

**TURNING POINT CENTER**  
**(A NON-PROFIT ORGANIZATION)**

---

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

GAINER DONNELLY & DESROCHES

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
Statement of Financial Position .....	2
Statement of Activities.....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements.....	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Turning Point Center  
Houston, Texas

We have audited the accompanying statement of financial position of Turning Point Center (a non-profit organization)(the "Organization") as of September 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Turning Point Center as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gainer, Donnelly & Desroches, LLP*

July 15, 2011

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2010

ASSETS

ASSETS:		
Cash and Cash Equivalents	\$	178,325
Investments		8,924
Prepaid Expenses		8,363
Property and Equipment, Net		994,756
Property Under Capital Lease, Net		286,001
Land Held for Investment		<u>98,000</u>
 TOTAL ASSETS	 \$	 <u><u>1,574,369</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$	846
Obligation Under Capital Lease		<u>360,248</u>
 TOTAL LIABILITIES		 <u>361,094</u>
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		 <u>1,213,275</u>
	\$	<u><u>1,574,369</u></u>

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

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$ 111,837	\$ 30,106	\$ 141,943
Revenue:			
Program Fees	120,875	-	120,875
Donated Building Materials	-	-	-
Interest and Dividend Income	433	-	433
Unrealized Gain on Investment	2,496	-	2,496
Other	1,624	-	1,624
Net Assets Released from Restrictions	30,106	(30,106)	-
Total Support and Revenue	267,371	-	267,371
<b>OPERATING EXPENSES:</b>			
Program Expenses	299,628	-	299,628
General and Administrative	46,264	-	46,264
Total Operating Expenses	345,892	-	345,892
CHANGE IN NET ASSETS	(78,521)	-	(78,521)
NET ASSETS, BEGINNING OF YEAR	1,291,796	-	1,291,796
NET ASSETS, END OF YEAR	\$ 1,213,275	\$ -	\$ 1,213,275

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

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Program Expenses	General and Administrative	Total
EXPENSES:			
Accounting and Legal	\$ -	\$ 6,785	\$ 6,785
Food/Food Pantry	11,680	-	11,680
Insurance	20,029	409	20,438
Interest	-	25,269	25,269
Licenses and Fees	-	710	710
Office Supplies	-	3,763	3,763
Postage	-	148	148
Payroll Taxes	1,374	-	1,374
Property Taxes	-	5,147	5,147
Repairs and Maintenance	61,834	1,262	63,096
Residence Expense	15,821	-	15,821
Salaries and Stipends	16,800	-	16,800
Subsistence Allowance	14,605	-	14,605
Trash Collection	3,904	-	3,904
Telephone	11,922	243	12,165
Travel and Transportation	17,776	-	17,776
Utilities	48,730	994	49,724
	224,475	44,730	269,205
TOTAL EXPENSES BEFORE DEPRECIATION			
Depreciation	75,153	1,534	76,687
	299,628	46,264	345,892
TOTAL EXPENSES	\$ 299,628	\$ 46,264	\$ 345,892

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

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ (78,521)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	76,687
Unrealized Gain on Investment	(2,496)
(Increase) Decrease in:	
Contributions Receivable	54,000
Prepaid Expenses	2,904
Increase (Decrease) in:	
Accounts Payable and Accrued Liabilities	(2,874)
Deferred Revenue from Insurance Proceeds	<u>(77,544)</u>
Net Cash Used In Operating Activities	(27,844)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash Payments for Purchases of Property and Equipment	<u>(100,808)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(128,652)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>306,977</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 178,325</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Noncash Interest and Contribution	<u><u>\$ 25,269</u></u>

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

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Turning Point Center (the "Organization") is a Texas non-profit organization that operates and provides housing, counseling, support services, education, food, employment assistance, and transportation for homeless senior citizens in the Houston area.

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representation of The Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with account principles generally accepted in the United States of America. The Organization's resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as restricted contributions. During the year ended September 30, 2010, the Organization received cash contributions totaling \$30,106 with donor-imposed restrictions.

Donated Services and Materials

The Organization receives donated services from a variety of unpaid volunteers who assist the Organization in administrative and other matters. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been met. Individuals and organizations have also made contributions of goods to the Organization. The value of the donated goods is \$21,007 for the year ended September 30, 2010.

Public Support and Revenue

The Organization receives its support primarily from contributions and program fees paid by foundations and agencies.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and all highly liquid investments with initial maturities of three months or less at the time of purchase.

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Concentration of Cash Credit Risk

The Organization maintains interest-bearing cash accounts which, at times, may exceed the Federal Deposit Insurance Corporation's limit of \$250,000. The Organization manages the risk by maintaining these deposits in a high quality financial institution and periodically performs an evaluation of the relative credit standing of the financial institution. The Organization has not experienced any losses from maintaining cash deposits in excess of the federally insured limit. Management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based upon its assessment of the current status of individual receivables from donors. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to allowance for doubtful accounts and a credit to the applicable receivable. At September 30, 2010, there were no contributions receivable.

Federal Income Tax

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is exempt from federal income tax. Furthermore, the Internal Revenue Service has ruled that the Organization is a publicly-supported organization and is not a private foundation.

The Organization adopted a new accounting standard that clarifies the accounting for uncertainty in income taxes recognized for financial statement reporting purposes as applied to nonprofit organizations. Based on its evaluation, The Organization\ has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for the tax periods ended September 30, 2007 through September 30, 2010 for U.S. Federal tax years which principally remain subject to examination by major tax jurisdictions as of September 30, 2010.

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 change in net assets.

Property and Equipment

Property and equipment are stated at cost. The Organization provides for depreciation and amortization on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of their estimated useful lives or the term of the underlying lease.

Expenditures for additions, major renewals and betterments are capitalized, and expenditures for maintenance and repairs are charged against income as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is reflected in income.

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the estimated undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized based on the fair value of the asset.

Fair Value Considerations

The Organization uses fair value to measure monetary and certain nonmonetary financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Organization's financial instruments (primarily cash and cash equivalents, receivables, investments in equity securities and payables) are carried in the accompanying financial statements at amounts which reasonably approximate fair value.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that have the most impact on financial position and results of operations primarily relate to the useful lives of property and equipment. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through the time the financial statements were available for issuance on July 15, 2011.

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - NET ASSETS RELEASED FROM RESTRICTIONS

There are no temporarily restricted net assets at September 30, 2010.

During the year ended September 30, 2010, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Food	\$ 7,306
Other	<u>22,800</u>
Total	<u>\$ 30,106</u>

NOTE 3 - PROPERTY AND EQUIPMENT

The major asset categories and estimated useful lives as of September 30, 2010, are as follows:

	<u>Estimated Useful Lives</u>	
Land	---	\$ 195,419
Building	39 years	628,424
Leasehold Improvements	15 years	490,976
Furniture and Equipment	5-7 years	177,842
Computer Equipment	5 years	6,047
Vehicles	5 years	<u>35,397</u>
		1,534,105
Less: Accumulated Depreciation		<u>(539,349)</u>
Net Property and Equipment		<u>\$ 994,756</u>

Depreciation expense totaled \$76,687 for the year ended September 30, 2010, including amortization of property under capital lease.

NOTE 4 - PROPERTY UNDER CAPITAL LEASE

A summary of property under capital lease at September 30, 2010 is as follows:

Buildings	\$ 669,786
Less: Accumulated Depreciation	<u>(383,785)</u>
Property Under Capital Lease	<u>\$ 286,001</u>

In 1993, the Organization entered into a capital lease obligation for the buildings with a related party. The lease payments were \$3,000 per month including imputed interest at 7% until April 2010 when all unpaid principal and interest became due. Effective April 2010, the Organization and the lessor extended the lease agreement through December 2093 at an annual rent of \$1 and the Organization remains liable for the lease obligation of \$360,248. The Organization does not anticipate repaying any portion of the \$360,248 lease obligation during the year ended September 30, 2011. Amortization expense totaled \$23,025 for the year ended September 30, 2010 and is included in depreciation expense.

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three tier fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity.

The Organization utilized the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The value of assets measured at fair value on a recurring basis is as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
September 30, 2010:			
Equity Securities	\$ <u>8,924</u>	\$ <u>-</u>	\$ <u>-</u>

For the year ended September 30, 2010, the investment return in the statement of activities consists of an unrealized gain of \$2,496.

The Organization's investment in marketable securities is recorded at fair value based on quoted market prices. The Organization does not have other financial instruments requiring fair value disclosure. The Organization's remaining financial instruments (primarily cash and cash equivalents, accounts payable and accrued liabilities) are carried in the accompanying statement of financial position at amounts that reasonably approximate fair market value due to their short-term nature and generally negligible credit risk.

NOTE 6 - LAND HELD FOR INVESTMENT

The Organization owns a parcel of land held for resale. The cost of the land is \$98,000.

TURNING POINT CENTER  
(A NON-PROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - HURRICANE IKE COMMITMENTS

On September 13, 2008, Hurricane Ike made landfall in Galveston, Texas, about 50 miles south of the Organization's location. The Organization sustained extensive damages and filed insurance claims with proceeds totaling \$293,513. The Organization's repairs include replacing or repairing damaged sections of the roof and other exterior damage, and some interior walls, flooring and appliances. At September 30, 2009, the Organization had deferred revenue from insurance proceeds of \$77,544, which was fully utilized for repairs during the year ended September 30, 2010.