

Financial Statements
Nonprofit Enterprise at Work, Inc.
Years Ended June 30, 2005 and 2004
and Independent Auditors' Report

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Independent Auditors' Report

To the Board of Trustees
Nonprofit Enterprise at Work, Inc.
Ann Arbor, Michigan

We have audited the accompanying statement of financial position of Nonprofit Enterprise at Work, Inc. (a non-profit organization) as of June 30, 2005, 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. The financial statements of Nonprofit Enterprise at Work, Inc. as of June 30, 2004, were audited by other auditors whose report dated September 21, 2004 expressed an unqualified opinion on those 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 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 Nonprofit Enterprise at Work, Inc. as of June 30, 2005, 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.

PLANTE & MORAN, PLLC

October 14, 2005

Nonprofit Enterprise at Work, Inc.
Statement of Financial Position
June 30, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 415,765	\$ 298,943
Accounts receivable:		
Pledges - current	-	25,000
Other, net	7,877	14,650
Tenant reimbursements	21,241	12,208
Deposits	3,340	2,744
Prepaid expenses	2,648	2,672
Total current assets	450,871	356,217
Fixed assets:		
Land	53,000	53,000
Building and improvements	805,745	780,129
Furniture and fixtures	120,729	106,980
Library	51,727	49,645
Computer equipment and software	37,172	33,394
	1,068,373	1,023,148
Less accumulated depreciation and amortization	(409,329)	(366,941)
Total fixed assets	659,044	656,207
	\$ 1,109,915	\$ 1,012,424
Liabilities and Net Assets		
Current liabilities:		
Accounts payable - trade	\$ 5,186	\$ 6,179
Accrued liabilities	16,034	13,768
Lease payable - current portion	3,191	-
Refundable advances	33,440	32,770
Security deposits payable	5,264	4,565
Total current liabilities	63,115	57,282
Lease payable - long term portion	7,934	-
	71,049	57,282
Net assets:		
Unrestricted net assets	381,307	235,595
Temporarily restricted - operations	5,000	25,000
Temporarily restricted fixed assets	652,559	694,547
Total net assets	1,038,866	955,142
	\$ 1,109,915	\$ 1,012,424

See notes to financial statements.

Nonprofit Enterprise at Work, Inc.
Statement of Activities
For the Year Ended June 30, 2005
With Comparative Totals for June 30, 2004

	<u>Operations</u>		<u>Fixed Assets</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Temporarily Restricted</u>
Support and revenue			
Support:			
Grants, contributions, and sponsorships	\$ 439,806	\$ 5,000	\$ -
In-kind contributions			
Donated materials and supplies	10,259	-	-
Donated services	101,071	-	-
Total support	551,136	5,000	-
Revenue:			
Registration fees -			
workshops, conferences, programs	72,635	-	-
Nonprofit Navigator	17,830	-	-
Rentals - tenant	152,492	-	-
Usage fees and other reimbursements	34,390	-	-
Interest	4,000	-	-
Miscellaneous	4,416	-	-
Total revenue	285,763	-	-
Total support and revenue	836,899	5,000	-
Net assets released from restrictions:			
Satisfaction of restriction requirements	66,988	(25,000)	(41,988)
Total net asset reclassifications	66,988	(25,000)	(41,988)
Expenses:			
Program services:			
Education and training	190,812	-	-
Information services	63,273	-	-
Building management	124,987	-	-
Advocacy and outreach	-	-	-
Nonprofit Navigator	84,801	-	-
BoardConnect	83,906	-	-
WebConnect	38,205	-	-
Publications	-	-	-
Supporting services:			
Management and general	141,445	-	-
Fundraising	30,746	-	-
Total expenses	758,175	-	-
Increase (decrease) in net assets	145,712	(20,000)	(41,988)
Net assets - beginning of year	235,595	25,000	694,547
Net assets - end of year	\$ 381,307	\$ 5,000	\$ 652,559

See notes to financial statements.

Totals	
2005	2004
\$ 444,806	\$ 331,593
10,259	11,071
<u>101,071</u>	<u>103,902</u>
<u>556,136</u>	<u>446,566</u>
72,635	63,710
17,830	21,761
152,492	145,829
34,390	30,437
4,000	2,036
4,416	5,351
<u>285,763</u>	<u>269,124</u>
<u>841,899</u>	<u>715,690</u>
-	-
-	-
190,812	207,823
63,273	54,534
124,987	126,519
-	15,805
84,801	39,648
83,906	52,413
38,205	45,472
-	11,532
141,445	147,761
30,746	20,383
<u>758,175</u>	<u>721,890</u>
83,724	(6,200)
<u>955,142</u>	<u>961,342</u>
<u>\$ 1,038,866</u>	<u>\$ 955,142</u>

Nonprofit Enterprise at Work, Inc.
Statement of Activities
For the Year Ended June 30, 2004

	Operations		Fixed Assets	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	2004
Support and revenue				
Support:				
Grants, contributions, and sponsorships	\$ 301,593	\$ -	\$ 30,000	\$ 331,593
In-kind contributions				
Donated materials and supplies	11,071	-	-	11,071
Donated services	103,902	-	-	103,902
Total support	416,566	-	30,000	446,566
Revenue:				
Registration fees - workshops, conferences, programs	63,710	-	-	63,710
Nonprofit Navigator	21,761	-	-	21,761
Rentals - tenant	145,829	-	-	145,829
Usage fees and other reimbursements	30,437	-	-	30,437
Interest	2,036	-	-	2,036
Miscellaneous	5,351	-	-	5,351
Total revenue	269,124	-	-	269,124
Total support and revenue	685,690	-	30,000	715,690
Net assets released from restrictions:				
Satisfaction of restriction requirements	119,638	(75,000)	(44,638)	-
Total net asset reclassifications	119,638	(75,000)	(44,638)	-
Expenses:				
Program services:				
Education and training	207,823	-	-	207,823
Information services	54,534	-	-	54,534
Building management	126,519	-	-	126,519
Advocacy and outreach	15,805	-	-	15,805
Nonprofit Navigator	39,648	-	-	39,648
BoardConnect	52,413	-	-	52,413
WebConnect	45,472	-	-	45,472
Publications	11,532	-	-	11,532
Supporting services:				
Management and general	147,761	-	-	147,761
Fundraising	20,383	-	-	20,383
Total expenses	721,890	-	-	721,890
Increase (decrease) in net assets	83,438	(75,000)	(14,638)	(6,200)
Net assets - beginning of year	152,157	100,000	709,185	961,342
Net assets - end of year	\$ 235,595	\$ 25,000	\$ 694,547	\$ 955,142

See notes to financial statements.

Nonprofit Enterprise at Work, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2005
With Comparative Totals for June 30, 2004

	Program Services					
	Education and Training	Information Services	Building Management	Nonprofit Navigator	BoardConnect	WebConnect
Payroll expenses:						
Wages	\$ 68,541	\$ 45,887	\$ 33,821	\$ 66,925	\$ 58,568	\$ 14,533
Payroll taxes	5,411	3,526	2,614	4,973	4,394	1,148
Employee benefits	3,815	1,194	4,014	3,387	704	533
Total payroll expenses	77,767	50,607	40,449	75,285	63,666	16,214
Other expenses:						
Office supplies	1,084	283	3,622	254	1,008	603
Program expenses	2,190	-	-	2,755	-	-
Telephone	1,304	706	543	761	924	763
Postage	3,617	220	-	104	108	244
Postage - tenant reimbursable	-	-	12,470	-	-	-
Janitorial	-	-	9,010	-	-	-
Utilities	-	-	19,389	-	-	-
Rent	-	-	429	-	-	-
Travel and conferences	77	91	31	-	1,154	18
Dues and subscriptions	-	2,207	-	-	6,000	-
Insurance	-	-	2,395	-	-	-
Meals and entertainment	6,146	-	-	10	1,046	-
Copying and printing	6,287	442	-	-	-	17
Repairs and maintenance	-	-	15,437	-	-	-
Contract services	5,328	300	13,175	100	1,422	15,183
Professional fees	-	-	-	-	-	-
Donated services	70,730	-	-	1,700	1,400	3,000
Marketing and promotion	9,192	938	1,181	751	1,919	1,539
Miscellaneous	261	1,511	870	-	-	-
Bad debt	-	-	-	-	20	-
Loss on disposal	-	-	-	-	-	-
Allocation of occupancy costs	6,806	3,271	(24,463)	2,864	5,239	624
Total expenses before depreciation	190,789	60,576	94,538	84,584	83,906	38,205
Depreciation	23	2,697	30,449	217	-	-
Total expenses	\$ 190,812	\$ 63,273	\$ 124,987	\$ 84,801	\$ 83,906	\$ 38,205

See notes to financial statements.

<u>Supporting Services</u>					
Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
				2005	2004
\$ 288,275	\$ 52,878	\$ 24,807	\$ 77,685	\$ 365,960	\$ 337,866
22,066	7,834	1,834	9,668	31,734	34,812
13,647	3,064	64	3,128	16,775	14,721
323,988	63,776	26,705	90,481	414,469	387,399
6,854	4,628	430	5,058	11,912	10,471
4,945	-	-	-	4,945	7,460
5,001	217	217	434	5,435	5,349
4,293	838	336	1,174	5,467	3,031
12,470	-	-	-	12,470	15,317
9,010	-	-	-	9,010	9,874
19,389	-	-	-	19,389	30,505
429	-	-	-	429	300
1,371	2,439	358	2,797	4,168	2,295
8,207	2,291	-	2,291	10,498	9,958
2,395	4,231	-	4,231	6,626	6,776
7,202	80	60	140	7,342	3,763
6,746	655	64	719	7,465	10,123
15,437	5,748	-	5,748	21,185	12,748
35,508	5,224	1,000	6,224	41,732	34,172
-	4,525	-	4,525	4,525	4,400
76,830	24,241	-	24,241	101,071	97,780
15,520	3,375	-	3,375	18,895	19,687
2,642	4,277	-	4,277	6,919	8,996
20	1,816	-	1,816	1,836	290
-	-	-	-	-	6,675
(5,659)	4,083	1,576	5,659	-	-
552,598	132,444	30,746	163,190	715,788	687,369
33,386	9,001	-	9,001	42,387	34,521
\$ 585,984	\$ 141,445	\$ 30,746	\$ 172,191	\$ 758,175	\$ 721,890

Nonprofit Enterprise at Work, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2004

	Program Services				
	Education and Training	Information Services	Building Management	Advocacy and Outreach	Nonprofit Navigator
Payroll expenses:					
Wages	\$ 68,634	\$ 38,018	\$ 50,050	\$ 14,146	\$ 25,947
Payroll taxes	5,422	2,832	3,698	1,109	2,148
Employee benefits	3,962	795	3,814	-	1,483
Total payroll expenses	78,018	41,645	57,562	15,255	29,578
Other expenses:					
Office supplies	549	358	3,198	-	-
Program expenses	3,897	-	-	-	3,563
Telephone	1,069	963	535	-	963
Postage	3,681	201	-	32	218
Postage - tenant reimbursable	-	-	15,317	-	-
Janitorial	-	-	9,874	-	-
Utilities	-	-	30,505	-	-
Rent	-	-	300	-	-
Travel and conferences	25	89	37	-	382
Dues and subscriptions	-	2,164	-	-	-
Insurance	-	-	2,511	-	-
Meals and entertainment	3,363	-	-	-	38
Copying and printing	7,995	-	-	-	98
Repairs and maintenance	-	-	7,554	-	-
Contract services	4,176	1,200	10,612	-	-
Professional fees	-	-	-	-	-
Donated services	81,443	-	-	-	-
Marketing and promotion	9,126	316	281	-	179
Miscellaneous	62	-	381	-	-
Bad debt	-	-	-	-	290
Loss on disposal	-	-	-	-	-
Allocation of occupancy costs	14,396	3,942	(37,259)	518	3,804
Total expenses before depreciation	207,800	50,878	101,408	15,805	39,113
Depreciation	23	3,656	25,111	-	535
Total expenses	\$ 207,823	\$ 54,534	\$ 126,519	\$ 15,805	\$ 39,648

See notes to financial statements.

			Supporting Services					
BoardConnect	WebConnect	Publications	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
\$ 35,681	\$ 24,431	\$ 7,303	\$ 264,210	\$ 55,539	\$ 18,117	\$ 73,656	\$ 337,866	
2,670	1,908	539	20,326	13,100	1,386	14,486	34,812	
128	364	-	10,546	4,175	-	4,175	14,721	
38,479	26,703	7,842	295,082	72,814	19,503	92,317	387,399	
444	-	70	4,619	5,852	-	5,852	10,471	
-	-	-	7,460	-	-	-	7,460	
642	749	-	4,921	428	-	428	5,349	
126	41	6	4,305	(1,348)	74	(1,274)	3,031	
-	-	-	15,317	-	-	-	15,317	
-	-	-	9,874	-	-	-	9,874	
-	-	-	30,505	-	-	-	30,505	
-	-	-	300	-	-	-	300	
308	-	-	841	1,454	-	1,454	2,295	
5,500	-	-	7,664	2,294	-	2,294	9,958	
-	-	-	2,511	4,265	-	4,265	6,776	
145	-	-	3,546	135	82	217	3,763	
-	-	-	8,093	2,030	-	2,030	10,123	
-	-	-	7,554	5,194	-	5,194	12,748	
1,350	9,435	200	26,973	6,475	724	7,199	34,172	
-	-	-	-	4,400	-	4,400	4,400	
-	5,550	-	86,993	10,787	-	10,787	97,780	
386	100	2,250	12,638	7,049	-	7,049	19,687	
-	250	-	693	8,303	-	8,303	8,996	
-	-	-	290	-	-	-	290	
-	-	-	-	6,675	-	6,675	6,675	
5,033	2,644	1,164	(5,758)	5,758	-	5,758	-	
52,413	45,472	11,532	524,421	142,565	20,383	162,948	687,369	
-	-	-	29,325	5,196	-	5,196	34,521	
\$ 52,413	\$ 45,472	\$ 11,532	\$ 553,746	\$ 147,761	\$ 20,383	\$ 168,144	\$ 721,890	

Nonprofit Enterprise at Work, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2005 and 2004

	2005	2004
Cash flows provided by operating activities:		
Net increase (decrease) in net assets	\$ 83,724	\$ (6,200)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,387	34,521
Loss on disposal of fixed assets and inventory	-	6,675
 Decrease (increase) in assets:		
Pledges receivable	25,000	75,000
Other receivables	6,773	(2,847)
Tenant reimbursements receivable	(9,033)	(527)
Deposits	(596)	9,893
Prepaid expenses	24	11
(Decrease) increase in liabilities:		
Accounts payable - trade	(993)	2,279
Refundable advances	670	(13,512)
Security deposits payable	699	(372)
Accrued liabilities	2,266	(1,813)
Net cash provided by operating activities	150,921	103,108
 Cash flows used in investing activities:		
Purchase of fixed assets	(31,474)	(64,883)
 Cash flows used in financing activities:		
Payments on obligation under capital lease	(2,925)	-
Net increase in cash	116,522	38,225
Cash and cash equivalents - beginning of year	298,943	260,718
Cash and cash equivalents - end of year	\$ 415,465	\$ 298,943

Non-cash activity:

Contributed services in the amount of \$101,071 and \$103,902 were received for the years ending June 30, 2005 and 2004, respectively.

Contributed materials in the amount of \$10,259 and \$11,071 were received for the years ending June 30, 2005 and 2004, respectively.

During the year ended June 30, 2005, the Organization entered into a capital lease agreement for a copier. The gross amount of the obligation was \$13,749. Lease payments made for the year ended June 30, 2005 is approximately \$2,925.

See notes to financial statements.

Nonprofit Enterprise at Work, Inc.
Notes to Financial Statements
June 30, 2005 and 2004

1. Nature of organization

Nonprofit Enterprise at Work, Inc. is a Michigan non-profit organization providing facilities, educational programs, and leadership to 501(c)(3) non-profit organizations. Sources of revenues are grants, contributions, rental income, and fees for services rendered.

The Organization services consist of the following programs:

Education and Training – the program offers many training and development opportunities for board members, staff, and volunteers to increase the expertise and effectiveness of people working in nonprofit organizations.

Information Systems – the program provides nonprofits with a variety of online and offline resources, including a free public lending library of nonprofit books and materials, free access to FC Search (an electronic database of all foundations located in the United States), affordable print publications that are available for purchase, an online monthly newsletter for nonprofits, an online directory of Washtenaw County nonprofits, and an online directory of local consultants for nonprofits.

Advocacy and Outreach – this program involved Nonprofit Enterprise at Work, Inc.'s Excellence Awards, which was an annual award event that recognized and highlighted effective nonprofit management practices. The last Excellence Awards ceremony was held in 2003, and the program was discontinued as of the 2004-2005 fiscal year.

Building Management – the program provides affordable office space and shared resources for nonprofit tenants, plus affordable meeting space for any nonprofit organization.

Nonprofit Navigator – a new pilot program that provides up to 18 months of comprehensive, in-depth organizational coaching and mentoring to select nonprofits. Navigator also publishes ResourceConnect, an actively managed online directory of resources for local nonprofits.

BoardConnect – the program recruits and trains potential nonprofit board members, and then helps match their individuals to participating nonprofit organizations. BoardConnect also provides training and guidance to existing nonprofit boards.

WebConnect – the program provides affordable and professional web-related services to nonprofits. The services include low cost web development, Access database assistance, web-site maintenance, and internet education and training.

Publications – this program involved the creation or re-distribution of several publications focused on nonprofit activities. Original publications include Nonprofit Enterprise at Work, Inc.'s Model Employee Manual, and Nonprofit Enterprise at Work, Inc.'s Starting a Nonprofit Corporation handbook. Several other nonprofit publications are purchased and re-distributed by Nonprofit Enterprise at Work, Inc. For the 2004-2005 fiscal year, this activity was placed under the Information Services program.

Nonprofit Enterprise at Work, Inc.
Notes to Financial Statements
June 30, 2005 and 2004

2. Summary of significant accounting policies

Basis of accounting:

The financial statements are prepared on the accrual basis of accounting.

Display of net assets by class:

The net assets of the Organization are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed or time restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Display of net assets by class: - (continued)

The Organization's temporarily restricted net assets are further classified for display purposes as follows:

Operations – restricted for (a) designated operating activities, or (b) use in specified future period, but otherwise unrestricted.

Fixed assets – restricted for (a) use by designated activities related to the Organization, (b) the acquisition of long-lived assets, or (c) use in a specified future period.

Building improvements are similarly restricted for designated activities related to the organization, and are presented on the statement of activities as a net asset reclassification from unrestricted net assets to temporarily restricted net assets.

The Organization does not have any permanently restricted net assets.

Accounts receivable:

Accounts receivable are stated at invoice amounts. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

All allowance for uncollectible accounts was established in the amount of \$-0- and \$61 for the years ended June 30, 2005 and 2004, respectively.

Property and equipment:

Property and equipment are stated at cost if purchased or fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

Pledges receivable:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Nonprofit Enterprise at Work, Inc.
Notes to Financial Statements
June 30, 2005 and 2004

2. Summary of significant accounting policies – (continued)

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Donated materials and services:

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. For the year ended June 30, 2005 and 2004, donated supplies totaling \$10,259 and \$11,071, respectively, were recognized in the unrestricted class of net assets.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2005 and 2004 contributed services of \$101,071 and \$103,902, respectively, were recognized in the unrestricted net asset class.

Income taxes:

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Organization as other than a private foundation.

Statement of cash flows:

The Organization considers all highly liquid investments with an initial maturity of 90 days or less as cash and cash equivalents for the statement of cash flows.

3. Cash and cash equivalents

Short-term cash investments considered as cash equivalents include Government Securities Portfolio Money Market fund held at Raymond James and a Ford Money Market account. The carrying amount and market value of these funds is \$298,138. The Organization's share of the fund is not insured or specifically collateralized in the Organization's name. The market value of the investment at June 30, 2005 is equal to 100% of the carrying value. The Organization, also, has a checking account at a banking institution. The bank balance is \$122,427 and the book balance is \$117,599, excluding petty cash of \$28. The difference represents outstanding checks at year end. Of the deposits, \$22,427 is uninsured.

4. Operating leases

The Organization, as lessor, has entered into operating leases with non-profit organizations that occupy the facility. The facility's cost and carrying amount is \$858,745 and \$602,117, respectively. The leases are from one to four years. Future minimum lease payments, in total and for the fiscal years ending June 30, for which leases have been negotiated, are as follows:

2006	\$121,220
2007	<u>27,953</u>
	<u>\$149,173</u>

Nonprofit Enterprise at Work, Inc.
Notes to Financial Statements
June 30, 2005 and 2004

5. Line of credit

The Organization has a \$150,000 line of credit available with a bank at an interest rate equal to the "prime rate" for a 9-month period, beginning April 16, 2004. All assets are pledged as collateral. At June 30, 2005 and 2004, there was no outstanding balance on the line of credit.

Of the \$150,000 line of credit, \$13,568 is reserved as a letter of credit necessary for the Organization's workers' and unemployment compensation agreement with the State of Michigan.

6. Deferred compensation plan

The Organization maintains a deferred compensation plan under Section 403(b) of the Internal Revenue Code. Participants may make voluntary contributions to the plan up to 20% of their compensation.

7. Refundable advances

Refundable advances represent amounts that were advanced for services/activities that will be rendered by the Organization in subsequent years. Examples of refundable advances would be amounts received by the Organization by sponsors of the educational workshops in the Fall subsequent to the fiscal year end.

8. Pledges receivable

Pledges receivable represent unconditional commitments from companies for pledges related to the "Partnership Program". No allowance for uncollectible or discount amount has been deemed necessary. As of June 30, 2005 and 2004, pledged receivables are \$-0- and \$25,000, respectively. The amount due to be received as of June 30, 2004 was received in fiscal year 2005.

9. Conditional pledges

The Organization also receives conditional pledges related to the "Partnership Program". Due to the nature of the pledges, they have been excluded from pledges receivable and will be recognized as revenue in the period in which the conditions are met. Conditional pledges as of June 30, 2005 and 2004 are \$450,000 and \$100,000, respectively.

10. Obligation under capital lease

During the year ended June 30, 2005, the Organization financed the acquisition of a copier with a capital lease payable. The monthly payment is \$358. The capitalized lease is secured by the equipment purchased. The amortization of the capital lease is included in depreciation expense.

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10. **Obligation under capital lease** – (continued)

The following is a schedule by years of future minimum lease payments required under the capital leases as of June 30, 2005:

<u>Year Ending</u> <u>June 30</u>	<u>Future Minimum</u> <u>Lease Payments</u>
2006	\$ 4,296
2007	4,296
2008	4,296
2009	<u>358</u>
Total future minimum payments	13,246
Less: interest	<u>(2,121)</u>
Net obligations under capital lease	<u>\$ 11,125</u>

Interest expense of \$1,314 was incurred on the capital lease obligation in 2005.