

**U.S. CHINA SERVICE CENTER  
(D.B.A. CHINESE CIVIC CENTER INC.)**

**Financial Statements**

**December 31, 2000**

*(With Auditors' Report Thereon)*

**Mir & Fox  
Rodriguez, P.C.**  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors  
U.S. - China Service Center,  
d.b.a. Chinese Civic Center Inc.:

We have audited the accompanying balance sheet of U.S. China Service Center, d.b.a. Chinese Civic Center Inc., as of December 31, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Chinese Civic Center Inc.'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 combined 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 Chinese Civic Center Inc. as of December 31, 2000, 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.

*Mic. Fox : Rodriguez*

December 7, 2001

U.S. - CHINA SERVICE CENTER  
(D.B.A. CHINESE CIVIC CENTER INC.)

Balance Sheet  
December 31, 2000

Assets

|                                 |                   |
|---------------------------------|-------------------|
| Cash                            | \$ 17,684         |
| Accounts receivable             | 500               |
| Property and equipment:         |                   |
| Land                            | 121,814           |
| Library (books, videos, and CD) | 81,477            |
| Furniture and equipment         | 14,660            |
| Leasehold improvements          | 34,379            |
| Accumulated depreciation        | <u>(24,571)</u>   |
| Total property and equipment    | <u>227,759</u>    |
| Total assets                    | <u>\$ 245,943</u> |

Liabilities and Net Assets

|                                  |                   |
|----------------------------------|-------------------|
| Liabilities:                     |                   |
| Accounts payable                 | 8,400             |
| Notes payable                    | 19,000            |
| Other                            |                   |
| Taxes payable                    | <u>4,362</u>      |
| Total liabilities                | <u>31,762</u>     |
| Net assets - unrestricted        | <u>214,181</u>    |
| Total liabilities and net assets | <u>\$ 245,943</u> |

See accompany notes to financial statements.

U.S. - CHINA SERVICE CENTER  
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Statement of Activities  
Year Ended December 31, 2000

|   |                   |
|---|-------------------|
| Public support and revenues:  |                   |
| Contributions   | \$ 63,000         |
| Rental income   | 4,605             |
| Program revenue   | 30,156            |
| Special events - Gala   | 32,904            |
| Investment income & other   | <u>1,605</u>      |
| Total public support and revenues                                   | <u>132,270</u>    |
| Expenses:   |                   |
| Program expenses  | 45,275            |
| Special events - Gala   | 26,558            |
| Other   |                   |
| General and administrative  | <u>69,865</u>     |
| Total expenses  | <u>141,698</u>    |
| Excess (deficiency) of public support and revenues<br>over expenses | (9,428)           |
| Net assets, beginning of year                                       | <u>223,609</u>    |
| Net assets, end of year   | <u>\$ 214,181</u> |

See accompany notes to financial statements.

U.S. - CHINA SERVICE CENTER  
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Statement of Cash Flows  
Year Ended December 31, 2000

|   |                         |
|---|-------------------------|
| Cash flows from operating activities:   |                         |
| Excess (deficiency) of public support and revenues over expenses                              | \$ (9,428)              |
| Adjustments to reconcile excess (deficiency) of public support<br>and revenues over expenses: |                         |
| Depreciation  | 24,571                  |
| Changes in operating assets and liabilities:  |                         |
| Accounts receivable   | (500)                   |
| Accounts payable  | (3,041)                 |
| Taxes payable   | <u>(1,405)</u>          |
| Net cash provided by operating activities   | 10,197                  |
| Cash flows from investing activities - purchase of equipment                                  | (41,016)                |
| Cash flows from financing activities - payments on notes payable                              | <u>(6,000)</u>          |
| Net decrease in cash  | (36,819)                |
| Cash, beginning of year   | <u>54,503</u>           |
| Cash, end of year   | <u><u>\$ 17,684</u></u> |
| Supplemental disclosure of cash flow information -<br>cash paid during the year for taxes     | <u><u>\$ 355</u></u>    |

See accompany notes to financial statements.

U.S. - CHINA SERVICE CENTER  
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Notes to Financial Statements  
December 31, 2000

**1. Reporting Entity and Description of Organizations**

The US-China Service Center, d.b.a. Chinese Civic Center Inc. (the Organization), is a non-profit organization established in 1995 by volunteers from the Houston Chinese community. It was registered as a 501(c)(3) organization, effective December 11, 1995.

Mission

To provide cultural, informational, and educational services to Chinese American community and interested parties. To promote cultural diversity and mutual understanding between the Chinese American community and other ethnic communities in the Houston area. For the last few years, Chinese Civic Center Inc. has been operating in a rented facility (the Center) with money, time and other resources donated by community builders and other volunteers. The Chinese Civic Center Inc. has operated a public Chinese library with over 35,000 Chinese language titles and 1,000 patrons. The center has also provided spaces for many community groups for their regular activities and group meetings. A publicly elected board of directors, all unpaid volunteers, runs the Chinese Civic Center Inc.

People We Serve

The majority of people who frequent the Chinese Civic Center Inc. are immigrants of Chinese descendents from mainland China, Vietnam, Cambodia, Laos, Thailand, Hong Kong, and other Southeast Asia. Many of new immigrants speak little English. The Chinese Civic Center Inc. is often the first place they interact with others and find information for their new life in America. Seniors and youth account for the majority of these groups. Other groups served are well educated in United States. Groups such as Yellow River Chorus and Women's Chorus use the Center to practice their Chinese Cultural and English songs. Groups such as Sino-Professional Club, Chinese American Professionals in Science and Technology, many Alumni organizations, Chinese American Petroleum Association, etc. use the Center for their group meetings and various events. The Center is also a congregating place for many visiting delegations from Mainland China, cultural and educational when they seek to reach the Houston Chinese community.

**2. Summary of Significant Accounting Policies**

Basis of presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2000, the Organization had no permanently restricted net assets.

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U.S. - CHINA SERVICE CENTER  
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Notes to Financial Statements, Continued

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other support is reported in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When a 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.

Promises to give

Unconditional promises to give are recognized as revenues in the period received and as pledges receivables. 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.

Donated materials and services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. A substantial number of volunteers have donated significant amounts of their time in the Organization's program services and its fundraising efforts. No amounts have been reflected in the statements for donated services since the volunteers' time does not meet the criteria for revenue recognition.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers cash and cash equivalents to include short-term, highly liquid investments with maturities at date of purchase of three months or less. At December 31, 2000, the Organization held no cash equivalents.

Property and equipment

Property and equipment are stated at cost if purchased and at fair market value if donated. Depreciation of equipment is provided on a straight-line basis over estimated useful lives of three to seven years for computer equipment, software programs, furniture and fixtures, leasehold improvements and library books.

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U.S. - CHINA SERVICE CENTER  
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Notes to Financial Statements, Continued

Federal income taxes

The Organization is exempt from income taxes under Section 501(c)(3) and Section 501(c)(4) of the U.S. Internal Revenue Code (the Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, and the amounts of reported revenues and expenses. Actual results could vary from the estimates that were used.

**3. Notes Payable**

Notes payable at December 31, 2000 consists of six loans from individuals, including board members, with original loan amounts ranging from \$1,000 to \$5,000 and one loan in the amount of \$10,000 with the National Day Foundation. The notes payable are interest free, have no stated maturity, and are unsecured. It is management position that the notes payable will be paid prior to December 31, 2001.

**4. Leases**

The Organization leases its facility under an operating lease agreement expiring in August 2003. The Organization leases approximately 30,000 sq. ft. of space at a rate of \$.50 per sq. ft. The lessor has agreed to donate the cost of the lease payments to the Organization in support of its charitable efforts. The rent donated was valued at approximately \$60,000 and is included as contributions and rent expense during the year ended December 31, 2000. The landlord with 60 days written notice may terminate the lease if the property is sold.

**5. Temporarily Restricted Net Assets**

During 2000, the Organization received contributions in the amount of \$3,000 with donor restrictions for capital expenditures. At December 31, 2000 those amounts were still classified as temporarily restricted net assets.

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Notes to Financial Statements, Continued

**6. Book, Magazines and CD on Loan**

During 1999, the Organization entered into an agreement with Florida Chinese Library for the lending of materials for the Organization library. As these items are on loan to the Organization and must be returned, they are not reflected in the assets of the Organization. The total number of materials on loan for the library is approximately 15,000 items, which is significant to the overall materials and operations of the Organization.

**7. Letter of Credit**

At December 31, 2000, the Organization had an open letter of credit in the amount of \$8,000 with a local bank. The letter of credit is secured by the Organization's bank account balance with the local bank.

**8. Subsequent Event**

During February 2001, the Organization sold its land for approximately \$275,000. The proceeds from the sale of the land will be used to support the Organization's acquisition of a permanent facility.