SPECIAL CARE, INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

PETERS & CHANDLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Special Care, Incorporated

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Special Care, Incorporated (a nonprofit organization) as of June 30, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated November 11, 2009, we expressed an unqualified opinion on those financial statements.

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

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

Peters & Chandler

CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma
November 15, 2010

SPECIAL CARE, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	2010	2009 COMPARATIVE TOTAL
ASSETS		
Cash and Cash Equivalents	$ 609,643	$ 365,383
Accounts Receivable, Less Allowance for Doubtful Receivables of $1,000 in 2010 ($3,700 in 2009)	47,581	70,192
Marketable Securities (Notes 2 and 6)	7,650	6,695
Unconditional Promises to Give (Note 3)		
United Way Services Funding for Subsequent Fiscal Year	337,050	303,400
Property and Equipment, Net (Note 4)	2,612,784	2,678,587
Beneficial Interest in Assets Held by Others (Notes 2, 5,and 6)	83,988	78,597
Inventory	37,100	37,100
Other Assets	7,485	8,987
Total Assets	$ 3,743,281	$ 3,548,941
LIABILITIES AND NET ASSETS		
Accounts Payable	$ 14,109	$ 9,882
Accrued Expenses	53,298	33,410
Total Liabilities	$ 67,407	$ 43,292
Net Assets		
Unrestricted	$ 2,801,657	$ 2,911,749
Temporarily Restricted (Note 7)	874,217	593,900
Total Net Assets	$ 3,675,874	$ 3,505,649
Total Liabilities and Net Assets	$ 3,743,281	$ 3,548,941

SPECIAL CARE, INCORPORATED

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	COMPARATIVE TOTAL
Support and Revenue				
Fundraising				
Special Events Revenue	$ 184,005	$ -0-	$ 184,005	$ -0-
Less: Direct Costs	(26,230)	-0-	(26,230)	-0-
Net Revenue from Special Events	$ 157,775	$ -0-	$ 157,775	$ -0-
Contributions	216,965	246,667	463,632	388,755
Grant Revenue				
United Way	-0-	337,050	337,050	303,400
Other	-0-	24,500	24,500	160,000
Childcare Fees	685,864	-0-	685,864	643,062
Therapy Fees	99,580	-0-	99,580	101,353
Food Program Income	48,092	-0-	48,092	44,045
Facility Income	28,050	-0-	28,050	27,308
Investment Income (Note 2)	24,358	-0-	24,358	(3,501)
Other Income	5,855	-0-	5,855	4,629
Net Assets Released from Restrictions				
Satisfaction of Time Restriction	303,400	(303,400)	-0-	-0-
Satisfaction of Expenditure Requirements	24,500	(24,500)	-0-	-0-
Total Support and Revenue	$ 1,594,439	$ 280,317	$ 1,874,756	$ 1,669,051
Expenses				
Program Services	$ 1,481,380	$ -0-	$ 1,481,380	$ 1,391,256
Management and General	223,151	-0-	223,151	216,363
Total Expenses	$ 1,704,531	$ -0-	$ 1,704,531	$ 1,607,619
Change in Net Assets	$ (110,092)	$ 280,317	$ 170,225	$ 61,432
Net Assets - Beginning of Year	2,911,749	593,900	3,505,649	3,444,217
Net Assets - End of Year	$ 2,801,657	$ 874,217	$ 3,675,874	$ 3,505,649

SPECIAL CARE, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009 COMPARATIVE TOTAL
Cash Flows From Operating Activities		
Change in Net Assets	$ 170,225	$ 61,432
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization	105,976	118,851
Unrealized (Gain)/Loss on Investments	(955)	1,781
Contributions Restricted for Long-Term Purposes	(246,667)	(290,500)
Changes in Net Assets and Liabilities		
Decrease in Accounts Receivable	22,611	9,337
(Increase) Decrease in Unconditional Promises to Give		
United Way Services Funding	(33,650)	(3,515)
Other Grants Receivable	-0-	150,000
(Increase) Decrease In Beneficial Interest in Assets Held by Others	(5,391)	17,803
(Increase) Decrease in Other Assets	1,502	(1,080)
Increase (Decrease) in Accounts Payable and Accrued Expenses	24,115	(19,106)
Net Cash Provided by Operating Activities	$ 37,766	$ 45,003
Cash Flows From Investing Activities		
Acquisition of Property and Equipment	$ (40,173)	$ (82,128)
Net Cash Used in Investing Activities	$ (40,173)	$ (82,128)
Cash Flows From Financing Activities		
Collections of Contributions Restricted for Capital Campaign	$ 246,667	$ 290,500
Net Cash Used in Financing Activities	$ 246,667	$ 290,500
Net Increase (Decrease) in Cash and Cash Equivalents	$ 244,260	$ 253,375
Cash and Cash Equivalents at Beginning of Year	365,383	112,008
Cash and Cash Equivalents at End of Year	$ 609,643	$ 365,383

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

SPECIAL CARE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS **JUNE 30, 2010**

ORGANIZATION

Special Care, Incorporated (the Organization), incorporated on August 1, 1984, is a not-for-profit organization engaged principally in providing child care services for physically and mentally handicapped children with supporting services for speech, occupational, behavioral, and physical therapy. The Organization's support comes primarily from child care and therapy fees, and from contributions. The Organization grants credit for service fees to the children's parents, substantially all of whom are local residents of Oklahoma City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

The Organization reports gifts of cash and other assets and unconditional promises to give as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Gifts of long-lived assets with explicit restrictions regarding their use and contributions of cash that must be used to acquire long-lived assets are reported as restricted contributions. Absent donor stipulations regarding the length of time those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Contract revenues under grants for reimbursement of expenditures are recognized as unrestricted revenues in the period in which the expenditures in compliance with the specific grant restrictions are incurred.

The costs of providing child care and therapy services and other activities of the Organization are summarized on a functional basis in the statements of services. Program services include costs and expenses directly related to child care and therapy activities. Certain costs and expenses are allocated based on the functions of employees providing the services and on usage relationships of building facilities and equipment.

SPECIAL CARE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS **JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or estimated fair value at the date of donation.

Depreciation and amortization are provided using the straight-line method over estimated useful lives of thirty years for buildings, eight years for memorial garden, equipment, and leasehold improvements, and five years for vehicles.

INCOME TAXES

The Organization is exempt from federal income taxes for items of income relevant to its tax-exempt purpose under Section 501(c)(3) of the Internal Revenue Code. The continuation of the Organization's tax-exempt status is dependent upon its ongoing compliance with the Internal Revenue Code provisions.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on such accounts.

CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Organization to concentrations of credit risk consist of cash and cash equivalents. These assets are maintained at a high quality financial institution, and accounts at this institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2010, the Organization's uninsured cash balances totaled $388,937. The Organization has not experienced any losses on these accounts and believes it is not exposed to any significant credit risk to cash.

INVESTMENTS

Investments in equity securities are carried at unadjusted quoted prices in active markets for identical securities with gains and losses included as unrestricted in the statement of activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provision.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY

Inventory consists of autographed merchandise for sale by the Organization. These items were contributed to the Organization and are carried at estimated fair market value.

FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Organization adopted ASC 820, Fair Value Measurements. ASC 820 provides a common definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements but does not require any new fair value measurements. In February 2008 the FASB delayed the effective date of the disclosure provisions of ASC 820 by one year for non-financial assets and liabilities. Accordingly, the disclosure provisions of ASC 820 are effective for the Organization's non-financial assets and liabilities as of July 1, 2009; however, the Organization has no non-financial assets or liabilities measured at fair value as of June 30, 2010.

ADVERTISING

The Organization uses advertising to promote its programs. Advertising expense was \$69,921 and \$977 for the years ended June 30, 2010 and 2009, respectively. Donated advertising revenue is included in contributions revenue; advertising expense is included in program services expense in the accompanying statement of activities.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CONCENTRATION OF PLEDGES

Temporarily restricted contributions of \$337,050 and \$303,400 were pledged during 2010 and 2009, respectively, from the United Way.

RECLASSIFICATIONS

Certain reclassifications were made to the June 30, 2009 financial statements in order to conform to the June 30, 2010 financial statement presentation.

NOTE 2 – INVESTMENTS

Investments at fair market value are comprised of the following as of June 30:

	2010	2009
Common Stock	$ 7,650	$ 6,695
Total Marketable Securities	$ 7,650	$ 6,695
Beneficial Interest in Assets Held by Others	83,988	78,597
Total Investments	$ 91,638	$ 85,292

Investment income consists of the following for the year ended June 30:

	2010	2009
Interest and Dividends	$ 15,641	$ 12,766
Realized Gains (Losses) - Net	(378)	(1,615)
Unrealized Gains (Losses) - Net	10,655	(14,415)
Investment Fees	(1,560)	(237)
	$ 24,358	$ (3,501)

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give receivable in less than one year are $337,050 and $303,400 as of June 30, 2010, and 2009, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2010	2009
Building	$ 3,092,232	$ 3,087,771
Memorial Garden	59,100	59,100
Land Improvement	58,812	58,812
Leasehold Improvements	7,269	7,269
Classroom Equipment	40,222	37,174
Playground Equipment	84,743	73,601

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

	2010	2009
Vehicles	$ 34,428	$ 15,229
Office Equipment	59,396	57,074
Kitchen Equipment	52,383	52,383
Therapy Equipment	35,477	35,477
	$ 181,684	$ 160,163
Less: Accumulated Depreciation	996,520	890,545
	$ (814,836)	$ (730,382)
Land	85,242	85,242
	$ (729,594)	$ (645,140)

NOTE 5 – BENEFICIAL INTEREST IN ASSETS

The Organization participates in an endowment fund through the Oklahoma City Community Foundation (OCCF). OCCF is a not-for-profit entity that provides for endowed contributions to be pooled to maximize return on investments for the benefit of area not-for-profit organizations. Contributions into the endowment fund are permitted by the not-for-profit entities, as well as individual donors in the community who designate the beneficiary of their contributions. Earnings on these endowed funds are paid annually to the beneficiary organization for unrestricted use. The endowed funds contributed by the Organization and the earnings thereon, net of distributions received, are reflected as beneficial interest in assets held by others in the amount of $59,121 and $55,209 at June 30, 2010 and 2009, respectively. The endowed funds contributed by third-party donors held by OCCF designated for the benefit of the Organization were approximately $192,523 and $179,342 at June 30, 2010 and 2009, respectively, and are not reflected in the Organization's statements of financial position.

The Organization participates in an endowment fund through the Communities Foundation of Oklahoma (CFO). CFO is a not-for-profit entity that provides for endowed contributions to be pooled to maximize return on investments for the benefit of area not-for-profit organizations. Contributions into the endowment fund are permitted by the not-for-profit entities, as well as individual donors in the community who designate the beneficiary of their contributions. Earnings on these endowed funds are paid annually to the beneficiary organization for unrestricted use. The endowed funds contributed by the Organization and the earnings thereon, net of distributions received, are reflected as beneficial interest in assets held by others in the amount of $24,866 and $23,388 at June 30, 2010 and 2009. The endowed funds contributed by third-party donors held by CFO designated for the benefit of the Organization were approximately $6,717 and $6,238 at June 30, 2010 and 2009, and are not reflected in the Organization's statements of financial position.

SPECIAL CARE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS **JUNE 30, 2010**

NOTE 6 – FAIR VALUE MEASUREMENTS

The provisions of ASC 820, *Fair Value Measurements and Disclosures*, establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles that is intended to result in increased consistency and comparability in fair value measurements. ASC 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price.

To estimate an exit price, a three-level hierarchy is used. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or a liability, into three levels. Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the financial asset or liability and have the lowest priority. The Organization uses appropriate valuation techniques based on available inputs to measure the fair values of its assets and liabilities.

The Organization's financial instruments consist primarily of cash and cash equivalents, receivables, accounts payable, and accrued liabilities. As of June 30, 2010, the historical cost of cash and cash equivalents, receivables, accounts payable, and accrued liabilities are considered to be representative of their respective fair values due to the short-term maturities of these items. At June 30, 2010, the fair value of the Organization's beneficial interest in assets held by others are determined by reference to quoted market prices and other relevant information generated by market transactions, which is a Level 1 input.

The carrying amounts and estimated fair values of select assets and liabilities are as follows as of June 30, 2010:

	LEVEL 1 INPUTS	LEVEL 2 INPUTS	LEVEL 3 INPUTS
Marketable Securities	$ 7,650	$ -0-	$ -0-
Beneficial Interest in Assets Held by Others	83,988	-0-	-0-
	$ 91,638	$ -0-	$ -0-

The carrying amounts and estimated fair values of select assets and liabilities are as follows as of June 30, 2009:

	LEVEL 1 INPUTS	LEVEL 2 INPUTS	LEVEL 3 INPUTS
Marketable Securities	$ 6,695	$ -0-	$ -0-
Beneficial Interest in Assets Held by Others	78,597	-0-	-0-
	$ 85,292	$ -0-	$ -0-

SPECIAL CARE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS **JUNE 30, 2010**

NOTE 7 – RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	2010	2009
Operations for Periods After June 30th	$ 337,050	$ 303,400
Building Expansion (Note 9)	507,167	290,500
Music Program	30,000	-0-
	$ 874,217	$ 593,900

NOTE 8 – COMMITMENTS AND CONTINGENCIES

From time to time, the Organization may be involved in certain legal actions arising in the normal course of business. In the opinion of management, such matters are adequately covered by insurance and are not expected to have a material effect on the Organization's financial position or changes in net assets.

NOTE 9 – RELATED PARTY TRANSACTIONS

For the years ended June 30, 2010 and 2009, the Organization paid a related party $7,460 and $7,480, respectively, for repairs and maintenance to the building and installation of equipment.

NOTE 10 – CAPITAL CAMPAIGN

During 2009, the Organization began a $2,600,000 capital campaign to fund the expansion of their existing building. This expansion will add an auditorium, dining room, and additional classrooms, which will increase the Organization's ability to service children of need. As of June 30, 2010, the Organization had received $507,167 in contributions. Additionally, as of June 30, 2010, the Organization has been awarded conditional grants in the amount of $583,333. Accordingly, this amount has not been recorded in the Organization's financial statements as the underlying contingency has not been met.

NOTE 11 – SUBSEQUENT EVENTS

During the year ended June 30, 2010, the Organization adopted FASB guidance that establishes general standards for the disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued, including the required disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Organization evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were issued. No such events occurred.

PETERS & CHANDLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Special Care, Incorporated

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Our audits were conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole, of Special Care, Incorporated as of June 30, 2010 and 2009 and for the years then ended. The supplementary information, presented hereinafter, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole as of June 30, 2010 and 2009 and for the years then ended.

Peters & Chandler

CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma
November 15, 2010

SPECIAL CARE, INCORPORATED

SCHEDULES OF STATE FINANCIAL ASSISTANCE

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

2010

GRANT AGENCY/TITLE	GRANT PERIOD	CONTRACT NUMBER	CONTRACT AMOUNT	ACCRUED REVENUE JULY 1, 2009	REVENUE RECOGNIZED	COSTS INCURRED	ACCRUED REVENUE JUNE 30, 2010
Oklahoma Department of Education							
Child and Adult Care Food Program	10/01/09 - 09/30/10	DC55-304	$ -0-	$ 4,865	$ 48,092	$ 94,319	$ 5,057

2009

GRANT AGENCY/TITLE	GRANT PERIOD	CONTRACT NUMBER	CONTRACT AMOUNT	ACCRUED REVENUE JULY 1, 2008	REVENUE RECOGNIZED	COSTS INCURRED	ACCRUED REVENUE JUNE 30, 2009
Oklahoma Department of Education							
Child and Adult Care Food Program	10/01/08 - 09/30/09	DC55-304	$ -0-	$ 13,468	$ 44,045	$ 78,498	$ 4,865

See accountants' report on supplementary information.

SPECIAL CARE, INCORPORATED

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
Salaries	$ 856,619	$ 128,001	$ 984,620	$ 822,146	$ 122,849	$ 944,995
Payroll Taxes	67,679	10,113	77,792	64,110	9,580	73,690
Contract Labor, Including Therapy Fees	34,163	2,282	36,445	40,785	2,767	43,552
Utilities	36,174	4,019	40,193	39,467	4,385	43,852
Supplies	37,613	13,416	51,029	37,055	12,981	50,036
Groceries	94,319	-0-	94,319	78,498	-0-	78,498
Health Insurance	77,943	12,688	90,631	79,557	12,951	92,508
Other Insurance	30,363	3,802	34,165	28,302	3,484	31,786
Public Relations and Advertising	69,921	-0-	69,921	977	-0-	977
Legal and Accounting	-0-	13,450	13,450	-0-	9,300	9,300
Telephone	8,588	954	9,542	7,634	848	8,482
Printing and Postage	-0-	1,145	1,145	-0-	1,186	1,186
Repairs and Maintenance	51,511	2,438	53,949	59,151	2,479	61,630
Depreciation and Amortization	95,379	10,597	105,976	106,966	11,885	118,851
Other	21,108	20,246	41,354	26,608	21,668	48,276
	$ 1,481,380	$ 223,151	$ 1,704,531	$ 1,391,256	$ 216,363	$ 1,607,619