



CPAs & BUSINESS ADVISORS

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA
dba FREE ARTS OF ARIZONA

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Free Arts for Abused Children of Arizona
dba Free Arts of Arizona
Phoenix, Arizona

We have audited the accompanying statements of financial position for **Free Arts for Abused Children of Arizona, dba Free Arts of Arizona** (a not-for-profit corporation) as of June 30, 2009 and 2008, 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 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 Company's internal control over financial reporting. Accordingly, we do not express such an 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 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 **Free Arts for Abused Children of Arizona, dba Free Arts of Arizona** as of June 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.

Eide Bailly LLP

Phoenix, Arizona
October 22, 2009

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FREE ARTS FOR ABUSED CHILDREN OF ARIZONA
dba FREE ARTS OF ARIZONA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 406,573	\$ 361,310
Grants receivable, net	66,504	134,102
Prepaid expense	14,068	10,618
Pledges receivable, net	218,253	236,843
Furniture and equipment, net	158,971	181,080
Deposit	6,900	6,900
	\$ 871,269	\$ 930,853
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 5,619	\$ 13,953
Accrued vacation	11,850	13,062
Deferred rent	7,968	13,077
Total liabilities	25,437	40,092
 NET ASSETS		
Unrestricted		
Undesignated	412,793	205,634
Board designated endowment	32,549	34,659
Total unrestricted net assets	445,342	240,293
Temporarily restricted	400,490	597,194
Permanently restricted - ArtShare	-	53,274
Total net assets	845,832	890,761
	\$ 871,269	\$ 930,853

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA
dba FREE ARTS OF ARIZONA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008

	2009					
	UNRESTRICTED			Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated Endowment	Total			
PUBLIC SUPPORT AND REVENUE						
Contributions						
Foundation grants	\$ 65,467	\$ -	\$ 65,467	\$ 17,000	\$ -	\$ 82,467
Corporation grants	197,154	-	197,154	-	-	197,154
Individuals	232,988	-	232,988	59,325	-	292,313
United Way	125,007	-	125,007	-	-	125,007
Government grants	180,257	-	180,257	-	-	180,257
Other revenues	4,647	342	4,989	-	-	4,989
	<u>805,520</u>	<u>342</u>	<u>805,862</u>	<u>76,325</u>	<u>-</u>	<u>882,187</u>
Special events						
Corporate sponsorships	76,242	-	76,242	5,500	-	81,742
Ticket sales and auctions	107,502	-	107,502	-	-	107,502
Cost of direct benefits	(11,880)	-	(11,880)	-	-	(11,880)
	<u>171,864</u>	<u>-</u>	<u>171,864</u>	<u>5,500</u>	<u>-</u>	<u>177,364</u>
Discount on pledges and grants receivable	11,566	-	11,566	-	-	11,566
Net assets released from restriction	334,255	(2,452)	331,803	(278,529)	(53,274)	-
TOTAL SUPPORT AND REVENUE	<u>1,323,205</u>	<u>(2,110)</u>	<u>1,321,095</u>	<u>(196,704)</u>	<u>(53,274)</u>	<u>1,071,117</u>
EXPENSES						
Organization expenses						
Program services	902,890	-	902,890	-	-	902,890
Fundraising	165,517	-	165,517	-	-	165,517
Allowance for doubtful pledges	11,909	-	11,909	-	-	11,909
General and administrative	35,730	-	35,730	-	-	35,730
	<u>1,116,046</u>	<u>-</u>	<u>1,116,046</u>	<u>-</u>	<u>-</u>	<u>1,116,046</u>
IN-KIND						
In-kind contributions	166,656	-	166,656	-	-	166,656
In-kind expenses						
Program services	103,275	-	103,275	-	-	103,275
Fundraising	63,381	-	63,381	-	-	63,381
General and administrative	-	-	-	-	-	-
	<u>166,656</u>	<u>-</u>	<u>166,656</u>	<u>-</u>	<u>-</u>	<u>166,656</u>
CHANGE IN NET ASSETS	<u>207,159</u>	<u>(2,110)</u>	<u>205,049</u>	<u>(196,704)</u>	<u>(53,274)</u>	<u>(44,929)</u>
NET ASSETS, BEGINNING OF YEAR	<u>205,634</u>	<u>34,659</u>	<u>240,293</u>	<u>597,194</u>	<u>53,274</u>	<u>890,761</u>
NET ASSETS, END OF YEAR	<u>\$ 412,793</u>	<u>\$ 32,549</u>	<u>\$ 445,342</u>	<u>\$ 400,490</u>	<u>\$ -</u>	<u>\$ 845,832</u>

See Notes to Financial Statements

2008

UNRESTRICTED					
Undesignated	Board Designated Endowment	Total	Temporarily Restricted	Permanently Restricted	Total
\$ 77,486	\$ -	\$ 77,486	\$ 212,331	\$ -	\$ 289,817
164,514	-	164,514	-	-	164,514
83,087	4,940	88,027	130,520	-	218,547
116,030	-	116,030	-	-	116,030
181,768	-	181,768	-	15,641	197,409
4,208	1,049	5,257	-	-	5,257
<u>627,093</u>	<u>5,989</u>	<u>633,082</u>	<u>342,851</u>	<u>15,641</u>	<u>991,574</u>
75,025	-	75,025	11,750	-	86,775
90,418	-	90,418	-	-	90,418
(14,125)	-	(14,125)	-	-	(14,125)
<u>151,318</u>	<u>-</u>	<u>151,318</u>	<u>11,750</u>	<u>-</u>	<u>163,068</u>
(1,472)	-	(1,472)	-	-	(1,472)
<u>172,487</u>	<u>-</u>	<u>172,487</u>	<u>(172,487)</u>	<u>-</u>	<u>-</u>
<u>949,426</u>	<u>5,989</u>	<u>955,415</u>	<u>182,114</u>	<u>15,641</u>	<u>1,153,170</u>
855,334	-	855,334	-	-	855,334
137,862	-	137,862	-	-	137,862
7,383	-	7,383	-	-	7,383
<u>44,456</u>	<u>-</u>	<u>44,456</u>	<u>-</u>	<u>-</u>	<u>44,456</u>
<u>1,045,035</u>	<u>-</u>	<u>1,045,035</u>	<u>-</u>	<u>-</u>	<u>1,045,035</u>
<u>169,547</u>	<u>-</u>	<u>169,547</u>	<u>-</u>	<u>-</u>	<u>169,547</u>
103,184	-	103,184	-	-	103,184
66,273	-	66,273	-	-	66,273
90	-	90	-	-	90
<u>169,547</u>	<u>-</u>	<u>169,547</u>	<u>-</u>	<u>-</u>	<u>169,547</u>
(95,609)	5,989	(89,620)	182,114	15,641	108,135
<u>301,243</u>	<u>28,670</u>	<u>329,913</u>	<u>415,080</u>	<u>37,633</u>	<u>782,626</u>
<u>\$ 205,634</u>	<u>\$ 34,659</u>	<u>\$ 240,293</u>	<u>\$ 597,194</u>	<u>\$ 53,274</u>	<u>\$ 890,761</u>

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA
dba FREE ARTS OF ARIZONA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2009 AND 2008

	2009			
	Program Services	Fundraising	General and Administrative	Total
Staff salaries	\$ 435,684	\$ 105,829	\$ 21,652	\$ 563,165
Contract employees and interns	53,539	18,437	933	72,909
Payroll taxes and fees	41,797	2,322	2,322	46,441
Employee benefits	41,265	6,810	1,257	49,332
Professional artists' fees	60,742	-	-	60,742
Accounting fees	32,654	1,923	1,923	36,500
Art and office supplies	17,254	1,738	524	19,516
Depreciation	21,437	1,191	1,191	23,819
Equipment rental and maintenance	9,826	6,287	259	16,372
Insurance, D&O liability	4,485	249	249	4,983
Marketing and promotion	16,394	2,881	276	19,551
Operating costs	60,396	15,250	(249)	75,397
Postage	7,731	1,060	367	9,158
Printing	22,671	8,321	804	31,796
Professional development	1,341	68	17	1,426
Rent	69,705	3,873	3,873	77,451
Telephone	5,969	1,158	332	7,459
Special events - cost of direct benefit	-	(11,880)	-	(11,880)
	<u>902,890</u>	<u>165,517</u>	<u>35,730</u>	<u>1,104,137</u>
Allowance for doubtful pledges	-	11,909	-	11,909
	<u>902,890</u>	<u>177,426</u>	<u>35,730</u>	<u>1,116,046</u>
In-kind materials and art camp facilities	85,035	63,381	-	148,416
In-kind services	18,240	-	-	18,240
	<u>103,275</u>	<u>63,381</u>	<u>-</u>	<u>166,656</u>
	<u>\$ 1,006,165</u>	<u>\$ 240,807</u>	<u>\$ 35,730</u>	<u>\$ 1,282,702</u>

See Notes to Financial Statements

2008

Program Services	Fundraising	General and Administrative	Total
\$ 440,648	\$ 88,667	\$ 28,840	\$ 558,155
35,613	16,882	771	53,266
41,604	2,309	2,262	46,175
29,011	4,514	990	34,515
34,788	-	-	34,788
21,362	1,031	1,031	23,424
23,388	1,114	623	25,125
21,584	1,199	1,199	23,982
11,254	5,858	267	17,379
2,673	147	147	2,967
18,479	1,925	657	21,061
59,036	15,050	1,643	75,729
10,366	1,686	491	12,543
27,064	6,471	1,164	34,699
3,456	963	191	4,610
69,569	3,868	3,862	77,299
5,439	303	318	6,060
-	(14,125)	-	(14,125)
855,334	137,862	44,456	1,037,652
-	7,383	-	7,383
855,334	145,245	44,456	1,045,035
86,184	49,802	-	135,986
17,000	16,471	90	33,561
103,184	66,273	90	169,547
\$ 958,518	\$ 211,518	\$ 44,546	\$ 1,214,582

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA
dba FREE ARTS OF ARIZONA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ (44,929)</u>	<u>\$ 108,135</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	23,819	23,982
Change in discount on pledges receivable	(11,566)	(4,493)
Allowance for uncollectible pledges	17,000	3,305
(Increase) decrease in		
Accounts and grants receivable	67,598	(134,102)
Prepaid expense	(3,450)	(8,595)
Pledges receivable	13,156	(3,381)
Increase (decrease) in		
Accounts payable	(8,334)	557
Accrued vacation	(1,212)	(1,128)
Deferred rent	(5,109)	(1,736)
Total adjustments	<u>91,902</u>	<u>(125,591)</u>
Net cash provided by (used in) operating activities	<u>46,973</u>	<u>(17,456)</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
Payments for the purchase of equipment	<u>(1,710)</u>	<u>(1,575)</u>
Net cash used by investing activities	<u>(1,710)</u>	<u>(1,575)</u>
NET INCREASE (DECREASE) IN CASH	45,263	(19,031)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	361,310	380,341
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 406,573</u>	<u>\$ 361,310</u>

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA
dba FREE ARTS OF ARIZONA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Free Arts for Abused Children of Arizona, dba Free Arts of Arizona (the Organization) was incorporated under the laws of the State of Arizona on October 9, 1993. Free Arts of Arizona is a not-for-profit organization that sparks the creative spirit in abused, homeless and at-risk children and their families to inspire and transform their lives through the power of artistic expression. Through creative volunteers, professional artists, and qualified staff, we plant the seeds of hope and healing to help children build self-esteem, improve social skills, develop trust with caring adults, and learn to express emotions in a positive way. Art heals! In 2009, 5,600 children living in group homes, residential care facilities and shelters were served through the following programs: 20-Week Mentor Program; Multicultural Arts Camps; Strengthening Families Through the Arts; and the Professional Artist Series.

Basis of Accounting

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations*. Accordingly, the financial statements are prepared on the accrual basis of accounting. Under this method of accounting, revenue and expenses are identified with specific periods of time and are recorded as earned and incurred, respectively, without regard to the date of receipt or payment.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash balances at financial institutions, which may at times exceed federally insured amounts.

Contributions

Contribution revenue is recognized when the Organization is notified of the existence of a pledge or receives a contribution. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any 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 the 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 restrictions. When a temporary or permanent restriction expires, temporarily or permanently restricted net assets are reclassified to unrestricted net assets.

Pledges and Grants Receivable

Unconditional promises to give and grants that are expected to be collected within one year are recorded as pledges and grants receivable at fair value. Unconditional promises to give and grants that are expected to be collected in periods greater than one year are recorded at the net present value of expected future cash flows of the pledges and grants at their fair value. The Organization provides an allowance for estimated uncollectible contributions.

NOTES TO FINANCIAL STATEMENTS

Pledges and grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on pledges and grants receivable using the allowance method. The allowance is based on experience, third-party contracts, knowledge of the donors and the industry, and other circumstances, which may affect the ability of donors to meet their obligations. It is the Organization's policy to charge off uncollectible pledges and grants receivable when management determines the receivable will not be collected.

In-Kind Services and Materials

In-kind materials are measured at fair value at the date of donation. In-kind services represent services which meet the criteria specified in SFAS No. 116 including, among other things, services requiring specialized skills and services that the Organization would typically purchase. Contributed services are measured at the fair value of the services received.

Furniture and Equipment

All acquisitions of furniture and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets.

The Organization reviews its furniture and equipment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment loss is recorded at June 30, 2009 and 2008.

Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

In July 2006, Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN No. 48), was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic enterprises has been deferred, and is currently deferred for nonpublic entities until years beginning after December 15, 2008. The Organization has elected to defer implementation of FIN No. 48, as allowable.

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FIN No. 48.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and support services benefited based on management's estimate of employee hours devoted to each function.

The Organization has allocated joint costs in 2009 and 2008 for program activities that are conducted with a fundraising appeal. Joint costs of approximately \$43,050 and \$36,655, respectively, have been allocated among program and supporting services as follows: programs - \$19,026 and \$18,493, general and administrative - \$0 and \$317, and fundraising - \$24,023 and \$20,845, respectively.

NOTES TO FINANCIAL STATEMENTS

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. The most significant estimates are the allowance for doubtful pledges, depreciation lives and methods, functional expense allocation and valuation of donated materials, long lived assets and services. It is at least reasonably possible that the Organization's estimate will change in the near term.

Reclassifications

Certain lines in the statements of financial position and cash flows have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The reclassification does not impact net assets or change in net assets in the prior year.

NOTE 2 - GRANTS RECEIVABLE

Grants are recorded as grants receivable and revenue is recognized, in an amount equal to the fair value of the grant, when the award is made by the donor. Grants are discounted to the anticipated net present value of the future cash flows.

Net grants receivable are summarized as follows at June 30:

	<u>2009</u>	<u>2008</u>
Due within one year	\$ 69,067	\$ 71,000
Due within two to five years	-	69,067
	<u>69,067</u>	<u>140,067</u>
Adjustment to present value, at discount rate of 3.8%	<u>(2,563)</u>	<u>(5,965)</u>
	<u>\$ 66,504</u>	<u>\$ 134,102</u>

NOTE 3 - PLEDGES RECEIVABLE

Unconditional promises to give are recorded as pledges receivable and revenue is recognized, in an amount equal to the fair value of the pledge, when the promise is made by the donor. Pledges are discounted to the anticipated net present value of the future cash flows.

Net pledges receivable are summarized as follows at June 30:

	<u>2009</u>	<u>2008</u>
Due within one year	\$ 196,055	\$ 143,851
Due within two to five years	152,200	218,551
Due beyond five years	1,000	10
	<u>349,255</u>	<u>362,412</u>
Allowance for uncollectible pledges	<u>(111,935)</u>	<u>(94,936)</u>
Adjustment to present value, at discount rates of 2.63% to 6%	<u>(19,067)</u>	<u>(30,633)</u>
	<u>\$ 218,253</u>	<u>\$ 236,843</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FURNITURE AND EQUIPMENT

Equipment consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 145,923	\$ 145,923
Furniture and fixtures	85,153	85,153
Computer equipment	24,353	22,643
Art collection	7,345	7,345
	<u>262,774</u>	<u>261,064</u>
Accumulated depreciation	<u>(103,803)</u>	<u>(79,984)</u>
	<u>\$ 158,971</u>	<u>\$ 181,080</u>

NOTE 5 - IN-KIND SERVICES AND MATERIALS

The value of in-kind services contributed by volunteers but not recorded in the financial statements for the years ended June 30 is as follows:

	<u>2009</u>		
	<u>Number of</u>	<u>Number of</u>	<u>Value</u>
	<u>Volunteers</u>	<u>Hours</u>	<u>Value</u>
		<u>Donated</u>	
Program	543	8,542	\$ 172,976
Administrative/Office	25	491	9,943
Fundraising	224	1,412	28,593
	<u>792</u>	<u>10,445</u>	<u>\$ 211,511</u>
	<u>2008</u>		
	<u>Number of</u>	<u>Number of</u>	<u>Value</u>
	<u>Volunteers</u>	<u>Hours</u>	<u>Value</u>
		<u>Donated</u>	
Program	292	6,198	\$ 120,923
Administrative/Office	25	658	12,842
Fundraising	147	1,057	20,613
	<u>464</u>	<u>7,913</u>	<u>\$ 154,378</u>

The monetary value of volunteer hours reflected above is calculated at \$20.25 and \$19.51, respectively, per hour as published in the 2009 and 2008 Economic Report of the President as reported by the Independent Sector.

In addition, in-kind materials and professional services with an estimated value of \$166,656 and \$169,547 were recognized in the financial statements at June 30, 2009 and 2008, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - RESTRICTED AND BOARD DESIGNATED NET ASSETS

Board Designated Net Assets

The Organization's Board of Directors has chosen to designate certain net assets for endowment purposes at June 30, 2009 and 2008. Accordingly, Board Designated net assets are \$32,549 and \$34,659 at June 30, 2009 and 2008, respectively.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2009</u>	<u>2008</u>
Implied time restrictions on pledges receivable not yet due	\$ 255,880	\$ 329,003
Implied time and use restrictions on foundation contributions	<u>144,610</u>	<u>268,191</u>
	<u>\$ 400,490</u>	<u>\$ 597,194</u>

Temporarily restricted net assets released from restrictions consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Pledges receivable currently due or paid	\$ 132,448	\$ 172,487
Foundation and other contributions use and time restrictions satisfied	<u>146,081</u>	<u>-</u>
	<u>\$ 278,529</u>	<u>\$ 172,487</u>

Permanently Restricted Net Assets

Arizona ArtShare endowments of \$0 and \$15,641 were received in 2009 and 2008 from the Arizona Commission on the Arts to increase the working capital reserve of the Organization. The terms of the endowment allowed the use of the funds, if needed, during the fiscal year. The agreement previously required that all funds used must be replaced and held at the end of each year. During the year ended June 30, 2009, this restriction was removed and funds totaling \$53,274 were reclassified to unrestricted net assets.

NOTE 7 - OPERATING LEASES

In 2009 and 2008, the Organization leased office space under a noncancelable operations lease with an original term of five years. Additionally, the Organization leased certain equipment under a noncancelable operating lease with an original term of four years. Rent expense under these agreements was approximately \$82,000 and \$80,000 at June 30, 2009 and 2008.

NOTES TO FINANCIAL STATEMENTS

Future minimum payments under noncancelable operating leases with terms of four to five years at June 30, 2009 are as follows:

2010	\$	84,686
2011		<u>13,732</u>
	\$	<u>98,418</u>

NOTE 8 - REVOLVING LINE OF CREDIT

In 2006, the Organization established a revolving line of credit agreement with a bank. The available revolving line of credit is \$150,000 with interest due monthly on advances at prime plus one percent. No amounts are due at June 30, 2009 or 2008 under this line of credit. The revolving line of credit expires November 1, 2009. The line is secured by certain bank accounts of the Organization as defined in the credit agreement and bears interest at prime rate plus 1.5% (4.75% at June 30, 2009).

NOTE 9 - SUBSEQUENT EVENT

The Company has evaluated subsequent events through October 22, 2009, the date which the financial statements were issued.

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