

## Financial Statements

# Year Ended December 31, 2010

## TABLE of CONTENTS

	rage
Independent Accountants' Review Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9
Supplementary Information:	
Independent Accountants' Review Report on Supplementary Information	10
Schedule of Functional Expenses	11



## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors

Lancaster, Pennsylvania

We have reviewed the accompanying statement of financial position of an on-profit corporation) as of December 31, 2010, and the statements of activities, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 8 to the financial statements, accounting from the cash basis to the accrual basis of accounting.

June 13, 2011 Lancaster, Pennsylvania TROUT, EBERSOLE & GROFF, LLP Certified Public Accountants

Trout, Elesole + Groff, LLP

# STATEMENT of FINANCIAL POSITION December 31, 2010

## **ASSETS**

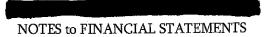
Cash and Cash Equivalents Accounts Receivable	\$	50,175 14,648
Leasehold Improvements and Machinery and Equipment, at Cost,		
less Accumulated Depreciation of \$26,980		38,999
TOTAL ASSETS		103,822
LIABILITIES		
Accounts Payable		6,294
Credit Card		9,958
Note Payable - Line of Credit		48,227
Other Payables		756
TOTAL LIABILITIES		65,235
NET ASSETS		
Unrestricted (Deficit)		(21,542)
Temporarily Restricted		60,129
TOTAL NET ASSETS		38,587
TOTAL LIABILITIES and NET ASSETS	<u>\$</u>	103,822

## STATEMENT of ACTIVITIES Year Ended December 31, 2010

		Temporarily	
	Unrestricted	Restricted	Total
SUPPORT and REVENUE			
Contributions -	\$ 20,377		\$ 20,377
Contributions -		6,306	6,306
Foundations and Grants	26,750		26,750
Programs	38,477	41,300	79,777
Programs -		4,155	4,155
Fundraising, net of Direct Costs of \$17,533	27,258		27,258
Membership Dues	6,360		6,360
Interest Income	9		9
Miscellaneous Revenue	513		513
Net Assets Released from Restriction	9,132	(9,132)	0-
Total Support and Revenue	128,876	42,629	171,505
FUNCTIONAL EXPENSES			
Program Services	106,807		106,807
Fundraising	9,246		9,246
Management and General	21,894		21,894
Total Functional Expenses	137,947	-0-	137,947
CHANGES in NET ASSETS	(9,071)	42,629	33,558
NET ASSETS			
Beginning of Year, as Originally Stated	(8,766)	17,500	8,734
Prior Period Adjustment - Note 8	(3,705)		(3,705)
Beginning of Year, Restated	(12,471)	17,500	5,029
End of Year	<u>\$ (21,542)</u>	\$ 60,129	\$ 38,587

# STATEMENT of CASH FLOWS Year Ended December 31, 2010

CASH FLOWS from OPERATING ACTIVITIES		
Increase in Net Assets	\$	33,558
Adjustments to Reconcile Increase in		
Net Assets to Net Cash Used by Operating Activities:		
Depreciation		16,502
(Increase) in:		
Accounts Receivable		(14,648)
Increase (Decrease) in:		
Accounts Payable		2,586
Credit Cards		(6,595)
Other Liabilities		706
Net Cash Provided by Operating Activities		32,109
CASH FLOWS from FINANCING ACTIVITIES		
Contributions and Other Income Restricted for		
Principal Payments made on Term Loans		(4,412)
Net Borrowing on Line of Credit Payments		(177)
Net Cash Used by Financing Activities		(4,589)
INCREASE in CASH and CASH EQUIVALENTS		27,520
Beginning		22,655
Ending	<u>\$</u>	50,175
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
NONCASH TRANSACTIONS		
In-Kind Donations of Materials, Facilities and Services		6,045
Assets Exchanged for Relinquishment of Associated Debt		129,818



## NOTE 1 - ORGANIZATION and CONCENTRATIONS

(the Organization) was incorporated in Pennsylvania in as a
nonprofit organization for the purpose of
Net proceeds from fund raising relates to
NOTE 2 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES
Basis of Accounting  The financial statements of have been prepared on the accrual basis of accounting and accordingly, reflect all significant accounts receivables and accounts payables (See Note 8 for cumulative effect of change in accounting principle related to change from cash basis to accrual basis of accounting).
Basis of Presentation The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Currently US GAAP standards are contained in the Accounting Standards Codification (ASC) as set forth by the Financial Accounting Standards Board (FASB).
Net Asset Classification Under the provisions of FASB ASC 958-205, Financial Statements of Not-for-Profit Organizations, 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) based upon the existence or absence of donor-imposed restrictions. At December 31, 2010, there were no permanently restricted net assets.
Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

# NOTES to FINANCIAL STATEMENTS (Continued)

## NOTE 2 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounts Receivable

Receivables principally represent promises to give or payments for supplies used by members. Accounts receivable that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at outstanding principal adjusted for charge offs for doubtful accounts. Account balances generally are written off when management judges such balances uncollectible, such as an account in bankruptcy. Management continually monitors and reviews accounts receivable balances. The Organization records bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

## Property and Equipment

Property and equipment are stated at cost or fair market value at date of acquisition or donation. The Organization reviews expenditures in excess of \$500 for potential capitalization. If determines the property and equipment has a useful life in excess of one year, the asset is depreciated over its useful life. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The Organization does not imply time restrictions on gifts of long-lived assets. Repairs and maintenance are expensed as incurred.

Estimated service lives, in years, for depreciable assets are generally as follows:

Leasehold Improvements	10 - 39 Years
Machinery and Equipment	10 Years
Software	3 Years

#### **Income Taxes**

Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Required informational returns normally have a three year statute of limitations from date filed.

The Organization is not aware of any unrelated business income that would be subject to taxation. Accordingly, the Internal Revenue Service form 990-T will not be filed.

### Taxes Collected and Paid on Revenue-Producing Transactions

Sales taxes assessed by a governmental authority on applicable revenue-producing transactions between the Organization and its customers are recorded on a net basis, excluding both the collection and payment of such taxes from the Organization's revenues and expenses.

# NOTES to FINANCIAL STATEMENTS (Continued)

## NOTE 2 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Gifts of Cash and Other Assets

The Organization reports gifts of cash and other assets 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenue, expenses, and changes in net assets as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as temporarily restricted support and as net assets released from restrictions.

#### Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2010, advertising expense was \$1,300.

#### **Estimates**

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, actual results may differ from estimated amounts.

#### **Donated Goods and Services**

The Organization recognizes donated services requiring specialized skills or those that would typically need to be purchased if not provided by donation. Items recorded in these financial statements for the year ended December 31, 2010, are the value of discounted accounting fees of \$1,890.

The Organization receives noncash donations of The fair market value of noncash donations recorded in these financial statements, for the year ended December 31, 2010, was \$4,155 or the value they have received upon resale.

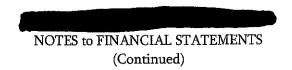
# NOTE 3 - LEASEHOLD IMPROVEMENTS and MACHINERY and EQUIPMENT

The breakdown of fixed assets at December 31, 2010, is as follows:

Leasehold Improvements	23,909
Machinery and Equipment	<u>42,070</u>
,	65,979
Accumulated Depreciation	<u>(26,980</u> )
•	38,999

Depreciation expense for the year ended December 31, 2010, is \$16,502.

See independent accountants' review report.



### NOTE 3 - LEASEHOLD IMPROVEMENTS and MACHINERY and EQUIPMENT (Continued)

In the Organization borrowed monies to fund certain leasehold improvements to the building owned by a founding board member who was serving as guarantor on the debt. Subsequently, the parties agreed that the founding board member would become the primary obligor on the debt, in exchange for the transfer of certain leasehold improvements of equal value. On April 2, 2010, this agreement was consummated and approximately \$129,800 of debt and leasehold improvements were transferred to the founding board member.

#### **NOTE 4 - LINE of CREDIT**

obtained financing from in the form of a line of credit with a limit of \$25,000. Subsequently, the limit was increased to \$50,000. The line of credit bears interest at the bank's prime rate (4.00% at December 31, 2010) plus .25 percentage points. The line of credit is guaranteed by a founding member of the Board of Directors (same board member as noted in Note 3). The outstanding balance on the line of credit was \$48,227 at December 31, 2010.

#### **NOTE 5 - RESTRICTED FUNDS**

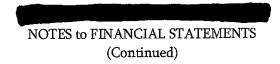
In accordance with FASB ASC Topic 958, *Financial Statements of Not-For-Profit Organizations*, the Organization records temporarily restricted net assets to properly reflect funds that were originally restricted by various donors.

At December 31, 2010, temporarily restricted net assets consisted of the following:

Purchase of Equipment	2,000
Roof Maintenance	15,000
	41,300
	<u>1,829</u>
	60.129

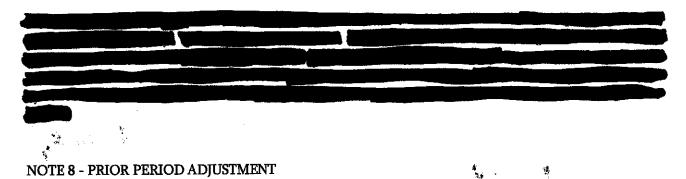
#### NOTE 6 - DIRECT FUNDRAISING EXPENSES

Direct fundraising expenses which have been netted against gross proceeds amounted to \$17,533, for the year ended December 31, 2010.



#### **NOTE 7 - RENTS**

On March 1, 2010, the Organization entered into a multi-year rental lease on the real estate occupied by the Organization. This rental lease agreement, which is with a former board member who is also the owner of the real estate, is at an initial monthly rental of \$2,040. For the year ended December 31, 2010, the total amount of rent paid to the former board member was \$18,360.



On January 1, 2010, the Organization changed its method of accounting from the cash basis to the accrual basis of accounting. The Organization believes this method presents the operations of the Organization more appropriately than the prior method. Under this method, all significant accounts receivables and accounts payables are reflected. Management has deemed retrospective application to the prior period as cost prohibitive.

Beginning unrestricted net assets have been adjusted to reflect the cumulative changes as follows:

. 4

Beginning Unrestricted Net Assets as Originally Stated	(8,766)
Accounts Payable Prior to Current Year	(3,705)
Beginning Unrestricted Net Assets as Restated for Cumulative	
Effect of Change in Accounting Principle	(12,471)

# NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 13, 2011, which represents the date the financial statements where available to be issued.



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# INDEPENDENT ACCOUNTANTS' REVIEW REPORT on SUPPLEMENTARY INFORMATION

To the Board of Directors

Lancaster, Pennsylvania

Our report on our review of the basic financial statements of a corporation of the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedule for December 31, 2010, is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

June 13, 2011 Lancaster, Pennsylvania TROUT, EBERSOLE & GROFF, LLP Certified Public Accountants

Trout, Ebersole + Stoff, LLP

## SCHEDULE of FUNCTIONAL EXPENSES Year Ended December 31, 2010

Management Program Fundraising and General Total Services **FUNCTIONAL EXPENSES** \$ 3,398 316 \$ 3,082 Supplies 1,504 204 1,708 Advertising and Promotion 455 455 Membership Expense 14,107 1,763 1,763 17,633 Maintenance and Repairs 1,054 1,054 Security 9,647 1,206 1,206 12,059 Utilities 524 5,189 1,247 3,418 Insurance 1,400 25,740 22,940 1,400 Contract Labor 6,739 6,739 Program Costs 4,155 4,155 Cost of Goods Sold 12,990 12,990 Legal and Professional Fees 556 10 1,105 539 Bank Fees 16,502 16,502 Depreciation 1,836 20,160 16,488 1,836 Rent 579 579 8,844 7,686 Interest 216 216 Miscellaneous 106,807 \$ 9,246 21,894 137,947 **Total Functional Expenses**