

**ENGINEERS WITHOUT
BORDERS - USA, INC.
(A COLORADO NOT-
FOR-PROFIT CORPORATION)**



Financial Statements

**For the year ended December 31, 2011
With summarized financial information for
the year ended December 31, 2010**

ENGINEERS WITHOUT BORDERS - USA, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Engineers Without Borders - USA, Inc.
Boulder, Colorado

We have audited the accompanying statement of financial position of Engineers Without Borders - USA, Inc. (the "Organization"), a Colorado not-for-profit corporation, as of December 31, 2011 and the related statements of activities, cash flows and functional expenses 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 statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and in our report dated March 8, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Engineers Without Borders - USA, Inc. as of December 31, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Anton Collins Mitchell LLP

Boulder, Colorado
March 12, 2012

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ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,305,395	\$ 2,174,688
Investments	1,053,096	847,483
Promises to give	31,154	55,000
Due from ASCE	60,679	40,390
Prepaid expenses	58,538	40,165
Travel advances	77,997	52,688
Inventory	-	903
Total current assets	<u>3,586,859</u>	<u>3,211,317</u>
PROPERTY AND EQUIPMENT:		
Computers and equipment	101,420	91,954
Furniture and fixtures	21,633	21,633
Leasehold improvements	12,666	12,666
Total property and equipment	<u>135,719</u>	<u>126,253</u>
Less accumulated depreciation	(116,708)	(99,376)
Property and equipment, net	<u>19,011</u>	<u>26,877</u>
INTANGIBLE ASSETS:		
Website and software costs	97,633	35,390
Less accumulated amortization	(43,196)	(24,055)
Intangible assets, net	<u>54,437</u>	<u>11,335</u>
OTHER ASSETS:		
Deposits	<u>14,304</u>	<u>14,304</u>
TOTAL ASSETS	<u><u>\$ 3,674,611</u></u>	<u><u>\$ 3,263,833</u></u>

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2010

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 268,995	\$ 136,087
Deferred revenue	243,305	196,123
Grants payable	190,000	-
ASCE loan	-	200,000
Total current liabilities	702,300	532,210
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	(12,078)	204,154
Temporarily restricted	2,984,389	2,527,469
Total net assets	2,972,311	2,731,623
TOTAL LIABILITIES AND NET ASSETS	\$ 3,674,611	\$ 3,263,833

*See accompanying independent auditors'
report and notes to financial statements.*

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
SUPPORT AND REVENUE:				
Contributions and grants	\$ 1,556,730	\$ 1,974,076	\$ 3,530,806	\$ 3,674,729
Less: costs of direct benefits to donors	(50,611)	-	(50,611)	(46,687)
	1,506,119	1,974,076	3,480,195	3,628,042
Membership fees	275,795	38,283	314,078	359,266
Chapter fees	53,700	-	53,700	47,002
Conference revenue	198,329	-	198,329	183,632
Workshops	66,943	-	66,943	84,038
In-kind contributions	3,792,000	-	3,792,000	4,487,417
Interest income	5,424	1,924	7,348	4,252
Gain (loss) on investments	3,428	(4,313)	(885)	319
Other income	10,009	-	10,009	-
Net assets released from restrictions	1,553,050	(1,553,050)	-	-
Total support and revenue	7,464,797	456,920	7,921,717	8,793,968
EXPENSES:				
Program services	6,932,156	-	6,932,156	7,684,947
General and administrative	336,465	-	336,465	345,447
Fundraising	412,408	-	412,408	363,743
Total expenses	7,681,029	-	7,681,029	8,394,137
CHANGE IN NET ASSETS	(216,232)	456,920	240,688	399,831
NET ASSETS, beginning of period	204,154	2,527,469	2,731,623	2,331,792
NET ASSETS, end of period	\$ (12,078)	\$ 2,984,389	\$ 2,972,311	\$ 2,731,623

*See accompanying independent auditors'
report and notes to financial statements.*

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 240,688	\$ 399,831
Adjustments to reconcile change in net assets to net assets provided by operating activities:		
Depreciation and amortization	36,472	36,896
(Gain) loss on investments	885	(319)
(Increase) decrease in assets:		
Promises to give	23,846	125,000
Due from ASCE	(20,289)	83,126
Prepaid expenses	(18,373)	(9,479)
Travel advances	(25,309)	40,929
Inventory	903	2,712
Deposits	-	(200)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	132,908	2,979
Deferred revenue	47,182	3,898
Grants payable	190,000	-
Net cash provided by operating activities	<u>608,913</u>	<u>685,373</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,465)	(9,600)
Proceeds from sale of investments	-	7,487
Purchase of investments	(206,498)	(852,650)
Software costs	(62,243)	-
Net cash used in investing activities	<u>(278,206)</u>	<u>(854,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on short-term debt	(200,000)	-
Proceeds from short-term debt	-	200,000
Net cash provided by (used in) financing activities	<u>(200,000)</u>	<u>200,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,707	30,610
CASH AND CASH EQUIVALENTS, beginning of period	<u>2,174,688</u>	<u>2,144,078</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 2,305,395</u>	<u>\$ 2,174,688</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 4,989</u>	<u>\$ 7,098</u>

*See accompanying independent auditors'
report and notes to financial statements.*

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	Project	Programs		General & Admin.	Fund-Raising	2011 Total	2010 Total
		Education	Total				
Salaries	\$ 686,132	\$ 67,177	\$ 753,309	\$ 201,171	\$ 237,586	\$ 1,192,066	\$ 1,252,090
Employee benefits	112,191	10,984	123,175	32,894	38,848	194,917	202,212
Payroll tax expenses	54,912	5,376	60,288	16,100	19,014	95,402	106,194
Subtotal	853,235	83,537	936,772	250,165	295,448	1,482,385	1,560,496
Accounting fees	-	-	-	5,275	-	5,275	10,700
Contract services	108,137	126,571	234,708	30,474	41,726	306,908	175,796
Depreciation and amortization	20,993	2,055	23,048	6,155	7,269	36,472	36,896
Dues and subscriptions	2,477	220	2,697	657	1,514	4,868	2,582
Insurance	40,468	643	41,111	1,927	2,276	45,314	38,425
Interest	-	-	-	4,989	-	4,989	7,098
Legal fees	-	-	-	44	-	44	13,969
Licenses and fees	1,409	133	1,542	398	471	2,411	1,057
Meetings and conventions	36,002	236,152	272,154	1,186	2,541	275,881	335,774
Merchant bankcard fees	18,461	1,769	20,230	5,297	6,257	31,784	38,158
Miscellaneous	230	2,639	2,869	67	80	3,016	21,444
Occupancy	80,456	7,384	87,840	22,113	26,164	136,117	141,299
Office expense	4,389	2,900	7,289	1,042	1,911	10,242	12,782
Postage and delivery	3,514	727	4,241	538	6,743	11,522	9,399
Printing and copying	5,646	5,557	11,203	1,506	9,923	22,632	15,222
Professional development	227	11	238	33	39	310	14,687
Project materials							
and logistical support	644,972	-	644,972	-	-	644,972	645,889
Project mentors	3,792,000	-	3,792,000	-	-	3,792,000	4,482,000
Promotional materials	7,609	380	7,989	1,137	5,532	14,658	24,744
Travel	807,025	34,228	841,253	3,462	4,514	849,229	805,720
Total expenses	\$ 6,427,250	\$ 504,906	\$ 6,932,156	\$ 336,465	\$ 412,408	\$ 7,681,029	\$ 8,394,137

See accompanying independent auditors' report and notes to financial statements

ENGINEERS WITHOUT BORDERS - USA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Engineers Without Borders - USA, Inc. (the "Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of financial statements.

Nature of Operations—Engineers Without Borders – USA, Inc. was established in 2001 to help developing areas worldwide with their civil and environmental engineering needs, by involving and training a new kind of internationally responsible engineering student. The Organization's projects involve the design and construction of water, sanitation, structural, and energy systems. These projects are conducted by both professional chapters, made up of practicing professionals, and student chapters of which the participants are both university students and university professors, supervised by professional engineers.

In addition, the Organization holds an annual conference which helps educate individuals who are interested in future volunteer opportunities for projects sponsored by the Organization.

The Organization encourages students to organize student chapters at their own universities and provides technical expertise for this. However, some student chapters are independent of the Organization's financial activities, and therefore the activities of those student chapters are not reflected in the Organization's financial statements. These chapters use the non-profit status of their respective university.

Basis of Presentation—The Organization follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB." The FASB sets generally accepted accounting principles ("GAAP") that the Organization follows to ensure the financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

The financial statements are prepared on the accrual basis of accounting and are in conformity with FASB ASC 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under ASC 958-205, the Organization is required to report 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. In addition, the Organization is required to present a statement of cash flows.

ENGINEERS WITHOUT BORDERS - USA, INC.
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Use of Estimates—The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions—The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor restrictions.

Cash Equivalents—The Organization considers all highly liquid investments with an original maturity of three months or less not held for long term purposes to be cash equivalents.

Investments—Investments are valued at fair market value based on quoted market prices.

Promises to Give—Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decrease in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are not recognized as revenue until such time as the conditions on which they depend are substantially met and the promises become unconditional. At December 31, 2011 and 2010, the Organization did not have conditional promises to give. Management believes an allowance for doubtful accounts is not necessary due to past collection history.

Travel Advances—The Organization advances money to its members for travel and in-country expenses that are to take place in the future.

Inventory—Inventory consists of t-shirts and other promotional materials, which are recorded at cost using the first-in, first-out method.

Property and Equipment—Property and equipment are recorded at cost or at fair market value in the case of donated items. Expenditures for and contributions of equipment with a fair market value greater than \$500 are capitalized. Depreciation is computed using the straight-line method over their estimated useful lives, ranging from three to seven years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are moved from the accounts, and any resulting gain or loss is included in the combined statement of activities. Repairs and maintenance costs are charged to expense when incurred. Depreciation expense totaled \$17,332 and \$28,792, for the years ended December 31, 2011 and 2010, respectively.

ENGINEERS WITHOUT BORDERS - USA, INC.
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Management assesses the carrying value of long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. If impairment is indicated, the loss is measured based on the amount by which the carrying value exceeds its fair value. Management does not believe that any indicators of impairment occurred during the years ended December 31, 2011 and 2010.

Deferred Revenue—Membership dues, which are billed in advance, are recognized as revenue ratably over the membership period. Workshop fees received in advance of the workshop date are recorded as deferred revenue until the workshop occurs.

Recognition of Donor Restrictions—Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the donor restriction expires or the restricted activity performed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. A portion of the memberships received are restricted based on the members request to designate a specific chapter.

Income Taxes—The Organization is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization other than a private foundation under Section 509(a)(1). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements. The years open for tax authority examinations are 2008 through 2011.

The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Concentration of Risk—Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with high credit quality financial institutions and attempts to limit its amount of credit exposure to any one financial institution. However, at various times during the years ended December 31, 2011 and 2010, the Organization's cash balances exceeded the federally insured limits. As of December 31, 2011 and 2010, the Organization had \$202,493 and \$202,160, respectively, on deposit with financial institutions in excess of the federally insured limits.

ENGINEERS WITHOUT BORDERS - USA, INC.
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Functional Expense Allocation—Whenever possible, the Organization charges directly identifiable expenses to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Fair Value Measurements—ASC 820, *Fair Value Measurements and Disclosures* requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3). In determining fair value, the Organization utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Comparative Financial Information—The financial statement include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America and consequently has not been reported upon in the current auditors’ opinion. Accordingly, such information should be read in conjunction with the Organization’s audited financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Reclassifications—Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year’s format. These reclassifications had no effect on total net assets or changes in total net assets.

In-kind Contributions—Donated materials, equipment and services are reflected as contributions at their estimated values at the date of receipt. Donated services are recognized as contributions in accordance with ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, if the services (a) create or enhance nonfinancial assets and (b) require specialized skills, are performed by people with those skills. During the years ended December 31, 2011 and 2010, in-kind contributions consisted of the following:

	Total Program 2011	Total 2010
Project mentors for international projects	\$ 3,792,000	\$ 4,482,000
Interest expense	-	5,417
Total	\$ 3,792,000	\$ 4,487,417

ENGINEERS WITHOUT BORDERS - USA, INC.
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In addition, numerous volunteers have donated significant amounts of time to the Organization's program services. These services did not meet the requirements for recognition in the financial statements and have not been recorded.

Note 2 - Investments

Investments as of December 31, 2011 and 2010 are valued at Level 1 inputs and are summarized as follows:

	<u>2011</u>	<u>2010</u>
Certificates of deposit	\$ 801,639	\$ 798,211
Mutual funds	250,165	49,272
Stock	1,292	-
Total	<u>\$ 1,053,096</u>	<u>\$ 847,483</u>

Note 3 - Operating Lease Commitments

The Organization leases office space under a non-cancelable operating lease arrangement that expires in September 2013. The lease requires the following future minimum payments:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2012	\$ 74,366
2013	51,287
Total	<u>\$ 125,652</u>

The rent expense from leases totaled approximately \$103,000 and \$99,000, respectively, for the years ended December 31, 2011 and 2010.

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010 are restricted for the following purposes:

	<u>2011</u>	<u>2010</u>
Student and professional chapters and international projects	\$ 2,708,088	\$ 2,361,812
Undesignated	224,463	119,411
Tyler Palmer fund	51,838	46,246
Total	<u>\$ 2,984,389</u>	<u>\$ 2,527,469</u>

ENGINEERS WITHOUT BORDERS - USA, INC.
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Undesignated temporarily restricted net assets consist of restricted contributions that the donor has yet to designate a specific restriction.

Note 5 - Agency Transactions

Agency transactions are accounted for in accordance with ASC 958-605-25, *Not-for-Profit Entities, Revenue Recognition*. In accordance with ASC 958-605-25, amounts received from donors that must be disbursed to a specified beneficiary are recorded as liabilities until paid by the Organization. During the years ended December 31, 2011 and 2010, the Organization received \$190,000 and \$0, respectively, through agency transactions. The \$190,000 had not been paid out at year end and therefore is included as a grant payable on the statement of financial position.

Note 6 – Intangible Assets

The Organization amortizes website and software costs over three years with a cost over \$500. Amortization expense totaled \$19,140 and \$8,104, respectively, for the years ended December 31, 2011 and 2010, and is included in depreciation and amortization expense on the statement of functional expenses. Estimated amortization expense for the next three years is:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2012	\$ 24,304
2013	20,748
2014	9,385
Total	<u>\$ 54,437</u>

Note 7 - Affiliation with ASCE

On October 31, 2007, the Organization entered into an affiliation agreement with the American Society of Civil Engineers (ASCE), a non-profit organization with a mission similar to that of the Organization. The agreement provides that ASCE will provide, in addition to cash donations, certain services to the Organization as a charitable contribution, pursuant to a separate services agreement. The services agreement includes membership renewal, marketing, legal, financial and human resources services. Donations from ASCE and memberships received through ACSE have been paid by cash transfers from ASCE to the Organization. As of December 31, 2011 and 2010, memberships collected by ASCE resulted in a receivable from ASCE in the amount of \$60,679 and \$40,390, respectively. The receivable was collected shortly after year end.

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The Organization also received a non-interest bearing loan from ASCE in the amount of \$200,000 during the year ended December 31, 2010 that was due on demand. The loan was paid in full during the year ended December 31, 2011.

Note 8 - Subsequent Events

In accordance with ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through March 15, 2012, which is the date these financial statements were available to be issued. There are no subsequent events that require recognition or additional disclosure in these financial statements.

Note 9 - Unrestricted Net Assets

At December 31, 2011, the Organization had a deficit in its unrestricted net assets of \$12,078. Future unrestricted revenue will offset this deficit. The Organization has sufficient cash and cash equivalents and investments to meet the donor restrictions included in temporarily restricted net assets, see footnote 4.