

AtWork!

Financial Statements and
Independent Auditors' Report

September 30, 2009 and 2008



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Bellevue
Boise
Grandview
Moses Lake
Omak
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Quincy
Spokane
Tri-Cities
Walla Walla
Wenatchee
Yakima

INDEPENDENT AUDITORS' REPORT

Board of Directors
AtWork!
Bellevue, Washington

We have audited the accompanying statements of financial position of AtWork!, a nonprofit Organization, (the Organization) as of September 30, 2009 and 2008, and the related statements of activities, changes in net assets, 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 AtWork! as of September 30, 2009 and 2008, 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.

LeMaster & Daniels PLLC

Bellevue, Washington
January 18, 2010

AtWork!

Statements of Financial Position

	September 30,	
	<u>2009</u>	<u>2008</u>
Assets		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 370,724	\$ 485,380
Accounts receivable, net of allowance for doubtful accounts of \$5,000 and \$15,000, respectively	278,117	315,480
Unconditional promises to give	100,000	2,499
Inventory	16,844	10,703
Employee advances	-	612
Note receivable	142,114	-
Prepaid expenses	92,599	97,781
Total current assets	<u>1,000,398</u>	<u>912,455</u>
<i>PROPERTY, PLANT, AND EQUIPMENT:</i>		
Buildings	2,175,653	1,402,942
Leasehold improvements	1,202,738	1,179,181
Furniture and equipment	510,814	456,629
Vehicles	132,425	156,151
	<u>4,021,630</u>	<u>3,194,903</u>
Less accumulated depreciation	1,694,221	1,562,605
	<u>2,327,409</u>	<u>1,632,298</u>
Construction in progress	-	243,765
Land	541,927	541,927
	<u>2,869,336</u>	<u>2,417,990</u>
<i>OTHER ASSETS:</i>		
Unconditional promises to give, net of current portion	-	100,000
Note receivable, net of current portion	118,510	322,738
	<u>118,510</u>	<u>422,738</u>
	<u>\$ 3,988,244</u>	<u>\$ 3,753,183</u>

See accompanying notes to financial statements.

Statements of Financial Position

September 30,

2009 2008

Liabilities and Net Assets

CURRENT LIABILITIES:

Line of credit	\$ 362,200	\$ -
Accounts payable	44,298	180,388
Refundable deposit	22,500	-
Salaries and wages payable	155,778	190,723
Payroll and sales taxes payable	31,601	31,273
Total current liabilities	<u>616,377</u>	<u>402,384</u>

COMMITMENTS

NET ASSETS:

Unrestricted	1,560,031	2,033,917
Temporarily restricted	1,269,909	774,955
Permanently restricted	541,927	541,927
Total net assets	<u>3,371,867</u>	<u>3,350,799</u>

\$ 3,988,244 \$ 3,753,183

AtWork!

Statements of Activities

	Years Ended September 30,	
	<u>2009</u>	<u>2008</u>
<i>SUPPORT:</i>		
Work training and rehabilitation	\$ 1,578,334	\$ 1,578,653
United Way	212,507	251,029
Donated use of facilities	108,747	108,747
Cash and United Way designated	133,417	185,437
Division of Vocational Rehabilitation	55,365	80,600
Grants	140,500	44,499
	<u>2,228,870</u>	<u>2,248,965</u>
<i>REVENUE:</i>		
Janitorial and landscaping	598,884	796,000
Production	407,909	622,271
Gain on sale of assets	994	9,400
Recycling	66,841	93,526
Interest	20,143	26,925
Supported employment and private pay contracts	350	4,200
Miscellaneous income	75	4,891
	<u>1,095,196</u>	<u>1,557,213</u>
Temporary restricted net assets released from restrictions	33,992	23,927
Total support and revenue	<u>3,358,058</u>	<u>3,830,105</u>
<i>EXPENSES:</i>		
Program services:		
Production	762,232	1,048,659
Janitorial and landscaping	578,747	1,001,394
Customized employment	918,046	871,240
Recycling	174,082	195,231
	<u>2,433,107</u>	<u>3,116,524</u>
Supporting services:		
General and administrative	725,568	667,118
Fundraising	144,323	127,787
	<u>869,891</u>	<u>794,905</u>
Total expenses	<u>3,302,998</u>	<u>3,911,429</u>
<i>CHANGES IN UNRESTRICTED NET ASSETS</i>	55,060	(81,324)
<i>NET ASSETS RELEASED FROM TEMPORARY RESTRICTION</i>	<u>(33,992)</u>	<u>(23,927)</u>
<i>INCREASE (DECREASE) IN NET ASSETS</i>	<u>\$ 21,068</u>	<u>\$ (105,251)</u>

See accompanying notes to financial statements.

AtWork!

Statements of Changes in Net Assets

Years Ended September 30, 2009 and 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>NET ASSETS, SEPTEMBER 30, 2007</i>	\$ 2,414,178	\$ 499,945	\$ 541,927	\$ 3,456,050
<i>RECLASSIFICATION OF NET ASSETS</i>	(298,937)	298,937	-	-
<i>DECREASE IN NET ASSETS</i>	<u>(81,324)</u>	<u>(23,927)</u>	<u>-</u>	<u>(105,251)</u>
<i>NET ASSETS, SEPTEMBER 30, 2008</i>	2,033,917	774,955	541,927	3,350,799
<i>RECLASSIFICATION OF NET ASSETS</i>	(528,946)	528,946	-	-
<i>INCREASE (DECREASE) IN NET ASSETS</i>	<u>55,060</u>	<u>(33,992)</u>	<u>-</u>	<u>21,068</u>
<i>NET ASSETS, SEPTEMBER 30, 2009</i>	<u><u>\$ 1,560,031</u></u>	<u><u>\$ 1,269,909</u></u>	<u><u>\$ 541,927</u></u>	<u><u>\$ 3,371,867</u></u>

See accompanying notes to financial statements.

AtWork!

Statement of Functional Expenses

	Program Services				Total
	Production	Janitorial and Landscaping	Customized Employment	Recycling	
Salaries	\$ 215,939	\$ 198,190	\$ 570,532	\$ 70,438	\$ 1,055,099
Benefits	75,609	64,408	116,503	18,043	274,563
Supplies and direct materials	152,325	58,471	5,476	6,082	222,354
Payroll taxes	46,683	45,747	87,754	14,810	194,994
Client wages	82,116	86,271	-	35,068	203,455
Facilities	106,295	9,732	16,991	1,066	134,084
Depreciation	47,682	22,162	9,269	14,863	93,976
Travel	1,527	617	63,464	209	65,817
Professional services	-	-	2,792	-	2,792
Telephone	6,617	8,485	26,912	1,871	43,885
Insurance	4,896	14,433	1,620	636	21,585
Utilities	14,217	1,528	10,937	7,088	33,770
Temporary services	-	33,342	-	-	33,342
Auto	2,187	19,481	190	727	22,585
Printing	-	-	1,342	-	1,342
Repairs and maintenance	462	3,698	778	1,899	6,837
Dues and fees	648	-	252	126	1,026
Interest	-	-	-	-	-
Miscellaneous	195	228	1,049	288	1,760
Recognition and hospitality	209	167	1,092	72	1,540
Outside commissions	-	5,460	-	-	5,460
Training	3,124	218	998	-	4,340
Real estate taxes	-	4,166	-	-	4,166
Postage	38	2	-	-	40
Subcontract	-	1,400	-	-	1,400
Shipping/freight	1,266	-	-	-	1,266
Aluminum recycling purchases	-	-	-	796	796
Advertising and job recruitment	-	325	75	-	400
Equipment rental	197	-	-	-	197
Licenses and fees	-	216	20	-	236
Bad debts (recoveries)	-	-	-	-	-
	<u>\$ 762,232</u>	<u>\$ 578,747</u>	<u>\$ 918,046</u>	<u>\$ 174,082</u>	<u>\$ 2,433,107</u>

See accompanying notes to financial statements.

Supporting Services

General and Administrative		Fundraising	Total Expenses
\$ 363,915		\$ 56,456	\$ 1,475,470
87,884		10,655	373,102
10,298		26,433	259,085
52,612		6,619	254,225
-		-	203,455
23,091		13	157,188
61,640		626	156,242
8,581		1,473	75,871
40,751		11,449	54,992
9,287		1,790	54,962
26,323		-	47,908
12,274		-	46,044
-		-	33,342
58		68	22,711
-		17,859	19,201
5,785		3,472	16,094
7,889		2,893	11,808
10,775		-	10,775
8,608		1,704	12,072
4,394		334	6,268
-		-	5,460
844		-	5,184
-		-	4,166
248		2,479	2,767
-		-	1,400
-		-	1,266
-		-	796
225		-	625
-		-	197
86		-	322
(10,000)		-	(10,000)
<u>\$ 725,568</u>		<u>\$ 144,323</u>	<u>\$ 3,302,998</u>

Statement of Functional Expenses

	Program Services				<u>Total</u>
	<u>Production</u>	Janitorial and <u>Landscaping</u>	Customized <u>Employment</u>	<u>Recycling</u>	
Salaries	\$ 408,430	\$ 387,526	\$ 554,626	\$ 68,553	\$ 1,419,135
Benefits	87,788	131,788	121,867	23,446	364,889
Client wages	110,067	145,704	-	54,499	310,270
Supplies and direct materials	174,089	70,924	3,096	3,291	251,400
Payroll taxes	57,978	65,336	68,709	11,214	203,237
Facilities	112,256	14,897	8,892	1,315	137,360
Depreciation	46,228	21,830	3,775	12,658	84,491
Travel	6,387	6,579	64,394	507	77,867
Insurance	5,208	24,122	2,405	664	32,399
Telephone	8,065	15,092	22,778	1,717	47,652
Utilities	15,603	994	11,512	6,511	34,620
Auto	1,664	42,021	962	1,573	46,220
Temporary services	5,830	33,243	-	340	39,413
Professional services	-	-	600	-	600
Repairs and maintenance	810	4,974	-	4,509	10,293
Subcontract	-	16,893	-	-	16,893
Printing	218	46	2,020	109	2,393
Recognition and hospitality	1,142	3,260	2,218	417	7,037
Miscellaneous	549	969	1,947	30	3,495
Dues and fees	645	-	230	-	875
Outside commissions	-	10,218	-	-	10,218
Training	1,067	43	728	2,662	4,500
Shipping/freight	4,026	-	-	-	4,026
Real estate taxes	-	3,830	-	-	3,830
Postage	116	-	32	-	148
Advertising and job recruitment	412	880	449	149	1,890
Licenses and fees	-	113	-	-	113
Aluminum recycling purchases	-	-	-	637	637
Equipment rental	81	112	-	430	623
	<u>\$ 1,048,659</u>	<u>\$ 1,001,394</u>	<u>\$ 871,240</u>	<u>\$ 195,231</u>	<u>\$ 3,116,524</u>

See accompanying notes to financial statements.

Supporting Services

General and <u>Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 357,416	\$ 60,673	\$ 1,837,224
71,943	8,025	444,857
-	-	310,270
15,260	23,780	290,440
44,488	6,471	254,196
15,589	-	152,949
34,303	626	119,420
11,892	2,279	92,038
29,219	-	61,618
9,122	1,359	58,133
16,713	-	51,333
572	-	46,792
-	-	39,413
24,674	6,917	32,191
7,910	1,692	19,895
-	-	16,893
1,609	11,296	15,298
6,064	785	13,886
8,380	807	12,682
8,748	1,756	11,379
-	-	10,218
1,235	55	5,790
-	-	4,026
-	-	3,830
1,355	856	2,359
140	275	2,305
486	135	734
-	-	637
-	-	623
\$ 667,118	\$ 127,787	\$ 3,911,429
\$ 667,118	\$ 127,787	\$ 3,911,429

Statements of Cash Flows

	Years Ended September 30,	
	<u>2009</u>	<u>2008</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 3,233,969	\$ 3,923,615
Cash paid to suppliers and employees	(3,186,563)	(3,557,878)
Other income received	2,332	13,930
Net cash provided by operating activities	<u>49,738</u>	<u>379,667</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchases of property, plant, and equipment	(609,194)	(150,552)
Purchases for construction in progress	-	(243,765)
Proceeds from disposal of property, plant, and equipment	2,600	9,400
Net cash used in investing activities	<u>(606,594)</u>	<u>(384,917)</u>
<i>CASH FLOWS FROM FINANCING ACTIVITIES:</i>		
Payments received on note receivable	80,000	-
Proceeds received from line of credit	362,200	-
Net cash provided by financing activities	<u>442,200</u>	<u>-</u>
<i>NET DECREASE IN CASH AND CASH EQUIVALENTS</i>	(114,656)	(5,250)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>485,380</u>	<u>490,630</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u>\$ 370,724</u>	<u>\$ 485,380</u>

See accompanying notes to financial statements.

Statements of Cash Flows

Years Ended
September 30,

2009 2008

Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:

Changes in net assets	\$ 21,068	\$ (105,251)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	156,242	119,420
Gain on disposal of property, plant, and equipment	(994)	(9,400)
Interest imputed on note receivable	(17,886)	(17,886)
(Increase) decrease in assets:		
Accounts receivable	37,363	169,899
Unconditional promises to give	2,499	97,501
Inventory	(6,141)	(10,703)
Employee advances	612	(12)
Prepaid expenses	5,182	23,810
Increase (decrease) in liabilities:		
Accounts payable	(136,090)	122,175
Salaries and wages payable	(34,945)	(23,829)
Payroll and sales taxes payable	328	13,943
Customer deposits	22,500	-
Total adjustments	28,670	484,918
Net cash provided by operating activities	\$ 49,738	\$ 379,667

Supplemental Disclosure of Noncash Investing and Financing Activity:

During the year ended September 30, 2009, the Bellevue office remodel was completed and \$243,765 of construction in progress at June 30, 2008 was placed in service.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

AtWork! (the Organization) is a Washington non-profit corporation, incorporated on October 27, 1998. The Organization's objective is to assist persons with disabilities to be productive, integrated, and contributing members of their communities. The Organization operates in the east King County area and maintains work training facilities in Bellevue and Issaquah, Washington.

Various programs provide an opportunity for individuals with developmental disabilities to enhance their employment skills. During the years ended September 30, 2009 and 2008, the Organization operated the following programs:

- a. *Production* – The production shop specializes in operations that range from packaging and bulk mail to small parts assembly.
- b. *Janitorial and landscaping* – Supported crews provide on-site maintenance services for commercial facilities.
- c. *Customized employment* – Services are provided to individuals in need of support in finding and keeping a job with a local business. Also, the Organization provides volunteering opportunities, community resources, touring and recreational, or artistic support to individuals with developmental disabilities.
- d. *Recycling* – This program provides individuals with an opportunity to work with the processing of recyclable materials.

The Organization receives support from King County, the United Way, the Washington Department of Vocational Rehabilitation, the Washington Department of Social and Health Services, and individual donors. Revenue is earned through the operation of the programs described above.

Summary of significant accounting policies:

- a. *Financial statement presentation* – Net assets and changes therein are classified and reported using three classes of net assets – unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions.
- b. *Basis of accounting* – The financial statements of the Organization have been prepared on the accrual basis of accounting.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of significant accounting policies (continued):

- c. *Cash and cash equivalents* – The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- d. *Accounts receivable* – The Organization records trade accounts receivable from customers based on monthly billings for services performed. The past due status of individual accounts is determined by the related customer contracts. Accounts are written off as uncollectible when management determines that collection of the balance is remote.
- e. *Promises to give* – 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 the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.
- f. *Inventory* – Inventory consists of raw materials, work in process, and finished goods. Raw materials are stated at the lower of cost or market determined by the first-in, first-out method. Work in process and finished goods, adjusted for management's estimated percentage of completion for work in process are valued using the retail method.
- g. *Property, plant, and equipment* – Property, plant, and equipment with useful lives greater than one year are capitalized and carried at cost. When retired or otherwise disposed of, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference, less any amount realized from disposition, is reflected in earnings. Maintenance and repairs are charged to expense. Costs of significant improvements and renewals are capitalized. The Organization provides for depreciation using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$156,242 and \$119,420 for the years ended September 30, 2009 and 2008, respectively.

Donated property, plant, and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Property, plant, and equipment restricted to a specific purpose, without a donor's stipulation as to how long the donated asset must be maintained, are released from restriction over time each year for the amount of depreciation expense related to that donated asset.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of significant accounting policies (continued):

g. *Property, plant, and equipment (continued)* –

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

h. *Donated use of facilities* – The Organization receives the use of the Issaquah facility at no charge from the City of Issaquah, Washington, until the year 2033. In accordance with Topic 958, Subtopic 605, formerly Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, the Organization recognizes contribution revenue at fair market value in the period received.

i. *Donated services* – Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no services donated during the years ended September 30, 2009 and 2008.

j. *Functional expenses* – Functional expenses are allocated between program and supporting services based on management's estimates and studies of costs attributable to the various programs or supporting services.

k. *Advertising* – The Organization expenses the costs of advertising as incurred. The Organization incurred advertising expense of \$150 and \$520 for the years ended September 30, 2009 and 2008, respectively.

l. *Insurance* – The Organization participates in a self-insurance trust for purposes of unemployment insurance. Stop loss coverage is provided and is triggered when claims reach 4% of annual gross payroll.

m. *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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of significant accounting policies (continued):

- n. *Federal income taxes* – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.
- o. *Sales tax* – The Organization excludes from its sales and cost of sales all sales taxes collected from customers and remitted to the State.
- p. *Presentation* – Reclassifications of net asset allocations for the years ended September 30, 2009 and 2008 have been made to align the balances with the related asset values.
- q. *Subsequent events* – Subsequent events have been evaluated through January 18, 2010, which is the date the financial statements were available to be issued.
- r. *Recently issued accounting pronouncements* – In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return including positions that the Organization is exempt from income taxes or not subject to income taxes on unrelated business income. FIN 48 also provides guidance on derecognition of tax benefits, classification on the statement of financial position, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected this deferral and accordingly will be required to adopt FIN 48 in its 2010 annual financial statements. Prior to adoption of FIN 48, the Organization will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Organization to accrue for losses it believes are probable and can be reasonably estimated. Management has not yet determined if the adoption of FIN 48 will have a material effect on the Organization's financial statements.

Notes to Financial Statements

NOTE 2 — RESTRICTED NET ASSETS:

Permanently restricted net assets consist of land in Bellevue of \$541,927. The City of Bellevue donated \$497,800 of the land to the Organization on December 11, 2007.

Temporarily restricted net assets consist of a building located on the Bellevue land of \$1,269,909. The property is required to be used to provide human services. Ownership of the property will revert to the City of Bellevue if the property is no longer used to provide human services. Depreciation expense attributed to the building is transferred from unrestricted net assets to temporarily restricted net assets on an annual basis.

The Issaquah property supports general assembly and recycling. It is leased from the City of Issaquah without rent. It is required to be used as a work training facility for the life of the lease.

NOTE 3 — NOTE RECEIVABLE:

In December 2006, the Organization sold its Kenmore facility for a sales price of \$360,000. Interest is imputed at 7.5% per annum in accordance with the promissory note. Final principal payment is due October 1, 2010.

NOTE 4 — SALARIES AND WAGES PAYABLE:

Salaries and wages payable consisted of the following:

	<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>
Salaries and wages payable	\$ 102,335	\$ 127,724
Vacations payable	<u>53,443</u>	<u>62,999</u>
	<u>\$ 155,778</u>	<u>\$ 190,723</u>

Notes to Financial Statements

NOTE 5 — LINES OF CREDIT:

The Organization had a revolving line of credit with a bank at September 30, 2009 and 2008, secured by all accounts receivable, inventory, and equipment. At September 30, 2009, borrowings under the line were limited to \$200,000 and were due on demand. Interest is computed at the bank's prime lending rate. The line expires July 1, 2010. There were no borrowings on the line at September 30, 2009 and 2008.

The Organization had a revolving line of credit with a bank at September 30, 2009 and 2008, secured by all accounts receivable, inventory, equipment, the unconditional promise to give and the note receivable. At September 30, 2009, borrowings under the line were limited to \$365,000 and were due on demand. Interest is computed at the bank's prime lending rate. The line expires October 31, 2010. Borrowings on the line were \$362,200 and \$-0- at September 30, 2009 and 2008, respectively.

NOTE 6 — ANNUITY PLAN:

The Organization offers a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees over the age of 21 from the first day of employment. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

NOTE 7 — COMMITMENTS:

The Organization entered into operating leases for office space and equipment. One lease expired in December 2008 and the other leases expire in April 2011. Rent expense under these leases for the years ended September 30, 2009 and 2008, was \$5,018 and \$6,788, respectively.

Future minimum lease payments for the remaining lease terms are as follows:

Years Ending <u>September 30,</u>	<u>Amount</u>
2010	\$ 3,218
2011	<u>1,877</u>
	\$ 5,095
	<u>=====</u>

Notes to Financial Statements

NOTE 8 — CONCENTRATIONS OF CREDIT RISK:

The Organization maintains its cash in bank deposit accounts in a large commercial bank. The Organization's cash balances may, at times, exceed federally insured limits. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on its cash accounts.

The Organization provides credit to its customers in the normal course of business. Ongoing credit evaluations of significant customers are performed. When considered appropriate, the Organization obtains prepayments from customers before performing service.