PAWS CHICAGO

FINANCIAL REPORT

DECEMBER 31, 2011 AND 2010

BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
O'HARE PLAZA
8745 WEST HIGGINS ROAD, SUITE 200
CHICAGO, ILLINOIS 60631
AREA CODE 312 263.2700

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PAWS Chicago
Chicago, Illinois

We have audited the accompanying statements of financial position of PAWS Chicago (a nonprofit corporation) as of December 31, 2011 and 2010, and the related statements of activities 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. 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 PAWS Chicago as of December 31, 2011 and 2010, 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.

Bansley and Kiener, L.L.P.

Certified Public Accountants

July 12, 2012

PAWS CHICAGO

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS	2011	2010
Cash	$ 4,865,625	$ 4,329,612
Investments (Note 2)	7,395,407	6,208,119
Unconditional promises to give, net (Note 3)	2,558,839	3,117,087
Accounts receivable	67,994	145,733
Inventories (Note 4)	55,987	50,113
Prepaid expenses	101,566	76,869
Property and equipment, net (Note 5)	10,243,855	9,185,798
Total assets	$ 25,289,273	$ 23,113,331
LIABILITIES AND NET ASSETS		
Accounts payable	$ 309,633	$ 418,136
Deferred revenue	43,500	17,075
Accrued property taxes	73,424	-
Accrued payroll and taxes	58,379	51,343
Total liabilities	484,936	486,554
Net assets (Notes 6 and 12)		
Unrestricted	12,298,970	11,217,916
Temporarily restricted	12,363,041	11,296,535
Permanently restricted	142,326	112,326
Total net assets	24,804,337	22,626,777
Total liabilities and net assets	$ 25,289,273	$ 23,113,331

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGO

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011						2010					
	UNRESTRICTED						UNRESTRICTED					
	Operations	Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total	Operations	Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total
REVENUE												
Program service fees:												
Adoption center	$ 600,311	$ -	$ 600,311	$ -	$ -	$ 600,311	$ 546,533	$ -	$ 546,533	$ -	$ -	$ 546,533
Admission center	8,622	-	8,622	-	-	8,622	12,262	-	12,262	-	-	12,262
Spay/neuter clinic	788,941	-	788,941	-	-	788,941	755,003	-	755,003	-	-	755,003
GUS Mobile	9,624	-	9,624	-	-	9,624	-	-	-	-	-	-
Contributions	1,535,367	1,268,590	2,803,957	2,358,414	30,000	5,192,371	1,984,417	332,991	2,317,408	3,845,750	30,000	6,193,158
Contributions - in kind	549,053	-	549,053	-	-	549,053	759,890	-	759,890	-	-	759,890
Investment income	1,123	-	1,123	227,405	-	228,528	1,553	-	1,553	224,265	-	225,818
Net appreciation (depreciation) on investments	-	-	-	(176,835)	-	(176,835)	-	-	-	527,742	-	527,742
Special events	2,057,000	-	2,057,000	-	-	2,057,000	1,943,284	-	1,943,284	-	-	1,943,284
Advertising income	42,001	-	42,001	-	-	42,001	45,265	-	45,265	-	-	45,265
Net assets released from restrictions (Note 6)	1,342,478	-	1,342,478	(1,342,478)	-	-	542,521	-	542,521	(542,521)	-	-
Total revenue	6,934,520	1,268,590	8,203,110	1,066,506	30,000	9,299,616	6,590,728	332,991	6,923,719	4,055,236	30,000	11,008,955
EXPENSES												
Program services:												
Admission center	1,490,454	-	1,490,454	-	-	1,490,454	1,231,638	-	1,231,638	-	-	1,231,638
Spay/neuter clinic	1,706,413	-	1,706,413	-	-	1,706,413	1,555,513	-	1,555,513	-	-	1,555,513
Adoption center	1,587,545	-	1,587,545	-	-	1,587,545	1,544,936	-	1,544,936	-	-	1,544,936
Humane education	598,816	-	598,816	-	-	598,816	610,912	-	610,912	-	-	610,912
GUS Mobile	28,512	-	28,512	-	-	28,512	-	-	-	-	-	-
	5,411,740	-	5,411,740	-	-	5,411,740	4,942,999	-	4,942,999	-	-	4,942,999
Supporting services:												
Management and general	162,452	-	162,452	-	-	162,452	209,795	-	209,795	-	-	209,795
Special events	1,268,689	-	1,268,689	-	-	1,268,689	1,214,485	-	1,214,485	-	-	1,214,485
Fundraising	279,175	-	279,175	-	-	279,175	276,417	-	276,417	-	-	276,417
	1,710,316	-	1,710,316	-	-	1,710,316	1,700,697	-	1,700,697	-	-	1,700,697
Total expenses	7,122,056	-	7,122,056	-	-	7,122,056	6,643,696	-	6,643,696	-	-	6,643,696
Change in net assets	(187,536)	1,268,590	1,081,054	1,066,506	30,000	2,177,560	(52,968)	332,991	280,023	4,055,236	30,000	4,365,259
Net assets at beginning of year as restated for 2010 (Noted 12)	10,006,144	1,211,772	11,217,916	11,296,535	112,326	22,626,777	10,059,112	878,781	10,937,893	7,241,299	82,326	18,261,518
Net assets at end of year	$ 9,818,608	$2,480,362	$12,298,970	$12,363,041	$ 142,326	$24,804,337	$10,006,144	$ 1,211,772	$11,217,916	$11,296,535	$ 112,326	$22,626,777

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGO

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers	$ 1,553,662	$ 1,294,170
Cash received from contributors	7,542,703	6,994,075
Interest income received	228,528	225,818
Cash paid to employees and suppliers	(6,396,043)	(5,578,961)
Net cash provided by operating activities	2,928,850	2,935,102
Cash flows from investing activities:		
Purchases of investment securities	(1,153,385)	(1,775,763)
Sale of investment securities	51,278	-
Proceeds from property and equipment	-	56,290
Purchases of property and equipment	(1,320,730)	(275,310)
Net cash used in investing activities	(2,422,837)	(1,994,783)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	30,000	30,000
Increase in cash	536,013	970,566
Cash at beginning of year	4,329,612	3,359,046
Cash at end of year	$ 4,865,625	$ 4,329,612
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 2,177,560	$ 4,365,259
Adjustments:		
Net (appreciation) depreciation in investments	176,835	(527,742)
Depreciation	262,673	208,533
Provision for doubtful pledges	(27,100)	(46,143)
Contributions restricted for long-term purposes	(30,000)	(30,000)
(Increase) decrease in:		
Contributed investments	(262,016)	-
Unconditional promises to give	585,348	(1,112,367)
Accounts receivable	77,739	(41,523)
Inventories	(5,874)	(14,684)
Prepaid expenses	(24,697)	(40,386)
Increase (decrease) in:		
Accounts payable	(108,503)	149,664
Deferred revenue	26,425	(23,370)
Accrued property taxes	73,424	-
Accrued payroll and taxes	7,036	47,861
Total adjustments	751,290	(1,430,157)
Net cash provided by operating activities	$ 2,928,850	$ 2,935,102

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

PAWS Chicago, a nonprofit corporation, was organized on January 29, 1998. PAWS Chicago seeks to end the killing of homeless pets by reducing unwanted litters, increasing adoptions and promoting responsible pet care. PAWS Chicago operates a shelter and facilitates foster care for homeless cats and dogs until they can be placed in loving homes. PAWS Chicago is reducing the city's tragic pet overpopulation problem by providing free and low-cost spay/neuter surgeries at the Lurie Spay/Neuter Clinic located in an area where the highest number of strays originate and where the largest number of residents are living at or below poverty level. PAWS Chicago's Humane Education and Community Outreach Program works in tandem with Chicago Alternative Policing Strategies (CAPS), local churches, schools and community groups to promote the humane treatment of animals and promote responsible pet care in communities reporting the highest incidence of strays, dog bites and crimes against/involving animals. PAWS Chicago has constructed an Adoption & Humane Center to enable it to help even more homeless animals. PAWS Chicago hosts annual fundraising events to support its programs, increase awareness and recruit volunteers, and is supported entirely by private contributions.

Basis of Accounting

The financial statements of PAWS Chicago have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the valuation of contributed services received by the Organization.

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to Give

Unconditional promises to give are recognized as assets and revenue in the period the promise is received. Promises to give are recorded at net realizable value if expected to be collected in the current year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market.

Property, Equipment, and Depreciation

Property and equipment are recorded at cost, or if donated, at estimated fair value at date of acquisition. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Leasehold improvements are amortized on the straight-line method over the shorter of the estimated useful lives of the improvements or the terms of the related leases.

Depreciation of property and equipment is computed on the straight-line method over the following estimated useful lives:

	Years
Building	70
Leasehold improvements	5-20
Equipment	5-10

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. When assets are sold, retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, many volunteers also perform a variety of tasks throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income derived from unrelated business activities, as defined under the Internal Revenue Code. There was no provision for tax required for 2011 or 2010. The Organization's federal Forms 990 and 990-T for 2011, 2010, and 2009 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. In addition, the Organization's state Forms AG990-IL and IL990-T are subject to examination by state tax authorities for similar years.

Evaluation of Subsequent Events

Management has evaluated subsequent events through July 18, 2012, the date the financial statements were available to be issued.

Reclassification

Certain reclassifications have been made in the prior year financial statements to conform with current year presentation.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 2 – Investments

Investments are reported at fair value as determined by quoted market prices (Level 1 inputs) and are composed of the following:

	December 31, 2011			
	Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market	$ 168,317	$ -	$ -	$ 168,317
Mutual funds	3,145,253	491,727	-	3,636,980
Stocks	3,330,266	530,010	(270,166)	3,590,110
	$6,643,836	$1,021,737	$(270,166)	$7,395,407

	December 31, 2010			
	Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market	$ 118,968	$ -	$ -	$ 118,968
Mutual funds	3,089,720	772,329	-	3,862,049
Stocks	2,067,992	272,248	(113,138)	2,227,102
	$5,276,680	$1,044,577	$(113,138)	$6,208,119

During the years ended December 31, 2011 and 2010, the Organization's investments (including investments bought, sold, as well as held during the period) appreciated (depreciated) in fair value by $527,742 and $(176,835), respectively.

Mutual funds above determine fair value using a calculated net asset value per share, or its equivalent. As of December 31, 2011 and 2010, the fair value of the mutual funds was $3,636,980 and $3,862,049, and there were no unfunded commitments related to these investments. These investments can be redeemed daily with no redemption notice required. This category of investments primarily includes investments in stocks, bonds, and short-term investments.

Note 3 – Unconditional Promises to Give

Unconditional promises to give have been received in support of the spay/neuter clinic, the adoption center, and the endowment fund. Unconditional promises to give include the following:

	2011	2010
Promises to give beginning	$ 3,556,404	$ 2,272,820
Amount pledged during the year	638,650	3,265,475
Amount collected during the year	(1,285,674)	(1,981,891)
Promises to give ending	2,909,380	3,556,404
Less:		
Discount to present value	(343,341)	(405,017)
Allowance for doubtful promises	(7,200)	(34,300)
Net promises to give	$ 2,558,839	$ 3,117,087

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 3 – Unconditional Promises to Give (Continued)

Unconditional promises to give at December 31, 2011 and 2010 are as follows.

Promises to give expected to be collected in:	2011	2010
Less than one year	$1,546,628	$1,545,659
One to five years	1,362,752	2,010,745
	$2,909,380	$3,556,404

Note 4 – Inventories

Inventories at December 31, 2011 and 2010 consist of the following:

	2011	2010
Merchandise	$29,429	$28,301
Clinic inventory	26,558	21,812
	$55,987	$50,113

Note 5 – Property, Equipment, and Depreciation

Property and equipment at December 31, 2011 and 2010 consists of the following:

	2011	2010
Land	$ 2,403,099	$2,125,569
Building	7,069,567	6,236,348
Leasehold improvements	1,078,767	1,071,582
Equipment	858,563	547,107
	11,409,996	9,980,606
Less accumulated depreciation	1,166,141	903,468
	10,243,855	9,077,138
In progress	-	108,660
	$10,243,855	$9,185,798

Depreciation expense for the years ended December 31, 2011 and 2010 was $262,617 and $208,533, respectively. During the year ended December 31, 2011, the Organization completed the purchase of a building that it had previously leased. The total cost of the building was $1,100,000.

Note 6 – Net Assets

Board-designated Endowment

As of December 31, 2011, the Board of Directors had designated $2,480,362 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization has not appropriated for distribution any of its board-designated endowment.

Note 6 – Net Assets (Continued)

Composition of and changes in endowment net assets for the year ended December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning designated balance	$1,211,772	$ 878,781
Contributions	1,268,590	332,991
Ending designated balance	$2,480,362	$1,211,772

Donor-designated Endowment

As of December 31, 2011, the Organization's endowment consists of one donor-restricted endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization's, (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period of time. The endowment assets are invested in a manner to accept prudent levels of short and long-term volatility consistent with the near-term cash flow needs, funding level, and long-term liability structure of the investment portfolio.

To achieve long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 6 – Net Assets (Continued)

Endowment net asset composition by type of fund as of December 31, 2011 and 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
December 31, 2011				
Endowment Funds:				
Donor-restricted	$ -	$12,363,041	$142,326	$12,505,367
Board-designated	2,480,362	-	-	2,480,362
	$2,480,362	$12,363,041	$142,326	$14,985,729
December 31, 2010				
Endowment Funds:				
Donor-restricted	$ -	$11,296,535	$112,326	$11,408,861
Board-designated	1,211,772	-	-	1,211,772
	$1,211,772	$11,296,535	$112,326	$12,620,633

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
December 31, 2011				
Endowment Funds:				
Beginning of year	$1,211,772	$11,296,535	$112,326	$12,620,633
Contributions	1,268,590	2,358,414	30,000	3,657,004
Investment income	-	227,405	-	227,405
Net depreciation	-	(176,835)	-	(176,835)
Appropriated for expenditure	-	(1,342,478)	-	(1,342,478)
End of year	$2,480,362	$12,363,041	$142,326	$14,985,729
December 31, 2010				
Endowment Funds:				
Beginning of year	$ 878,781	$ 7,241,299	$ 82,326	$ 8,202,406
Contributions	332,991	3,845,750	30,000	4,208,741
Investment income	-	224,265	-	224,265
Net appreciation	-	527,742	-	527,742
Appropriated for expenditure	-	(542,521)	-	(542,521)
End of year	$1,211,772	$11,296,535	$112,326	$12,620,633

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 6 – Net Assets (Continued)

Temporarily Restricted Net Assets

Following is a summary of the activity in temporarily restricted net assets for the years ended December 31, 2011 and 2010:

	2011			
	Beginning Balance	Additions	Assets Released	Ending Balance
Spay/neuter clinic	$ 168,000	$ 85,519	$ 44,310	$ 209,209
GUS Mobile	431,353	-	174,361	256,992
Adoption center	10,697,182	2,323,465	1,123,807	11,896,840
	$11,296,535	$2,408,984	$1,342,478	$12,363,041

	2010			
	Beginning Balance	Additions	Assets Released	Ending Balance
Spay/neuter clinic	$ 71,745	$ 351,861	$255,606	$ 168,000
GUS Mobile	-	431,353	-	431,353
Adoption center	7,169,554	3,814,543	286,915	10,697,182
	$7,241,299	$4,597,757	$542,521	$11,296,535

Temporarily restricted net assets at December 31, 2011 and 2010 consist of the following:

	2011	2010
Cash	$ 2,426,120	$ 1,988,654
Investments	7,395,407	6,208,119
Unconditional promises to give	2,541,514	3,099,762
	$12,363,041	$11,296,535

Permanently Restricted Net Assets

The following is a summary of permanently restricted net assets for the years ended December 31:

	2011	2010
General Endowment	$142,326	$112,326

Permanently restricted assets consist of the following:

	2011	2010
Cash	$125,001	$ 95,001
Unconditional promises to give	17,325	17,325
	$142,326	$112,326

When donors amend or clarify intent for applicable gifts and contributions reported in a previous fiscal year, revisions are separately reflected as donor designated changes within the statement of activities.

Earnings on permanently restricted net assets may be used to support the general operations for the Organization.

Note 7 – Related Party Transactions

Contributions

The Organization received $30,500 in unrestricted contributions from corporations controlled by members of the board of directors during the year ended December 31, 2010. The Organization did not receive contributions from corporations controlled by members of the board of directors during the year ended December 31, 2011.

General Services

During 2011, the Organization paid $372,000 to related corporations for marketing, accounting, and administrative services. During 2010, the Organization received marketing, accounting, and administrative services provided by employees of the related corporations. These services were valued at approximately $217,000.

Note 8 – Employee Benefit Plan

The Organization adopted a 401(k) savings plan covering substantially all employees that have completed the service requirement. For each year, the Board of Directors determines the amount of the discretionary contribution to be made to the Plan. No contributions were made for 2011 and 2010.

Note 9 – Fair Value Measurements

Information related to the Organization's assets measured at fair value on a recurring basis at December 31, 2011 and 2010 is as follows:

	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2011				
Investment securities	$7,395,407	$7,395,407	$ -	$ -
Unconditional promises to give	2,558,839	-	-	2,558,839
Total	$9,954,246	$7,395,407	$ -	$2,558,839
December 31, 2010				
Investment securities	$6,208,119	$6,208,119	$ -	$ -
Unconditional promises to give	3,117,087	-	-	3,117,087
Total	$9,325,206	$6,208,119	$ -	$3,117,087

Fair values for investments are determined by quoted market prices. Fair value of unconditional promises to give are determined by calculating the present values of estimated future pledge payments expected to be received, over the expected term of the agreements, using a discount rate of 6%.

Note 9 – Fair Value Measurements (Continued)

Assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	2011	2010
Unconditional promises to give:		
Beginning of year	$ 3,117,087	$ 1,958,577
New pledges	638,650	3,265,475
Pledge payments received	(1,270,452)	(1,750,182)
Provision for bad debts	27,100	(185,566)
Change in present value discount	46,454	(171,217)
End of year	$ 2,558,839	$ 3,117,087

Note 10 – Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 11 – Concentrations

The Organization maintains cash balances with three banks. Accounts at financial institutions may at times exceed the amount insured by the Federal Deposit Insurance Corporation.

Note 12 – Prior Period Adjustment

Components of net assets at December 31, 2009 have been restated to reclassify $900 of interest earned during 2009.