

CHERRY STREET MISSION MINISTRIES, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Cherry Street Mission Ministries, Inc.
Toledo, Ohio

We have audited the accompanying statements of financial position of Cherry Street Mission Ministries, Inc. (a nonprofit organization) as of December 31, 2009 and 2008 and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherry Street Mission Ministries, Inc. as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

August 16, 2010

William Vaughan Company

CHERRY STREET MISSION MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

ASSETS		
	2009	2008
Current assets		
Cash and cash equivalents	\$ 230,301	\$ 221,594
Pledges and other receivables	636	410
Grants receivable	0	18,000
Inventory	139,370	277,979
Prepaid expenses	20,076	20,089
Total current assets	390,383	538,072
Property and equipment - net (Notes 2, 3 and 7)	1,624,469	1,595,590
Other assets		
Investments (Notes 6 and 11)	183,507	147,286
Beneficial interest in trust (Notes 8 and 11)	145,045	130,334
Deposits	483	483
Total other assets	329,035	278,103
Total assets	\$ 2,343,887	\$ 2,411,765
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 49,290	\$ 12,263
Accrued payroll and payroll taxes	53,083	45,776
Other liabilities (Note 12)	60,519	35,372
Current portion of note payable (Note 7)	6,320	4,501
Current portion of capital lease obligation (Note 3)	4,910	4,250
Total current liabilities	174,122	102,162
Long-term liabilities		
Note payable (Note 7)	82,254	90,165
Capital lease obligation - net of current portion (Note 3)	18,497	5,853
Total liabilities	274,873	198,180
Net assets (Note 5)		
Unrestricted	1,680,011	1,866,790
Temporarily restricted	87,208	45,000
Permanently restricted (Note 10)	301,795	301,795
Total net assets	2,069,014	2,213,585
Total liabilities and net assets	\$ 2,343,887	\$ 2,411,765

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

CHERRY STREET MISSION MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2009 and 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Totals</u>
Public support and revenue				
Public support				
Contributions	\$ 6,555,608	\$ 444,002	\$ 0	\$ 6,999,610
Revenue				
Interest and dividend income (Note 6)	14,217	0	0	14,217
Realized gain on sale of investments (Note 6)	1,084	0	0	1,084
Net unrealized gain on investments and beneficial interest in trust (Note 6)	46,636	0	0	46,636
Loss on disposal of property and equipment	(56,632)	0	0	(56,632)
Miscellaneous	5,855	0	0	5,855
Net assets released from restrictions (Note 5)	401,794	(401,794)	0	0
Total public support and revenue	6,968,562	42,208	0	7,010,770
Expenses				
Program services	5,706,769	0	0	5,706,769
Supporting services:				
Fundraising	1,010,076	0	0	1,010,076
Management and general	438,496	0	0	438,496
Total supporting services	1,448,572	0	0	1,448,572
Total expenses	7,155,341	0	0	7,155,341
Change in net assets	(186,779)	42,208	0	(144,571)
Net assets at beginning of year	1,866,790	45,000	301,795	2,213,585
Net assets at end of year	<u>\$ 1,680,011</u>	<u>\$ 87,208</u>	<u>\$ 301,795</u>	<u>\$ 2,069,014</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Totals</u>
Public support and revenue				
Public support				
Contributions	\$ 5,682,570	\$ 240,296	\$ 0	\$ 5,922,866
Revenue				
Interest and dividend income (Note 6)	17,806	0	0	17,806
Realized loss on sale of investments (Note 6)	(113,455)	0	0	(113,455)
Net unrealized gain (loss) on investments and beneficial interest in trust (Note 6)	(17,816)	0	(37,551)	(55,367)
Loss on disposal of property and equipment	(2,769)	0	0	(2,769)
Miscellaneous	45,974	0	0	45,974
Net assets released from restrictions (Note 5)	195,296	(195,296)	0	0
Total public support and revenue	5,807,606	45,000	(37,551)	5,815,055
Expenses				
Program services	3,739,127	0	0	3,739,127
Supporting services:				
Fundraising	996,357	0	0	996,357
Management and general	550,444	0	0	550,444
Total supporting services	1,546,801	0	0	1,546,801
Total expenses	5,285,928	0	0	5,285,928
Change in net assets	521,678	45,000	(37,551)	529,127
Net assets at beginning of year	1,345,112	0	339,346	1,684,458
Net assets at end of year	<u>\$ 1,866,790</u>	<u>\$ 45,000</u>	<u>\$ 301,795</u>	<u>\$ 2,213,585</u>

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

CHERRY STREET MISSION MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2009 and 2008

	Program Services	Supporting Services		2009 Totals
		Fundraising	Management and General	
Salaries and wages	\$ 1,211,816	\$ 190,344	\$ 109,522	\$ 1,511,682
Payroll tax	88,238	14,378	6,924	109,540
Employee benefits	175,614	30,628	16,460	222,702
Direct mail campaign	4,667	723,308	16,164	744,139
Rent	3,475	0	0	3,475
Vehicle and transportation (Note 3)	16,441	4,330	4,974	25,745
Donated services (Note 4)	102,479	0	0	102,479
Donated clothing (Note 4)	640,883	0	0	640,883
Donated food (Note 4)	2,942,302	0	0	2,942,302
Donated furniture, vehicles, appliances and other (Note 4)	10,800	6,679	0	17,479
Temporary employee services	0	0	0	0
Food supplies	55,956	0	0	55,956
Residents training and education	12,227	0	0	12,227
Other resident assistance	11,516	0	0	11,516
Benevolence fund	0	0	14,901	14,901
Utilities	147,975	1,215	18,404	167,594
Sanitation	20,070	85	1,019	21,174
Telephone	24,948	3,485	9,814	38,247
Computer expenses	7,555	16,426	41,458	65,439
Maintenance and repairs	45,274	0	4,526	49,800
Equipment maintenance	2,269	45	164	2,478
Security	3,449	0	375	3,824
Insurance - property and liability	54,689	9,098	11,735	75,522
Real estate taxes	24,405	0	2,208	26,613
Professional fees	50,106	0	39,372	89,478
Dues and subscriptions	4,357	3,845	11,034	19,236
Banquet and business travel	2,078	1,894	9,646	13,618
Miscellaneous	1,499	0	1,369	2,868
Interest	176	82	7,606	7,864
Fees and bank charges	255	118	10,971	11,344
Office expense	32,825	743	4,867	38,435
Supplies	8,226	0	0	8,226
Mailing and postage	199	3,373	2,483	6,055
Total expenses before depreciation	5,706,769	1,010,076	345,996	7,062,841
Depreciation	0	0	92,500	92,500
Total expenses	<u>\$ 5,706,769</u>	<u>\$ 1,010,076</u>	<u>\$ 438,496</u>	<u>\$ 7,155,341</u>

	Program Services	Supporting Services		2008 Totals
		Fundraising	Management and General	
Salaries and wages	\$ 984,925	\$ 195,079	\$ 171,950	\$ 1,351,954
Payroll tax	71,796	14,170	11,049	97,015
Employee benefits	139,603	32,826	33,857	206,286
Direct mail campaign	597	704,239	16,330	721,166
Rent	7,306	50	1,719	9,075
Vehicle and transportation (Note 3)	21,272	5,963	3,695	30,930
Donated services (Note 4)	122,457	360	0	122,817
Donated clothing (Note 4)	398,461	0	0	398,461
Donated food (Note 4)	1,614,521	0	2,770	1,617,291
Donated furniture, vehicles, appliances and other (Note 4)	12,892	0	22	12,914
Temporary employee services	0	0	866	866
Food supplies	32,610	0	56	32,666
Residents training and education	273	0	0	273
Other resident assistance	4,017	0	188	4,205
Benevolence fund	0	0	15,179	15,179
Utilities	121,141	1,246	28,114	150,501
Sanitation	17,813	84	1,003	18,900
Telephone	15,155	3,269	10,299	28,723
Computer expenses	3,420	16,619	32,020	52,059
Maintenance and repairs	57,410	0	0	57,410
Equipment maintenance	1,206	266	1,448	2,920
Security	2,874	0	1,215	4,089
Insurance - property and liability	40,718	10,179	13,050	63,947
Real estate taxes	2,691	0	14,577	17,268
Professional fees	10,308	0	52,847	63,155
Dues and subscriptions	768	2,471	6,916	10,155
Banquet and business travel	2,444	2,046	16,154	20,644
Miscellaneous	3,388	50	1,719	5,157
Interest	244	237	6,039	6,520
Fees and bank charges	365	354	9,032	9,751
Office expense	46,013	1,274	6,216	53,503
Supplies	2,312	0	4	2,316
Mailing and postage	127	5,575	2,256	7,958
Total expenses before depreciation	3,739,127	996,357	460,590	5,196,074
Depreciation	0	0	89,854	89,854
Total expenses	\$ 3,739,127	\$ 996,357	\$ 550,444	\$ 5,285,928

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

CHERRY STREET MISSION MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (144,571)	\$ 529,127
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	92,500	89,854
Loss on disposal of property and equipment	56,632	2,769
Donation of building	0	(585,197)
Realized (gain) loss on sale of investments	(1,084)	113,455
Net unrealized (gain) loss on investments and beneficial interest in trust	(54,746)	45,755
Changes in net operating assets and liabilities:		
(Increase) decrease in:		
Pledges and other receivables	(226)	5,573
Grants receivable	18,000	(18,000)
Inventory	138,609	(142,060)
Prepaid expenses	13	(5,326)
Increase (decrease) in:		
Accounts payable	37,027	(26,771)
Accrued payroll and payroll taxes	7,307	22,646
Other liabilities	25,147	5,224
Net cash provided by operating activities	174,608	37,049
Cash flows from investing activities		
Proceeds from sale of property and equipment	8,024	9,930
Purchases of property and equipment	(160,231)	(98,200)
Return of trust corpus	8,110	9,612
Proceeds from sale of investments	25,882	14,573
Purchases of investments	(29,094)	(27,088)
Net cash used in investing activities	(147,309)	(91,173)
Cash flows from financing activities		
Payments on long-term note payable	(6,092)	(1,334)
Payments on capital lease obligation	(12,500)	(3,901)
Net cash used in financing activities	(18,592)	(5,235)
Net increase (decrease) in cash and cash equivalents	8,707	(59,359)
Cash and cash equivalents at beginning of period	221,594	280,953
Cash and cash equivalents at end of period	\$ 230,301	\$ 221,594
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 7,864	\$ 6,520
Non-cash transactions:		
Capital lease obligation related to acquisition of office equipment	\$ 25,804	\$ 0
Borrowings on note payable related to purchase of building	\$ 0	\$ 96,000

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

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

Note 1 - Summary of significant accounting policies

Nature of business

Cherry Street Mission Ministries, Inc. (the Mission) is a non-profit organization organized to present the gospel of Jesus Christ to the homeless through the provision of shelter, meals, and other emergency services in Toledo, Ohio. Men and women stay in separate facilities owned by the Mission. Residents are provided with counseling services to help them obtain permanent housing, employment, financial assistance, and to help them with substance abuse problems. The Mission is supported primarily through donor contributions.

Federal income taxes

The Mission is exempt from federal income taxes as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Accounting for uncertainty in income taxes

Effective for the year ended December 31, 2009, the Mission adopted the provisions of FASB ASC 740, *Income Taxes* (FASB ASC 740), related to accounting for uncertainty in income taxes on any unrelated business income. The Mission files an informational return in the U.S. federal jurisdiction and also in Ohio. Tax returns for all years after 2005 are subject to future examinations by tax authorities. The implementation of FASB ASC 740 had no effect on the Mission's financial statements for the year ended December 31, 2009.

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.

Cash and cash equivalents

The Mission considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Mission maintains cash in bank deposit accounts at high quality financial institutions and balances, at times, exceed federally insured limits. As of December 31, 2009, \$44,579 of the Mission's cash balance was uninsured.

Inventory

Inventory, which consists of purchased and donated food and non-food supplies, is stated at thrift shop value.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The earnings on the Mission's permanently restricted endowment investments can be used to support the Mission's general activities.

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 1 - Summary of significant accounting policies – Continued

Promises to give

Promises to give are recognized at fair value as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received.

Donated property and equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Net assets

Net assets are grouped in categories of restrictions on uses of funds.

Unrestricted – Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.

Temporarily Restricted – Temporarily restricted net assets contain donor-imposed restrictions that permit spending as specified. The restrictions are satisfied either by the passage of time or by actions of the Mission.

Permanently Restricted – Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently for a specified use.

Public support

Substantially all public support is generated through the Mission's various fundraising activities.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for 2009 and 2008 was \$744,139 and \$721,166, respectively.

Functional allocation of expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Expenses are allocated to program services – mission, and supporting services – fundraising and management and general on the following basis:

- Management and general expenses are allocated on the basis of periodic time and expense studies.
- Personnel expenses are allocated on the basis of direct salaries.
- Building and occupancy costs are allocated on the basis of square footage.
- Depreciation is allocated on the basis of usage of the building, furniture and equipment.

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 1 - Summary of significant accounting policies – Continued

Recently issued accounting standards

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standard Codification 105, *Generally Accepted Accounting Principles* (FASB ASC 105), which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Mission has updated references to GAAP in its financial statements issued for the year ended December 31, 2009.

Note 2 - Property and equipment

The Mission's capitalization policy requires individual assets to be capitalized if the cost or fair value at the date of donation equals or exceeds \$500. Assets acquired at a cost under this amount are capitalized at the discretion of management. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Depreciation expense for the years ending December 31, 2009 and 2008 was \$92,500 and \$89,854, respectively. Property and equipment consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Construction in progress	\$ 0	\$ 2,860
Land	142,673	142,673
Building	955,620	875,868
Building improvements	981,176	1,061,089
Furniture, fixtures and equipment	393,310	331,245
Vehicles	55,671	51,754
Total cost	<u>2,528,450</u>	<u>2,465,489</u>
Less accumulated depreciation	<u>903,981</u>	<u>869,899</u>
Net property and equipment	<u>\$ 1,624,469</u>	<u>\$ 1,595,590</u>

Note 3 - Lease commitments

Operating leases

The Mission leases a vehicle and a piece of office equipment under operating leases. Rent expense related to these leases was \$7,493 in 2009 and \$5,998 in 2008. Future minimum rental payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 6,571
2011	3,891
Total	<u>\$ 10,462</u>

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 3 - Lease commitments – Continued

Capital lease

The Mission also leased office equipment under capital leases in 2009. The first lease was for a copier and provided for monthly payments of \$413. This lease was terminated during 2009 and replaced by a new lease. The Mission entered into a new copier lease in July 2009, which provides for monthly payments of \$467. The related capital asset has been included in property and equipment and has a net book value of \$23,654 at December 31, 2009. Future minimum lease payments under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 5,598
2011	5,598
2012	5,598
2013	5,598
2014	2,799
Total	<u>25,191</u>
Less amount representing interest	<u>1,784</u>
Present value of net minimum lease payments	23,407
Less current portion	<u>4,910</u>
Long-term portion	<u>\$ 18,497</u>

Note 4 - Donated goods and services

The value of donated goods included in contributions on the financial statements and the corresponding expenses are for clothing, food and other items such as furniture, vehicles, household goods and appliances. These contributions were valued at \$3,467,210 and \$2,797,521 for the years ended December 31, 2009 and 2008, respectively. Management values donated clothing, food and other items using thrift shop value.

The Mission recognizes contribution revenue for certain services received at the fair value of those services with a corresponding increase in expense. Those services include the following items for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Clergy	\$ 656	\$ 20,563
Nurse	30,949	102,178
Teachers	2,489	0
Construction laborers	63,730	0
Other professional services	4,655	76
Total	<u>\$ 102,479</u>	<u>\$ 122,817</u>

Note 5 - Net assets

Net assets are comprised of unrestricted, temporarily restricted and permanently restricted net assets. The unrestricted net assets have not been designated by the Board of Trustees for specific purposes.

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 5 - Net assets – Continued

Temporarily restricted net assets are available for the following purposes as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Phillip project	\$ 87,208	\$ 0
Caleb house demolition	0	45,000
Total	<u>\$ 87,208</u>	<u>\$ 45,000</u>

The following are net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose during the years ending December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Phillip project	\$ 63,292	\$ 0
Women's ministry	109,565	68,959
Food and shelter	105,933	61,168
Caleb house	71,825	0
Men's ministry	23,323	5,966
Christmas concert	14,859	0
Banquet	7,000	39,880
Good Samaritan outreach	5,040	8,099
Gift in kind	741	0
Vocational training	216	1,224
Valentine theater concert	0	10,000
Total	<u>\$ 401,794</u>	<u>\$ 195,296</u>

Permanently restricted net assets of \$301,795 and \$301,795 for the years ended December 31, 2009 and 2008, respectively, consist of donor restricted endowment fund assets to be held indefinitely and a beneficial interest in a trust. The earnings on the Mission's endowment investments can be used to support the Mission's general activities. The earnings on the Mission's beneficial interest in a trust are added to the corpus of the trust and only the quarterly dividends paid out of the trust can be used for the Mission's general activities. Amounts that can be used for the Mission's general activities have been recorded as unrestricted revenue.

Note 6 - Investments

Investments consist of mutual funds and are stated at fair value at December 31, 2009 and 2008. Fair values and unrealized gains (losses) at December 31, 2009 and 2008 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
December 31, 2009:			
Investments – mutual funds	\$ 151,620	\$ 183,507	\$ 31,887
December 31, 2008:			
Investments – mutual funds	\$ 147,324	\$ 147,286	\$ (38)

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 6 - Investments – Continued

The following schedule summarizes the Mission's investment return and its classification in the statement of activities for the year ended December 31, 2009 and 2008:

	2009 Unrestricted	2008 Unrestricted
Interest and dividends	\$ 6,107	\$ 8,194
Realized gain (loss) on sale of investments	1,084	(113,455)
Net unrealized gain (loss) on investments	31,925	(38)
Total investment return	\$ 39,116	\$ (105,299)

Note 7 - Debt

The Mission has a line of credit with a bank which permits borrowings up to \$300,000 with interest at the bank's prime rate (3.25% at December 31, 2009). The line of credit is secured by the Mission's real estate. The amount outstanding on this line of credit at December 31, 2009 and 2008 was \$0. Interest expense related to the line of credit was \$4,812 in 2009 and \$5,568 in 2008. Subsequent to year end, the line of credit was increased to \$400,000. The line of credit is reevaluated annually.

In 2008, the Mission obtained a note payable to a bank in the amount of \$96,000 related to the purchase of the Mission's food service building. This note is payable in monthly installments of \$762 including interest at 5.00%, is due in September 2013, and is secured by the related building, which has a net book value of \$116,945 at December 31, 2009. Future minimum payments on this loan are as follows:

Year Ending December 31,	Amount
2010	\$ 6,320
2011	6,532
2012	6,743
2013	68,979
Total	\$ 88,574

Note 8 - Beneficial interest in trust

The Mission has been named as a beneficiary of a trust. Under the trust agreement, the Mission is an 11.11% beneficiary of the trust. The Mission has recorded 11.11% of the trust's assets (\$145,045 and \$130,334 as of December 31, 2009 and 2008, respectively) as an asset of the Mission. Only the dividend payments received from this trust will be available for the Mission's use; the remaining balance, or the trust's corpus, whichever is greater, remains permanently restricted. The Mission recognized gains (losses) of \$14,711 and \$(55,329) related to this trust in 2009 and 2008, respectively, and was granted dividends of \$8,110 and \$9,612 in 2009 and 2008, respectively.

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 9 - Retirement plan

Effective May 1, 2005, the Mission established a 401(k) retirement plan, which covers substantially all employees. The Board has authorized a 1% contribution for employees. Employer contributions to the plan in 2009 and 2008 were \$4,360 and \$9,449, respectively.

Note 10 - Endowments

The Mission has two permanently restricted endowment funds. One is an endowment that was established by donors to support the operational and capital needs of the organization (see Note 6), and the second is a split-interest perpetual trust established by a donor for the benefit of the Mission (see Note 8). Both funds include donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Mission's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, the Mission 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 UPMIFA. In accordance with UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization and the investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 0	\$ 0	\$ 153,683	\$ 153,683
Perpetual trust endowment	(3,067)	0	148,112	145,045
Total funds	<u>\$ (3,067)</u>	<u>\$ 0</u>	<u>\$ 301,795</u>	<u>\$ 298,728</u>

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 10 - Endowments – Continued

Changes in endowment net assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (24,175)	\$ 0	\$ 301,795	\$ 277,620
Investment return:				
Net appreciation on endowment funds	36,221	0	0	36,221
Net appreciation on trust	14,711	0	0	14,711
Dividends paid out of trust	8,110	0	0	8,110
Appropriation of endowment assets for expenditure	(37,934)	0	0	(37,934)
Endowment net assets, end of year	<u>\$ (3,067)</u>	<u>\$ 0</u>	<u>\$ 301,795</u>	<u>\$ 298,728</u>

Endowment net asset composition by type of fund as of December 31, 2008 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (6,397)	\$ 0	\$ 153,683	\$ 147,286
Perpetual trust endowment	(17,778)	0	148,112	130,334
Total funds	<u>\$ (24,175)</u>	<u>\$ 0</u>	<u>\$ 301,795</u>	<u>\$ 277,620</u>

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 10 - Endowments – Continued

Changes in endowment net assets for the year ended December 31, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 0	\$ 0	\$ 339,346	\$ 339,346
Investment return:				
Net depreciation on endowment funds	(100,978)	0	0	(100,978)
Net depreciation on trust	(17,778)	0	(27,939)	(45,717)
Dividends paid out of trust	9,612	0	(9,612)	0
Appropriation of endowment assets for expenditure	84,969	0	0	84,969
Endowment net assets, end of year	<u>\$ (24,175)</u>	<u>\$ 0</u>	<u>\$ 301,795</u>	<u>\$ 277,620</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Mission to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$3,067 as of December 31, 2009. These deficiencies resulted from unfavorable market fluctuations.

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 10 - Endowments – Continued

Return objectives and risk parameters

The Mission’s split-interest perpetual trust is held by the trustee, KeyBank (see Note 8). As such, the investment policy has been established by the trustee, which includes, but is not limited to, the following:

- Overall investment objective: To utilize a long-term diversified asset allocation model in order to accomplish moderate growth with a secondary provision for income.
- Investment target: To accomplish moderate growth with a secondary provision for income by utilizing moderate to above average principal risk. This portfolio may hold individual common stock as well as diversified proprietary and non-proprietary funds. The fixed income portfolio may hold a combination of funds as well as individual bonds or CD issues.
- KeyBank’s Trust and Investment Management Services group is responsible for the investment policies related to this trust account.
- Asset allocation and risks: Based upon the trust’s moderate to above average principal risk, its established asset allocation guidelines are as follows:

	Minimum	Maximum
Cash equivalents	0%	10%
Fixed income	30%	50%
Equities	50%	70%

The Mission’s endowment funds are held in various brokerage accounts (see Note 6). The Mission’s Investment Committee has established the following policies related to these investment accounts:

- Overall investment objective: The prudent management of funds in such a way that will maximize returns while maintaining a reasonable level of investment risk.
- The Mission’s Investment Committee is responsible for the investment policies related to this endowment account.
- Asset allocation and risks: It is the Mission’s policy to:
 - Invest funds in a portfolio of appropriately diversified mutual funds;
 - All portfolio mutual funds should historically have outperformed market returns as measured by the S&P 500 with a reasonable expectation that they will do so in the future
 - The overall portfolio risk should not exceed the overall market risk as measured by the portfolio’s BETA as compared to the appropriate market index
 - To select only mutual funds that have at least a 15 year performance history
 - To minimize fund expenses by limiting the number of fund families selected for the portfolio
 - To select portfolio options that are not dependent on a single portfolio manager
 - To provide a reasonable level of portfolio interest and dividend income

Through the established investment policies listed above, the Mission is attempting to generate continuous earnings on these endowment funds, while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period.

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 10 - Endowments – Continued

Strategies employed for achieving objectives

The Mission relies on the established investment policies that are listed above to achieve its long-term objectives related to its endowment accounts.

Spending policy and how the investment objectives relate to spending policy

The trustee of the Mission's split-interest perpetual trust has established a spending policy related to that endowment. In accordance with this policy, each year all 9 beneficiaries of this trust are paid distributions equal to 5% of the average of the trust's prior year's month end values (the maximum permitted by the Institutional Trust Funds Act). These distributions are made to all beneficiaries on a quarterly basis.

The Mission generally does not spend any of the endowment funds that it holds. While the Mission has been entitled by donors to spend all earnings on the original endowment funds as needed, they choose instead to leave the earnings and the original endowment intact in order for them to continue to grow in value.

Note 11 - Fair value measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, (ASC 820) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

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

Level 2: Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

CHERRY STREET MISSION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2009 and 2008

Note 11 - Fair value measurements – Continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

- Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of these instruments.
- Mutual funds: The fair values of mutual funds are based on quoted market prices for those or similar investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Mission believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Mission's assets at fair value as of December 31, 2009 and 2008:

<i>Assets at fair value as of December 31, 2009:</i>	Level 1
Cash and cash equivalents	\$ 230,301
Investments – mutual funds	\$ 183,507
Beneficial interest in trust – mutual funds	\$ 145,045
<i>Assets at fair value as of December 31, 2008:</i>	Level 1
Cash and cash equivalents	\$ 221,594
Investments – mutual funds	\$ 147,286
Beneficial interest in trust – mutual funds	\$ 130,334

Note 12 - Related party transactions

In 2009, the Mission and another area nonprofit organization formed a new entity, Cherry Street Mission Ministries LHS Housing, Inc., for the purpose of providing housing and other services to the Mission's population that is over age 62. This entity is still in the start-up phase. It is the Mission's intention to provide this entity the use of its Maple Street housing facility and the other nonprofit organization has given the Mission \$25,000 as a good faith contribution toward the costs associated with this new entity. As of December 31, 2009, this \$25,000 has been recorded as an other liability on the Mission's books.

Note 13 - Subsequent events

The Mission has evaluated subsequent events through August 16, 2010, the date the financial statements were available to be issued. There were no subsequent events that required adjustment to the financial statements or additional disclosures.