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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

January 29, 2014

Board of Directors  
Gingerbread House, Inc.  
1130 E. Pontiac Street  
Fort Wayne, IN 46803

We have reviewed the audit report prepared by Christen\*Souers, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Gingerbread House, Inc., as of December 31, 2010, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**GINGERBREAD HOUSE, INC.**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2010 and 2009**

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FORT WAYNE OFFICE  
4306 E. STATE BLVD.  
FORT WAYNE, IN 46815  
T 260 484 0653  
F 260 484 2115

ANGOLA OFFICE  
300 E. MECHANIC ST.  
ANGOLA, IN 46703  
T 260 665 7192  
F 260 665 9134

MARION OFFICE  
601 N. BALDWIN AVE.  
MARION, IN 46952  
T 765 662 0029  
F 765 664 3744

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Gingerbread House, Inc.

We have audited the accompanying statements of financial position of Gingerbread House, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 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 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 Gingerbread House, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Christen Souers*

Fort Wayne, IN  
September 30, 2011

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VALUATION

**GINGERBREAD HOUSE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2010 and 2009

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 108,962	\$ 75,866
Child care food program receivable	2,875	1,542
Child care fees receivable	5,840	5,019
C.A.N.I. child care program receivable		9,468
Accounts receivable - related party	9,006	9,006
Unconditional promises to give	<u>45,000</u>	<u>40,000</u>
<b>Total Current Assets</b>	<u>171,683</u>	<u>140,901</u>
<b>PROPERTY AND EQUIPMENT</b>	414,973	405,418
Less: Accumulated depreciation	<u>166,987</u>	<u>153,887</u>
<b>Net Property and Equipment</b>	<u>247,986</u>	<u>251,531</u>
<b>OTHER ASSETS</b>		
Restricted cash	<u>2,295</u>	<u>2,295</u>
<b>Total Other Assets</b>	<u>2,295</u>	<u>2,295</u>
<b>TOTAL ASSETS</b>	<u><u>\$421,964</u></u>	<u><u>\$394,727</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Mortgage payable - current maturities	\$ 6,961	\$ 6,741
Accounts payable	5,508	3,725
Bank overdraft		996
Accrued expenses	<u>6,644</u>	<u>5,381</u>
<b>Total Current Liabilities</b>	19,113	16,843
<b>MORTGAGE PAYABLE - LESS CURRENT MATURITIES</b>	<u>38,317</u>	<u>45,001</u>
<b>Total Liabilities</b>	<u>57,430</u>	<u>61,844</u>
<b>NET ASSETS</b>		
Unrestricted		
General	114,136	90,799
Property and equipment	<u>202,708</u>	<u>199,789</u>
<b>Total Unrestricted Net Assets</b>	316,844	290,588
Temporarily restricted	47,690	42,295
Permanently restricted	<u>0</u>	<u>0</u>
<b>Total Net Assets</b>	<u>364,534</u>	<u>332,883</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$421,964</u></u>	<u><u>\$394,727</u></u>

See Notes to Financial Statements.

**GINGERBREAD HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2010

	<u>General Unrestricted</u>	<u>Property and Equipment</u>	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>
<b>REVENUES AND OTHER SUPPORT</b>					
Child care food program	\$ 39,990	\$	\$ 39,990	\$	\$ 39,990
C.A.N.I. child care program	253,256		253,256		253,256
Grants	13,800		13,800	45,395	59,195
United Way	24,152		24,152		24,152
Child care fees	28,580		28,580		28,580
Contributions	2,627		2,627		2,627
Miscellaneous	2,246		2,246		2,246
Investment income	302		302		302
	<u>364,953</u>		<u>364,953</u>	<u>45,395</u>	<u>410,348</u>
Mortgage loan payments	(10,096)	10,096			
Property and equipment purchased	(9,555)	9,555			
Net assets released from restrictions	40,000		40,000	(40,000)	
<b>Total Revenues &amp; Other Support</b>	<u>385,302</u>	<u>19,651</u>	<u>404,953</u>	<u>5,395</u>	<u>410,348</u>
<b>EXPENSES</b>					
<b>PROGRAM SERVICES</b>					
Child care program	229,079	15,059	244,138		244,138
Child care food program	43,669		43,669		43,669
<b>Total Program Services</b>	<u>272,748</u>	<u>15,059</u>	<u>287,807</u>	<u>0</u>	<u>287,807</u>
<b>SUPPORTING SERVICES</b>					
Management and general	86,702	1,673	88,375		88,375
Fundraising	2,515		2,515		2,515
<b>Total Expenses</b>	<u>361,965</u>	<u>16,732</u>	<u>378,697</u>	<u>0</u>	<u>378,697</u>
<b>CHANGE IN NET ASSETS</b>	23,337	2,919	26,256	5,395	31,651
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>90,799</u>	<u>199,789</u>	<u>290,588</u>	<u>42,295</u>	<u>332,883</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 114,136</u>	<u>\$ 202,708</u>	<u>\$ 316,844</u>	<u>\$ 47,690</u>	<u>\$ 364,534</u>

See Notes to Financial Statements.

**GINGERBREAD HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2009

	<u>General Unrestricted</u>	<u>Property and Equipment</u>	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>
<b>REVENUES AND OTHER SUPPORT</b>					
Child care food program	\$ 23,458	\$	\$ 23,458	\$	\$ 23,458
C.A.N.I. child care program	149,075		149,075		149,075
Grants	2,054		2,054	40,000	42,054
United Way	36,688		36,688		36,688
Child care fees	27,299		27,299		27,299
Contributions	2,046		2,046		2,046
Miscellaneous	1,515		1,515		1,515
Investment income	979		979		979
	<u>243,114</u>		<u>243,114</u>	<u>40,000</u>	<u>283,114</u>
Mortgage loan payments	(9,365)	9,365			
Property and equipment purchased	(30,849)	30,849			
Net assets released from restrictions	25,100		25,100	(25,100)	
<b>Total Revenues &amp; Other Support</b>	<u>228,000</u>	<u>40,214</u>	<u>268,214</u>	<u>14,900</u>	<u>283,114</u>
<b>EXPENSES</b>					
<b>PROGRAM SERVICES</b>					
Child care program	151,866	15,310	167,176		167,176
Child care food program	32,447		32,447		32,447
<b>Total Program Services</b>	<u>184,313</u>	<u>15,310</u>	<u>199,623</u>	<u>0</u>	<u>199,623</u>
<b>SUPPORTING SERVICES</b>					
Management and general	87,442	1,701	89,143		89,143
Fundraising	6,573		6,573		6,573
<b>Total Expenses</b>	<u>278,328</u>	<u>17,011</u>	<u>295,339</u>	<u>0</u>	<u>295,339</u>
<b>CHANGE IN NET ASSETS</b>	(50,328)	23,203	(27,125)	14,900	(12,225)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>141,127</u>	<u>176,586</u>	<u>317,713</u>	<u>27,395</u>	<u>345,108</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 90,799</u>	<u>\$ 199,789</u>	<u>\$ 290,588</u>	<u>\$ 42,295</u>	<u>\$ 332,883</u>

See Notes to Financial Statements.

**GINGERBREAD HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2010

	<u>Child Care</u>	<u>Food</u>	<u>Total Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$	\$	\$	\$ 2,170	\$	\$ 2,170
Bad debt expense	3,383		3,383			3,383
Bank charges				488		488
Contributions				144		144
Depreciation	11,790		11,790	1,310		13,100
Employee benefits and relations	10,350		10,350	9,892	85	20,327
Equipment rental				1,740		1,740
Food expense		26,158	26,158			26,158
Insurance	3,461		3,461	385		3,846
Interest	3,269		3,269	363		3,632
Office expense				1,425		1,425
Professional fees-audit				5,300		5,300
Professional fees-accounting				3,150		3,150
Professional fees-consulting				13,260		13,260
Professional fees - legal expenses				2,890		2,890
Payroll processing fees				2,349		2,349
Postage expense				657		657
Program expenses	5,520		5,520			5,520
Repairs and maintenance	17,305	437	17,742	1,971		19,713
Salary and wages	156,394	13,035	169,429	25,201	666	195,296
Security expense	338		338	38		376
Supplies expense	168	2,018	2,186	9,775		11,961
Taxes-payroll	15,003	1,996	16,999	2,327	51	19,377
Taxes-property	430		430	48		478
Telephone expense	3,190		3,190	354		3,544
Workshops and meetings	183		183	892		1,075
Utilities	10,816		10,816	1,202		12,018
Other expenses	2,538	25	2,563	1,044	1,713	5,320
<b>TOTAL EXPENSES</b>	<u>\$ 244,138</u>	<u>\$ 43,669</u>	<u>\$ 287,807</u>	<u>\$ 88,375</u>	<u>\$ 2,515</u>	<u>\$ 378,697</u>

See Notes to Financial Statements.

**GINGERBREAD HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2009

	<u>Child Care</u>	<u>Food</u>	<u>Total Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$		\$	\$ 100	\$	\$ 100
Bad debt expense	330		330			330
Bank charges				1,446		1,446
Contributions				111		111
Depreciation	11,681		11,681	1,298		12,979
Employee benefits and relations	6,238		6,238	11,687		17,925
Equipment rental				1,676		1,676
Food expense		18,873	18,873			18,873
Grant writing expenses					5,259	5,259
Insurance	3,340		3,340	371		3,711
Interest	3,629		3,629	403		4,032
Office expense				985		985
Professional fees-audit				5,150		5,150
Professional fees-accounting				2,800		2,800
Payroll processing fees				2,072		2,072
Postage expense				657		657
Literacy program	2,600		2,600			2,600
Dance program	3,576		3,576			3,576
Program expenses	2,279		2,279			2,279
Repairs and maintenance	9,986	158	10,144	1,127		11,271
Salary and wages	94,759	11,743	106,502	46,929		153,431
Security expense	351		351	39		390
Subcontract labor	1,788		1,788	199		1,987
Supplies expense	100	272	372	5,569		5,941
Taxes-payroll	9,693	1,286	10,979	4,241		15,220
Taxes-property	764		764	85		849
Telephone expense	3,135		3,135	348		3,483
Workshops and meetings	36	105	141	295		436
Utilities	10,658		10,658	1,184		11,842
Other expenses	2,233	10	2,243	371	1,314	3,928
<b>TOTAL EXPENSES</b>	<u>\$ 167,176</u>	<u>\$ 32,447</u>	<u>\$ 199,623</u>	<u>\$ 89,143</u>	<u>\$ 6,573</u>	<u>\$ 295,339</u>

See Notes to Financial Statements.

**GINGERBREAD HOUSE, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions, grants and parents	\$ 406,731	\$ 266,026
Investment income received	302	979
Miscellaneous income	2,246	1,515
Cash paid to suppliers and employees	(355,536)	(318,195)
Interest paid	<u>(3,632)</u>	<u>(4,032)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>50,111</u>	<u>(53,707)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(9,555)	(30,849)
Sale of assets restricted to investment of property and equipment	<u>100</u>	<u>100</u>
<b>Net Cash Used in Investing Activities</b>	<u>(9,555)</u>	<u>(30,749)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of long-term debt	<u>(6,464)</u>	<u>(5,333)</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	34,092	(89,789)
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>74,870</u>	<u>164,659</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 108,962</u>	<u>\$ 74,870</u>
 <b>CHANGE IN NET ASSETS</b>	\$ 31,651	\$ (12,225)
 <b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Depreciation	13,100	12,979
(Increase) Decrease in Current Assets:		
Receivables	2,314	(14,264)
Increase (Decrease) in Current Liabilities:		
Accounts payable	1,783	(39,917)
Accrued expenses	<u>1,263</u>	<u>(280)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 50,111</u>	<u>\$ (53,707)</u>

See Notes to Financial Statements.

**GINGERBREAD HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities** - The Gingerbread House, Inc. located in Fort Wayne, Indiana, was established on February 20, 1975 under the laws of the state of Indiana for charitable and educational purposes. Through government grants and private financial support from individuals, foundations and corporations, the Organization operates its licensed day care facility to provide day care in an educationally enriched atmosphere to children of the community.

**Income Tax Status** - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose are subject to taxation as unrelated business income. In addition, the Organization has been classified as a publicly supported organization.

The Organization files income tax returns in the U.S. federal and state jurisdictions. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before December 31, 2006.

**Cash Equivalents** - For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

**Trade Accounts Receivable** - Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Consequently, management believes no allowance for bad debts is necessary at this time.

**Property and Equipment** - Property and equipment owned by the Organization are carried at cost less accumulated depreciation. Donated equipment is also capitalized but at the fair market value at the time of the gift and is recorded as revenue-In Kind. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Depreciation charged to the accounts was \$13,100 in 2010 and \$12,979 in 2009.

Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized if the individual item is over \$350. Expenditures for maintenance and repairs are charged to expense as incurred.

**Donated Goods and Services** - The Organization occasionally receives goods and services from individuals and other organizations for which no cost has been incurred. These amounts are not material and have not been reflected in the financial statements.

**GINGERBREAD HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted and Unrestricted Revenue and Support** - Contributions received 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 restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Expense Allocation** - Expenses are allocated to programs and supportive services based on the nature of the expenses. Some of the allocations are based on management's estimates of the employees' time devoted to the various services.

**Credit Risk** - The Organization does not require collateral or other security to support the financial instruments subject to credit risk.

**Use of Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Subsequent events** - Management has evaluated subsequent events through September 30, 2011, the date the financial statements were available to be issued.

**NOTE B--LONG-TERM RESTRICTED CASH**

Long-term restricted cash is represented as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Playground equipment	<u>\$2,295</u>	<u>\$2,295</u>

**GINGERBREAD HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE C--ACCOUNTS RECEIVABLE -RELATED PARTY**

This Organization's treasurer is also another Organization's treasurer. This Organization has paid bills on the other Organization's behalf. The balance owed this Organization as of December 31, 2010 and 2009 as a result was \$9,006.

**NOTE D--PROMISES TO GIVE**

As of December 31, 2010, the Organization had \$45,000 of unconditional promises to give for operating funds due in 2011. As of December 31, 2009, the Organization had \$40,000 of unconditional promises to give for operating funds due in 2010.

As of December 31, 2010 and 2009, the Organization had total conditional promises to give for the building project of \$139,000, contingent on the Organization receiving commitments from others for this project.

**NOTE E--PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 22,737	\$ 22,737
Land improvements	21,018	16,968
Building and improvements	262,145	262,145
Construction in progress	33,036	28,106
Equipment	55,024	54,449
Transportation equipment	<u>21,013</u>	<u>21,013</u>
	414,973	405,418
Accumulated depreciation	<u>166,987</u>	<u>153,887</u>
	<u>\$247,986</u>	<u>\$251,531</u>

**GINGERBREAD HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F--MORTGAGE PAYABLE**

The Organization has a mortgage loan outstanding at Salin Bank. Payments of \$864 including interest at 8.51% were due monthly with the final payment due June 2009 and it is secured by the building. This mortgage was refinanced June 2009 with payments due of \$841, including interest at 7.44%, with the final payment due June 2016. The balance outstanding at December 31, 2010 and 2009 was \$45,278 and \$51,742, respectively. The current portion of this mortgage at December 31, 2010 and 2009 was \$6,961 and \$6,741, respectively.

The maturities of the mortgage payable at December 31, 2010 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2011	\$ 6,961
2012	7,497
2013	8,074
2014	8,696
2015	9,365
Thereafter	<u>4,685</u>
	<u>\$45,278</u>

**NOTE G--RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Playground equipment grant	\$ 2,295	\$ 2,295
Early childhood development grant	395	0
Operating	<u>45,000</u>	<u>40,000</u>
	<u>\$47,690</u>	<u>\$42,295</u>

**NOTE H--ADVERTISING**

The Organization expenses advertising as it occurs. The amount expensed in 2010 and 2009 was \$2,170 and \$100, respectively.

**GINGERBREAD HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE I--LEASES**

The Organization began leasing a copier in 2007 under a non-cancelable operating lease that expires October 2012. The rent expense for 2010 and 2009 was \$1,740 and \$1,676, respectively. The following is a schedule of minimum rental payments required under the above operating lease as of December 31, 2010:

<u>Year Ending December 31</u>	<u>Amount</u>
2011	\$1,428
2012	<u>1,190</u>
	<u>\$2,618</u>

**NOTE J--CONCENTRATION OF GRANTS**

The Organization had the following concentration of income from the following grants and contributions:

	<u>2010</u>	<u>2009</u>
C.A.N.I.	62%	53%
United Way	6%	13%
Foellinger Foundation	14%	14%
Indiana Department of Education	10%	8%

These grantors owed the Organization the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
C.A.N.I.	\$ 0	\$ 9,468
Foellinger Foundation	45,000	40,000
Indiana Department of Education	2,875	1,542

**NOTE K--CURRENT ECONOMIC CONDITIONS**

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which could result in changes in contributions, grants and government reimbursements. The financial statements have been prepared using values and information currently available to the Organization.

**NOTE L--SUBSEQUENT EVENTS**

In March 2011, the Organization moved its operations to another location and entered into an annual lease of \$40,000 to cover utilities. Quarterly, the utilities will be reviewed and an adjustment made for actual usage.