

[REDACTED]
[REDACTED]

YEAR ENDED DECEMBER 31, 2010



Financial Statements

Year Ended December 31, 2010

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors

[REDACTED]
Lancaster, Pennsylvania

We have reviewed the accompanying statement of financial position of [REDACTED] (a non-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, [REDACTED] changed its method of accounting from the cash basis to the accrual basis of accounting.

June 13, 2011
Lancaster, Pennsylvania

Trout, Ebersole + Groff, LLP

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

STATEMENT of FINANCIAL POSITION
December 31, 2010

ASSETS

Cash and Cash Equivalents	\$ 50,175
Accounts Receivable	14,648
Leasehold Improvements and Machinery and Equipment, at Cost, less Accumulated Depreciation of \$26,980	<u>38,999</u>

TOTAL ASSETS 103,822

LIABILITIES

Accounts Payable	6,294
Credit Card	9,958
Note Payable - Line of Credit	48,227
Other Payables	<u>756</u>

TOTAL LIABILITIES 65,235

NET ASSETS

Unrestricted (Deficit)	(21,542)
Temporarily Restricted	<u>60,129</u>

TOTAL NET ASSETS 38,587

TOTAL LIABILITIES and NET ASSETS \$ 103,822

See notes to financial statements and independent accountants' review report.

STATEMENT of ACTIVITIES
Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT and REVENUE			
Contributions - [REDACTED]	\$ 20,377		\$ 20,377
Contributions - [REDACTED]		6,306	6,306
Foundations and Grants	26,750		26,750
Programs	38,477	41,300	79,777
Programs - [REDACTED]		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	\$ (21,542)	\$ 60,129	\$ 38,587

See notes to financial statements and independent accountants' review report.

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	<u>706</u>
 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	<u>(177)</u>
 Net Cash Used by Financing Activities	 (4,589)

INCREASE in CASH and CASH EQUIVALENTS

Beginning	<u>27,520</u> <u>22,655</u>
 Ending	 <u>\$ 50,175</u>

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

See notes to financial statements.

[REDACTED]

NOTES to FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION and CONCENTRATIONS

[REDACTED] (the Organization) was incorporated in Pennsylvania in [REDACTED] as a nonprofit organization for the purpose of [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Net proceeds from fund raising relates to [REDACTED]

NOTE 2 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of [REDACTED] 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*, [REDACTED] 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.

See independent accountants' review report.

[REDACTED]
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 [REDACTED] 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

[REDACTED] is exempt from federal income taxes under Section 501(c)(3) of the Internal 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.

See independent accountants' review report.

[REDACTED]
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 [REDACTED]. [REDACTED] 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.

[REDACTED]

NOTES to FINANCIAL STATEMENTS
(Continued)

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

In [REDACTED] 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

[REDACTED] obtained financing from [REDACTED] 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
[REDACTED]	41,300
[REDACTED]	<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.

See independent accountants' review report.

[REDACTED]

NOTES to FINANCIAL STATEMENTS
(Continued)

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.

[REDACTED]

NOTE 8 - PRIOR PERIOD ADJUSTMENT

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:

Beginning Unrestricted Net Assets as Originally Stated	(8,766)
Accounts Payable Prior to Current Year	<u>(3,705)</u>
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 were available to be issued.

See independent accountants' review report.

**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 non-profit corporation) December 31, 2010, appears on page one. This review was made for 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

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

[REDACTED]

SCHEDULE of FUNCTIONAL EXPENSES
Year Ended December 31, 2010

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

See independent accountants' review report on supplementary information.