
NONPROFIT ENTERPRISE AT WORK, INC.

FINANCIAL STATEMENTS

For the year ended June 30, 2011 and 2010

NONPROFIT ENTERPRISE AT WORK, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Nonprofit Enterprise at Work, Inc. (a nonprofit corporation) as of June 30, 2011 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 Nonprofit Enterprise at Work, Inc. as of June 30, 2011 and 2010, and the changes in net assets, functional expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Respectfully,

Bennett & Associates CPAs PLLC

Ann Arbor, Michigan
November 8, 2011

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30,

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 67,787	\$ 203,005
Promises to give, net of allowance	171,305	141,043
Accounts receivable - rent	1,507	590
Accounts receivable - other	39,794	26,933
Inventory	22,500	-
Prepaid expenses	12,660	14,935
Total current assets	315,553	386,506
Promises to give, due after one year	20,000	128,000
Property and equipment, net of depreciation and amortization	520,144	567,866
TOTAL ASSETS	\$ 855,697	\$ 1,082,372
LIABILITIES		
Current liabilities		
Accounts payable - trade	\$ 24,717	\$ 22,927
Accrued liabilities	33,569	34,374
Capital lease obligation	6,038	9,973
Deferred revenue	4,604	8,158
Line of credit	75,000	-
Total current liabilities	143,928	75,432
Security deposits payable	4,331	3,771
Capital lease obligation, due after one year	792	6,830
TOTAL LIABILITIES	149,051	86,033
NET ASSETS		
Unrestricted net assets	52,287	239,713
Temporarily restricted - operations	199,305	277,043
Temporarily restricted - fixed assets	455,054	479,583
TOTAL NET ASSETS	706,646	996,339
TOTAL LIABILITIES AND NET ASSETS	\$ 855,697	\$ 1,082,372

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011, with comparable totals for 2010

	Operations		Fixed Assets	Totals	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	2011	2010
Support and Revenue					
Support					
Grants, contributions, and sponsorships	\$ 174,642	\$ 131,305	\$ -	\$ 305,947	\$ 673,920
In-kind contributions:					
Donated materials and supplies	26,036	-	-	26,036	2,791
Donated services	55,139	-	-	55,139	72,175
Total support	255,817	131,305	-	387,122	748,886
Revenue					
Program fees	261,445	-	-	261,445	237,775
Tenant					
Rentals	150,724	-	-	150,724	150,902
Reimbursements	25,826	-	-	25,826	21,507
Interest	153	-	-	153	230
Miscellaneous	4,787	-	-	4,787	1,317
Total revenue	442,935	-	-	442,935	411,731
Total support and revenue	698,752	131,305	-	830,057	1,160,617
Net assets released from restrictions					
Satisfaction of restriction requirements	233,572	(209,043)	(24,529)	-	-
Expenses					
Program services					
npServ	295,094	-	-	295,094	334,347
Resource connect	71,357	-	-	71,357	44,846
Building management	205,023	-	-	205,023	191,783
BoardConnect	249,608	-	-	249,608	205,188
Supporting services					
Management and general	189,768	-	-	189,768	186,980
Fundraising	108,900	-	-	108,900	119,467
Total expenses	1,119,750	-	-	1,119,750	1,082,611
Increase (decrease) in net assets	(187,426)	(77,738)	(24,529)	(289,693)	78,006
Net assets - beginning of year	239,713	277,043	479,583	996,339	918,333
Net assets - end of year	<u>\$ 52,287</u>	<u>\$ 199,305</u>	<u>\$ 455,054</u>	<u>\$ 706,646</u>	<u>\$ 996,339</u>

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	Operations		Fixed Assets	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	2010
Support and Revenue				
Support				
Grants, contributions, and sponsorships	\$ 398,777	\$ 275,143	\$ -	\$ 673,920
In-kind contributions				
Donated materials and supplies	2,791	-	-	2,791
Donated services	72,175	-	-	72,175
Total support	<u>473,743</u>	<u>275,143</u>	<u>-</u>	<u>748,886</u>
Revenue				
Program fees	237,775	-	-	237,775
Tenants				
Rentals	150,902	-	-	150,902
Reimbursements	21,507	-	-	21,507
Interest	230	-	-	230
Miscellaneous	1,317	-	-	1,317
Total revenue	<u>411,731</u>	<u>-</u>	<u>-</u>	<u>411,731</u>
Total support and revenue	<u>885,474</u>	<u>275,143</u>	<u>-</u>	<u>1,160,617</u>
Net assets released from restrictions:				
Satisfaction of restriction requirements	176,668	(150,705)	(25,963)	-
Expenses				
Program services				
npServ	334,347	-	-	334,347
Resource connect	44,846	-	-	44,846
Building management	191,783	-	-	191,783
BoardConnect	205,188	-	-	205,188
Supporting services				
Management and general	186,980	-	-	186,980
Fundraising	119,467	-	-	119,467
Total expenses	<u>1,082,611</u>	<u>-</u>	<u>-</u>	<u>1,082,611</u>
Increase (decrease) in net assets	(20,469)	124,438	(25,963)	78,006
Net assets - beginning of year	260,182	152,605	505,546	918,333
Net assets - end of year	<u>\$ 239,713</u>	<u>\$ 277,043</u>	<u>\$ 479,583</u>	<u>\$ 996,339</u>

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2011 with comparable totals for 2010

	Program Services				Total Program Services
	npServ	Resource Connect	Building Management	Board Connect	
Payroll expenses:					
Wages	190,634	53,380	59,316	161,226	464,556
Payroll taxes	13,477	3,997	4,493	11,734	33,701
Employee benefits	13,985	2,947	4,093	10,947	31,972
Total payroll expenses	<u>218,096</u>	<u>60,324</u>	<u>67,902</u>	<u>183,907</u>	<u>530,229</u>
Other expenses:					
Office supplies	151	195	2,796	1,147	4,289
Program expenses	9,220	-	-	-	9,220
Telephone	2,352	105	157	437	3,051
Telephone Tenants			11,286		11,286
Postage	52	70	7,055	538	7,715
Copies/Faxes to Pgrams/Bldg	-	-	(4,582)	-	(4,582)
Janitorial	-	-	12,848	-	12,848
Utilities	-	-	18,130	-	18,130
Rent (Detroit office)	1,433	740	-	1,163	3,336
Travel and conferences	6,790	912	78	11,187	18,967
Dues and subscriptions	-	1,336	-	6,000	7,336
Insurance	-	-	1,772	-	1,772
Meals and entertainment	472	-	-	2,944	3,416
Copying and printing	383	187	138	4,245	4,953
Repairs and maintenance	-	-	19,651	-	19,651
Contract services	29,142	5,115	22,636	23,541	80,434
Professional fees	-	-	-	-	-
Professional development	-	-	-	359	359
Donated services	22,931	2,000	1,500	4,000	30,431
Marketing and promotion	2,972	319	334	9,915	13,540
Miscellaneous	1,100	-	107	-	1,207
Bad debt	-	-	-	-	-
Loss on disposal	-	-	-	-	-
Total expenses before depreciation	<u>295,094</u>	<u>71,303</u>	<u>161,808</u>	<u>249,383</u>	<u>777,588</u>
Depreciation	-	54	43,215	225	43,494
Total expenses	<u><u>295,094</u></u>	<u><u>71,357</u></u>	<u><u>205,023</u></u>	<u><u>249,608</u></u>	<u><u>821,082</u></u>

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2011 with comparable totals for 2010

Supporting Services

Management and General	Fundraising	Total Supporting Services	Total	
			2011	2010
88,462	91,581	180,043	644,599	\$ 632,238
7,149	6,592	13,741	47,442	46,805
5,189	7,533	12,722	44,694	45,832
100,800	105,706	206,506	736,735	724,875
2,062	346	2,408	6,697	6,451
	-	-	9,220	12,944
210	280	490	3,541	7,997
			11,286	3,098
544	390	934	8,649	8,739
	-	-	(4,582)	(5,719)
	-	-	12,848	14,985
	-	-	18,130	16,941
522	754	1,276	4,612	2,428
1,377	143	1,520	20,487	20,076
3,263	-	3,263	10,599	9,197
3,298	-	3,298	5,070	4,668
1,187	-	1,187	4,603	2,480
2,220	601	2,821	7,774	5,726
	-	-	19,651	19,304
18,197		18,197	98,631	65,184
10,500	-	10,500	10,500	10,200
	89	89	448	1,330
24,708		24,708	55,139	72,174
2,874	591	3,465	17,005	16,643
6,853	-	6,853	8,060	6,825
2,685		2,685	2,685	4,053
	-	-	-	271
181,300	108,900	290,200	1,067,788	1,030,870
8,468	-	8,468	51,962	51,741
189,768	108,900	298,668	1,119,750	\$ 1,082,611

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010

	Program Services				Total Program Services
	npServ	Resource Connect	Building Management	Board Connect	
Payroll expenses:					
Wages	\$ 215,346	\$ 34,327	\$ 58,499	\$ 137,139	\$ 445,311
Payroll taxes	15,003	2,636	4,547	10,405	32,591
Employee benefits	14,662	2,748	4,125	11,467	33,002
Total payroll expenses	245,011	39,711	67,171	159,011	510,904
Other expenses:					
Office supplies	91	104	4,025	1,361	5,581
Program expenses	12,744	25	125	50	12,944
Telephone	3,215	405	608	1,688	5,916
Telephone Tenants	-	-	3,098	-	3,098
Postage	63	73	7,640	363	8,139
Copies/Faxes to Pgrams/Bldg	-	-	(5,719)	-	(5,719)
Janitorial	-	-	14,985	-	14,985
Utilities	-	-	16,941	-	16,941
Rent (Detroit office)	781	374	-	594	1,749
Travel and conferences	7,210	436	45	7,889	15,580
Dues and subscriptions	-	1,521	-	4,500	6,021
Insurance	-	-	1,707	-	1,707
Meals and entertainment	336	-	-	533	869
Copying and printing	870	134	135	3,556	4,695
Repairs and maintenance	-	-	19,304	-	19,304
Contract services	35,586	172	17,002	2,574	55,334
Professional fees	-	-	-	-	-
Professional development	40	-	-	947	987
Donated services	25,855	1,000	500	9,000	36,355
Marketing and promotion	2,545	565	735	9,382	13,227
Miscellaneous	-	-	165	-	165
Bad debt	-	-	(12)	3,040	3,028
Loss on disposal	-	-	-	-	-
Total expenses before depreciation	334,347	44,520	148,455	204,488	731,810
Depreciation	-	326	43,328	700	44,354
Total expenses	\$ 334,347	\$ 44,846	\$ 191,783	\$ 205,188	\$ 776,164

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010

Supporting Services

Management and General	Fundraising	Total Supporting Services	Total 2010
\$ 86,214	\$ 100,713	\$ 186,927	\$ 632,238
6,478	7,736	14,214	46,805
5,507	7,323	12,830	45,832
98,199	115,772	213,971	724,875
771	99	870	6,451
-	-	-	12,944
990	1,091	2,081	7,997
-	-	-	3,098
439	161	600	8,739
-	-	-	(5,719)
-	-	-	14,985
-	-	-	16,941
286	393	679	2,428
3,356	1,140	4,496	20,076
3,176	-	3,176	9,197
2,961	-	2,961	4,668
1,611	-	1,611	2,480
736	295	1,031	5,726
-	-	-	19,304
9,850	-	9,850	65,184
10,200	-	10,200	10,200
43	300	343	1,330
35,819	-	35,819	72,174
3,200	216	3,416	16,643
6,660	-	6,660	6,825
1,025	-	1,025	4,053
271	-	271	271
179,593	119,467	299,060	1,030,870
7,387	-	7,387	51,741
\$ 186,980	\$ 119,467	\$ 306,447	\$ 1,082,611

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF CASH FLOWS
For the years ended June 30,

	<u>2011</u>	<u>2010</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Increase/(decrease) in net assets	\$ (289,693)	\$ 78,006
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	51,961	51,741
Loss on disposal of fixed assets	-	271
Decrease (increase) in assets:		
Pledges receivable	77,738	(148,438)
Other receivables	(12,861)	(12,605)
Tenant reimbursements receivable	(917)	830
Inventory	(22,500)	-
Prepaid expenses	2,275	(1,249)
(Decrease) increase in liabilities:		
Accounts payable - trade	1,790	10,047
Deferred revenue	(3,554)	78
Security deposits payable	560	150
Accrued liabilities	(805)	(2,641)
Net cash provided by operating activities	<u>(196,006)</u>	<u>(23,810)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(4,239)</u>	<u>(30,865)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Net borrowings on line of credit	75,000	-
Payments on obligation under capital lease	<u>(9,973)</u>	<u>(8,803)</u>
Net cash provided by financing activities	<u>65,027</u>	<u>(8,803)</u>
Net increase (decrease) in cash	(135,218)	(63,478)
Cash and cash equivalents - beginning of year	<u>203,005</u>	<u>266,483</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 67,787</u></u>	<u><u>\$ 203,005</u></u>

NOTE A - NATURE OF ORGANIZATION

NEW (Nonprofit Enterprise at Work, Inc.) is a 501(c)(3) non-profit organization located in Ann Arbor, Michigan, whose mission is to help nonprofits succeed by strengthening nonprofit management and offering solutions to issues facing the nonprofit community. NEW is a management support organization for nonprofits, providing capacity building through leadership development, technology support, information resources and office and meeting space. Revenue sources include fees for services, rental income, contributions and grants.

NEW's services consist of the following programs:

BoardConnect – The program recruits and trains potential nonprofit board members and then helps match them to participating nonprofit organizations. BoardConnect also provides beginning and advanced governance training and support to existing nonprofit boards. In addition, BoardConnect offers the “Board Room,” an online collection of best practice documents for board governance, and Board360, an affordable board assessment tool. In the 2011 fiscal year BoardConnect served a wide range of individuals and organizations:

- ... Nonprofits Served: Through the full range of BoardConnect services (workshops, customized trainings for boards, matching, etc.), the program served 237 nonprofits (excluding repeats). This figure does not include nonprofits subscribing to the Board Room.
- ... Individuals Served: Through the full range of BoardConnect's services for individuals seeking boards and individuals serving on boards, the program served 1,731 individuals (excluding repeats).
- ... Board Matches: Nonprofits found 46 new board members through BoardConnect matching services.
- ... Board Room Subscriptions: 117 new subscribers to The Board Room in 2010-2011.
- ... Local Service Providers: 4 “local service providers” in Battle Creek, Kalamazoo, Marquette, and Flint redeliver BoardConnect training and matching services to their local nonprofits.
- ... Board360™: 8 organizations used our online board assessment tool.

NEW Center – The program provides affordable office space and shared resources for nonprofit tenants, an affiliates program that provides some of the benefits of the NEW Center without actual tenancy, plus affordable meeting space available to any 501(c)(3) nonprofit organization. Our shared phone system for tenants saves them an average of 30% per year while enhancing their communications capabilities. In the 2011 fiscal year the NEW Center provided a wide range of support to nonprofits:

- ... Tenants: 21 organizations were tenants as of June 30, 2011, 11 of which participated in the NEW Center's shared telephone system.
- ... Affiliates: 4 organizations participated in our Affiliate Program as of June 30, 2011.
- ... Conference Rooms: Tenant and non-tenant nonprofits made 1642 reservations for 4,388 hours of conference room usage involving more than 14,473 attendees.

npServ – The program provides shared IT support to nonprofits based on an innovative combination of technologies commonly used in the business sector. This approach lowers hardware, software, energy, and management costs, while enabling greater reliability, daily remote data backup, remote access to workstations, and other benefits. Nonprofits have access to on-call IT support during regular business hours for an affordable monthly fee. npServ also offers hosted email for nonprofits. In 2010-11, npServ:

- ... Provided ongoing support and maintenance for 34 organizations and 355 workstations
- ... Provided hosted email and group calendaring to 509 users

NOTE A – NATURE OF ORGANIZATION (continued)

ResourceConnect – The program provides answers to nonprofit management questions for nonprofits and community members. Free online and offline resources connect organizations to up-to-date information and best practices. The program also provides guided access to a database of over 100,000 potential funders, and the “Get Connected” event series provides networking opportunities and information on nonprofit issues and concerns. In 2010-2011, ResourceConnect:

- ... Provided general management information and Foundation Directory Online access to 644 individuals representing 305 nonprofits
- ... Published an online nonprofit resource directory that received almost 120,000 page views
- ... Published a directory of local nonprofits that received over 165,000 page views
- ... Published NEWSNOTES, a monthly online newsletter for nonprofits with over 9,500 regular subscribers

NOTE B - 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 purpose 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.

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.

The Organization does not have any permanently restricted net assets.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. There was no allowance for doubtful accounts at June 30, 2011 or 2010.

Property and equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

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.

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.

The Organization’s Form 990 returns for 2008, 2009, 2010, 2011 are subject to examination by the Internal Revenue Service, generally for three years after being filed.

NOTE B – 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.

Recognition of donor restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

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 years ended June 30, 2011 and 2010, donated supplies totaling \$26,036 and \$2,791, 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 years ended June 30, 2011 and 2010, contributed services of \$55,139 and \$72,175, respectively, were recognized in the unrestricted net asset class.

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.

Functional allocation of expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent events

Subsequent events have been evaluated through November 8, 2011, the date the financial statements were available to be issued.

NOTE C - OPERATING LEASES

The Organization, as lessor, has entered into operating leases with nonprofit organizations that occupy the facility. The facility's cost and carrying amount is \$860,390 and \$426,205, respectively, including office space used by the Organization for other purposes. The leases are from one to two years. Future minimum lease payments, in total and for the fiscal years ending June 30, for which leases have been negotiated, are as follows:

2012	\$ 131,686
2013	55,536
2014	<u>24,564</u>
	<u>\$ 211,786</u>

NOTE D - LINE OF CREDIT

The Organization maintains a \$200,000 line of credit with a local bank. At June 30, 2011, \$75,000 had been drawn on this line. The interest rate on this line of credit is equal to the "prime rate" as reported by The Wall Street Journal and is secured by all assets. Interest at June 30, 2011 was 5.00%. The line expires in December 1, 2011.

In connection with this line of credit, the lender has issued an irrevocable standby line of credit for the benefit of the State of Michigan Department of Consumer and Industry Services, Bureau of Workers' & Unemployment Compensation and/or other various municipalities.

NOTE E - DEFERRED COMPENSATION PLAN

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

NOTE F - PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2011	2010
Receivable in less than one year	\$ 179,305	\$ 149,043
Receivable in one to five years	20,000	128,000
Total unconditional pledge receivables	199,305	277,043
Less allowance for uncollectible promises	(8,000)	(8,000)
	\$ 191,305	\$ 269,043

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2011	2010
Land	\$ 53,000	\$ 53,000
Building and improvements	860,390	858,007
Computer equipment and software	13,906	29,181
Furniture and fixtures	112,591	119,486
	1,039,887	1,059,674
Less accumulated depreciation and amortization	(519,743)	(491,808)
Total property and equipment	\$ 520,144	\$ 567,866

NOTE H - OBLIGATION UNDER CAPITAL LEASE

On August 24, 2008, the Organization entered into a capital lease for a copier. The carrying value of the copier at June 30, 2011 is \$1,286. The lease payments are \$404 each month for 48 months. The capitalized lease is secured by the equipment purchased. The amortization of the capital lease is included in depreciation expense.

On September 20, 2008, the Organization entered into a capital lease for a new phone and voicemail system. The carrying value of this asset at June 30, 2011 is \$8,175. The lease payments are \$583 each month for 36 months. The capitalized lease is secured by the equipment purchased. The amortization of the capital lease is included in depreciation expense.

The following is a schedule by years of future minimum lease payments required under the capital leases as of June 30, 2010:

Year Ending June 30	Future Minimum Lease Payments
2012	\$ 6,603
2013	809
2014	-
Total future minimum payments	7,412
Less: interest	(581)
Net obligations under capital lease	<u>\$ 6,831</u>

Interest expense of \$1,741 and \$3,050 was incurred on the capital lease obligation in 2011 and 2010, respectively.

NOTE I - SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Organization borrowed additional funds from its line of credit. The June 30, 2011 balance on the line of credit was \$75,000. The balance as of the date of these financial statements was \$150,000.