PLANS

The Organization sponsors defined contribution plans that covers employees who meet each plan's eligibility requirements. There were no matching contributions for the years ended June 30, 2010 and 2009.

CHILDHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 13 – CONTINGENCIES

Legal Matters

In the ordinary course of business, Childhelp is subject to certain lawsuits and other potential legal actions. In the opinion of management and outside counsel, such matters will not have a material adverse effect on the financial position, changes in net assets and net assets of Childhelp.

Federal Grants

Childhelp participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, Childhelp's compliance with applicable grant or contract requirements may be established at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although Childhelp's management expects such amounts, if any, to be immaterial.

NOTE 14 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2010 and 2009, Childhelp entered into the following related party transactions:

- Effective August 1, 2007, the Board elected to employ a board member on a part time basis with an annual salary and benefits. The Board member resigned employment in October 2010.
- Effective April 28, 2008 and renewed through March 31, 2010, Childhelp entered into an agreement with a law firm owned by a board member. Under the terms of this agreement, the law firm earned \$5,000 per month to provide lobbying services. \$55,000 and \$45,000 were recognized in the years ended June 30, 2010 and 2009, respectively.
- Effective June 1, 2008 and renewed through ending May 31, 2011, Childhelp entered into an agreement with a consulting company owned by a board member's family. Under the terms of this agreement the firm earned \$2,000 to provide human resources testing services in the years ended June 30, 2010 and 2009.
- Contributions totaling \$59,852 and \$324,258 for the years ended June 30, 2010 and 2009, respectively, were made by members of the National Board of Directors.
- Notes payable include: 1) approximately \$2,100,000 payable to the Childhelp President, 2) \$60,000 payable to the Childhelp Chief Executive Officer, and 3) \$600,000 payable to a relative of a member of the Board of Directors. In the opinion of management, the terms of these notes were similar to those of third parties.

Each of the above transactions is considered to approximate the fair value for the related services provided.

CHILDHHELP, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 15 – CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject Childhelp to concentrations of credit risk consist principally of cash and accounts receivable. Childhelp places its cash with high-credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. At various times throughout the year, the Organization's cash balances may exceed the federally insured limits. Management believes there are no unusual risks associated with the current depository institutions. Approximately 44% of accounts receivable is derived from Virginia and West Virginia Medicaid as well as counties in Virginia and California.

NOTE 16 – LIQUIDITY

The accompanying consolidated financial statements have been prepared assuming the realization of assets and satisfactions of liabilities in the normal course of business, which contemplate continuation of Childhelp as a going concern. However, Childhelp has continued to sustain losses, negative cash flows from operations, reduced cash reserves and it violated certain restrictive debt covenants as of June 30, 2010. However, management believes that Childhelp will achieve positive cash flows from operations for the year ending June 30, 2011, along with a positive change in net assets. To date, Childhelp has financed its operations through the sale of appreciated assets and loans from the founders. Management will be required to increase contributions, reduce expenses, restructure long-term debt, extend the payment terms of existing long-term debt and related party debt, reduce or eliminate programs, and/or sell appreciated assets to achieve profitability and positive cash flows from operations. It is management's opinion that they have the necessary resources to service its debt obligations through December 31, 2011.

NOTE 17 – SUBSEQUENT EVENTS

On January 10, 2011, Capital Source Finance, LLC waived Childhelp's debt covenant violations through September 30, 2010. The Founders have also extended the due dates of the notes payable to them from Childhelp.

Management evaluated subsequent events through January 18, 2011, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to January 18, 2011, that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the consolidated financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2010.

This information is an integral part of the accompanying consolidated financial statements.

SUPPLEMENTAL INFORMATION

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2010

ASSETS

	Arizona Operations (Including Headquarters)	California Operations	Virginia Operations	Tennessee Operations	Childhelp Lifeline Empowerment Trust	Eliminations	Total
Assets:							
Cash and cash equivalents	\$ 419,040	\$ (122,442)	\$ 117,789	\$ 253,587	\$ -	\$ -	\$ 667,974
Accounts receivable, net	857,974	1,918,378	2,087,438	165,265	-	-	5,029,055
Property, plant and equipment, net	1,879,237	2,686,545	3,014,245	1,282,466	-	-	8,862,493
Other assets	470,849	58,744	43,385	2,366	-	-	575,344
Inter-company receivables	<u>10,373,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>887,557</u>	<u>(11,260,577)</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 14,000,120</u>	<u>\$ 4,541,225</u>	<u>\$ 5,262,857</u>	<u>\$ 1,703,684</u>	<u>\$ 887,557</u>	<u>\$ (11,260,577)</u>	<u>\$ 15,134,866</u>

LIABILITIES AND NET ASSETS

Liabilities:							
Accounts payable	\$ 1,596,665	\$ 703,350	\$ 259,606	\$ 78,261	\$ 3,000	\$ -	\$ 2,640,882
Accrued expenses	722,331	981,647	538,728	-	-	-	2,242,706
Line of credit	2,540,581	-	-	-	-	-	2,540,581
Notes payable	9,976,421	50,563	-	-	-	-	10,026,984
Deferred revenues	115,441	-	5,625	-	-	-	121,066
Liability to partnership in excess of basis	-	-	-	-	276,395	-	276,395
Inter-company payables	<u>-</u>	<u>7,332,158</u>	<u>2,820,700</u>	<u>1,107,719</u>	<u>-</u>	<u>(11,260,577)</u>	<u>-</u>
Total liabilities	<u>14,951,439</u>	<u>9,067,718</u>	<u>3,624,659</u>	<u>1,185,980</u>	<u>279,395</u>	<u>(11,260,577)</u>	<u>17,848,614</u>
Net assets:							
Unrestricted	(1,286,795)	(4,526,493)	1,611,648	517,704	608,162	-	(3,075,774)
Temporarily restricted	150,698	-	26,550	-	-	-	177,248
Permanently restricted	184,778	-	-	-	-	-	184,778
Total net assets	<u>(951,319)</u>	<u>(4,526,493)</u>	<u>1,638,198</u>	<u>517,704</u>	<u>608,162</u>	<u>-</u>	<u>(2,713,748)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,000,120</u>	<u>\$ 4,541,225</u>	<u>\$ 5,262,857</u>	<u>\$ 1,703,684</u>	<u>\$ 887,557</u>	<u>\$ (11,260,577)</u>	<u>\$ 15,134,866</u>

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

	Arizona Operations (Including Headquarters)	California Operations	Virginia Operations	Tennessee Operations	Childhelp Lifeline Empowerment Trust	Total
SUPPORT AND REVENUES						
Program income – government assistance	\$ 2,597,446	\$ 12,031,010	\$ 12,065,955	\$ 1,557,946	\$ -	\$ 28,252,357
Special events	1,901,648	871,329	132,235	68,180	-	2,973,392
Direct mail and other	147,049	-	-	-	-	147,049
Foundations, corporations, individuals and organizations	3,446,205	770,031	503,021	351,855	1,000	5,072,112
Contributed goods and services	1,114,214	139,997	49,265	-	-	1,303,476
Other	91,387	156	136,163	12,219	76,073	315,998
Total support and revenues	<u>9,297,949</u>	<u>13,812,523</u>	<u>12,886,639</u>	<u>1,990,200</u>	<u>77,073</u>	<u>38,064,384</u>

FUNCTIONAL EXPENSES AND LOSSES

Program services						
Residential treatment	1,114,796	9,374,569	9,447,457	-	-	19,936,822
Hotline	639,501	-	-	-	-	639,501
Public awareness	761,274	-	-	-	-	761,274
Educational programs	-	1,779,793	1,263,338	-	-	3,043,131
Foster care	1,334,752	1,345,470	-	1,317,855	-	3,998,077
Advocacy/diagnostic services	4,472,938	-	1,287,408	651,189	42,964	6,454,499
Total program services	<u>8,323,261</u>	<u>12,499,832</u>	<u>11,998,203</u>	<u>1,969,044</u>	<u>42,964</u>	<u>34,833,304</u>

(Continued)

CHILDHELP, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
Year Ended June 30, 2010

	<u>Arizona</u> <u>Operations</u> <u>(Including</u> <u>Headquarters)</u>	<u>California</u> <u>Operations</u>	<u>Virginia</u> <u>Operations</u>	<u>Tennessee</u> <u>Operations</u>	<u>Childhelp</u> <u>Lifeline</u> <u>Empowerment</u> <u>Trust</u>	<u>Total</u>
FUNCTIONAL EXPENSES AND LOSSES						
Support services						
Management and general	\$ 1,818,788	\$ -	\$ -	\$ -	\$ -	\$ 1,818,788
Fund-raising	<u>2,507,411</u>	<u>(292)</u>	<u>23,922</u>	<u>2,815</u>	<u>-</u>	<u>2,533,856</u>
Total support services	<u>4,326,199</u>	<u>(292)</u>	<u>23,922</u>	<u>2,815</u>	<u>-</u>	<u>4,352,644</u>
Total functional expenses	12,649,460	12,499,540	12,022,125	1,971,859	42,964	39,185,948
Provision for doubtful accounts	<u>52,500</u>	<u>30,000</u>	<u>31,400</u>	<u>5,634</u>	<u>-</u>	<u>119,534</u>
Total functional expenses and losses	<u>12,701,960</u>	<u>12,529,540</u>	<u>12,053,525</u>	<u>1,977,493</u>	<u>42,964</u>	<u>39,305,482</u>
CHANGES IN NET ASSETS	<u>(3,404,011)</u>	<u>1,282,983</u>	<u>833,114</u>	<u>12,707</u>	<u>34,109</u>	<u>(1,241,098)</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,452,692</u>	<u>(5,809,476)</u>	<u>805,084</u>	<u>504,997</u>	<u>574,053</u>	<u>(1,472,650)</u>
NET ASSETS, END OF YEAR	<u>\$ (951,319)</u>	<u>\$ (4,526,493)</u>	<u>\$ 1,638,198</u>	<u>\$ 517,704</u>	<u>\$ 608,162</u>	<u>\$ (2,713,748)</u>

CHILDHELP, INC. AND AFFILIATE
SCHEDULE OF FINANCIAL POSITION BASED ON ESTIMATED ASSESSOR VALUES
June 30, 2010
(Unaudited)

ASSETS			
	Historical Cost	Adjustments to Historical Cost	Estimated Assessor Values
ASSETS			
Cash and cash equivalents	\$ 667,974	\$ -	\$ 667,974
Accounts receivable, net	5,029,055	-	5,029,055
Investment in partnership	-	616,906	616,906
Property, plant and equipment, net	8,862,493	12,059,214	20,921,707
Other assets	<u>575,344</u>	<u>-</u>	<u>575,344</u>
TOTAL ASSETS	<u>\$ 15,134,866</u>	<u>\$ 12,676,120</u>	<u>\$ 27,810,986</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 2,640,882	\$ -	\$ 2,640,882
Accrued expenses	2,242,706	-	2,242,706
Line of credit	2,540,581	-	2,540,581
Notes payable	10,026,984	-	10,026,984
Deferred revenues	121,066	-	121,066
Liability to partnership in excess of basis	<u>276,395</u>	<u>(276,395)</u>	<u>-</u>
Total liabilities	<u>17,848,614</u>	<u>(276,395)</u>	<u>17,572,219</u>
NET ASSETS			
Unrestricted – partially designated	(3,075,774)	12,952,515	9,876,741
Temporarily restricted	177,248	-	177,248
Permanently restricted	<u>184,778</u>	<u>-</u>	<u>184,778</u>
Total net assets	<u>(2,713,748)</u>	<u>12,952,515</u>	<u>10,238,767</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,134,866</u>	<u>\$ 12,676,120</u>	<u>\$ 27,810,986</u>

CHILDHELP, INC. AND AFFILIATE
SCHEDULE OF ASSESSOR VALUES
June 30, 2010
(Unaudited)

	Historical Cost Basis, Net Dr (Cr)	Adjustments To Cost Basis Dr (Cr)	Estimated Assessor Value Dr (Cr)	Notes
	Land & Bldgs - ACT	\$ 2,763,294	\$ 2,544,106	\$ 5,307,400
Land & Bldgs - 68th	151,944	189,756	341,700	Adjustment based on February 20, 2010 Assessor notice
Land & Bldgs - Faith	201,928	33,572	235,500	Adjustment based on February 20, 2010 Assessor notice
Land & Bldgs - Hope	145,512	(32,512)	113,000	Adjustment based on February 20, 2010 Assessor notice
Land & Bldgs - Keys	535,912	358,984	894,896	Adjustment based on February 20, 2010 Assessor notice
Land & Bldgs - Love	132,009	(41,009)	91,000	Adjustment based on February 20, 2010 Assessor notice
Land & Bldgs - TEN	1,259,060	845,740	2,104,800	Adjustment based on 2009 Assessor notices
Land & Bldgs - CA Beaumont and Group Homes	2,519,778	8,160,577	10,680,355	Adjustment based on 2009 Assessor notices
Other assets	<u>1,153,056</u>	<u>-</u>	<u>1,153,056</u>	No adjustment
Total property, plant and equipment	<u>\$ 8,862,493</u>	<u>12,059,214</u>	<u>\$ 20,921,707</u>	
Investment in partnership (liability)	<u>\$ (276,395)</u>	<u>893,301</u>	<u>\$ 616,906</u>	Underlying building held by a partnership was adjusted based on an appraisal dated May 1, 2001
Total adjustment to historical cost		<u>\$ 12,952,515</u>		