

**Financial Statements**

**Friends of Casco Bay**

**March 31, 2010**

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FRIENDS OF CASCO BAY

March 31, 2010

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# **Dawson, Smith, Purvis & Bassett, P.A.**

## **Certified Public Accountants**

Richard B. Dawson, CPA  
David E. Smith, CPA  
Eric A. Purvis, CPA/ABV, MST, CVA  
Joel H. Bassett, CPA/PFS, CMA  
Kirk J. Purvis, CPA  
William H. Souter, CPA, MST  
Craig M. Pike, CPA  
Adam P. Johnson, CPA

15 Casco Street  
Portland, Maine 04101-2902  
TEL. (207) 874-0355  
FAX (207) 874-0865  
EMAIL: [dspb@dspbcpa.com](mailto:dspb@dspbcpa.com)  
[www.dspbcpa.com](http://www.dspbcpa.com)

### INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors  
Friends of Casco Bay  
South Portland, Maine

We have compiled the accompanying statements of financial position of Friends of Casco Bay (a nonprofit organization) as of March 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

*Dawson, Smith, Purvis & Bassett, P.A.*

December 9, 2010

STATEMENTS OF FINANCIAL POSITION

FRIENDS OF CASCO BAY

March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 162,554	\$ 152,073
Contingency fund cash	85,566	85,566
Accounts receivable	64,253	15,607
Prepaid expenses	10,216	9,791
TOTAL CURRENT ASSETS	<u>322,589</u>	<u>263,037</u>
PROPERTY AND EQUIPMENT		
Equipment and furnishings	52,876	52,876
Vehicle	31,441	31,441
Boats	107,020	102,212
TOTAL PROPERTY AND EQUIPMENT	<u>191,337</u>	<u>186,529</u>
Less accumulated depreciation	140,080	120,457
NET PROPERTY AND EQUIPMENT	<u>51,257</u>	<u>66,072</u>
OTHER ASSETS		
Beneficial interest in assets held by others	887,643	700,682
	<u>887,643</u>	<u>700,682</u>
TOTAL ASSETS	<u>\$ 1,261,489</u>	<u>\$ 1,029,791</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,328	\$ 10,494
Other current liabilities	15,756	-
Current portion of long-term debt	6,288	6,288
Accrued vacation	21,811	21,393
TOTAL CURRENT LIABILITIES	<u>48,183</u>	<u>38,175</u>
LONG-TERM DEBT, net of current portion	13,625	19,913
NET ASSETS		
Unrestricted		
Undesignated	128,550	114,264
Designated	973,209	786,248
TOTAL UNRESTRICTED NET ASSETS	<u>1,101,759</u>	<u>900,512</u>
Temporarily restricted net assets	97,922	71,191
TOTAL NET ASSETS	<u>1,199,681</u>	<u>971,703</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,261,489</u>	<u>\$ 1,029,791</u>

See independent accountants' report and notes to financial statements.

STATEMENTS OF ACTIVITIES

FRIENDS OF CASCO BAY

Year Ended March 31, 2010 and  
Three Months Ended March 31, 2009

	Year Ended March 31, 2010			Three Months Ended
	Unrestricted	Temporarily Restricted	Total	March 31, 2009 Total
<b>OPERATING ACTIVITY</b>				
Operating Revenues				
Individual gifts	\$ 162,426	\$ -	\$ 162,426	\$ 15,445
Corporate gifts	51,340	10,000	61,340	21,044
Foundation grants	181,500	12,000	193,500	51,120
Government grants and contracts	182,197	28,750	210,947	21,088
Nonprofit contributions	36,484	-	36,484	4,776
In-kind gifts	117,830	-	117,830	4,021
Fundraising events	22,090	-	22,090	-
Investment income	1,772	-	1,772	727
Miscellaneous income	3,260	-	3,260	83
Transfers from beneficial interest in assets held by others to operations	19,095	19,095	38,190	50,510
Net assets released from restrictions	43,114	(43,114)	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>821,108</b>	<b>26,731</b>	<b>847,839</b>	<b>168,814</b>
Program Service Expenses				
Baykeeper operations	303,752	-	303,752	61,067
Water quality monitoring program	218,571	-	218,571	45,845
Pumpout boat program	25,999	-	25,999	3,277
BayScaping and storm water program	8,347	-	8,347	558
<b>TOTAL PROGRAM SERVICES</b>	<b>556,669</b>	<b>-</b>	<b>556,669</b>	<b>110,747</b>
Management and general expenses	100,596	-	100,596	18,855
Fundraising expenses	149,557	-	149,557	40,457
<b>TOTAL OPERATING EXPENSES</b>	<b>806,822</b>	<b>-</b>	<b>806,822</b>	<b>170,059</b>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	<b>14,286</b>	<b>26,731</b>	<b>41,017</b>	<b>(1,245)</b>
<b>NONOPERATING ACTIVITY</b>				
Investment income	9,448	-	9,448	2,333
Net realized and unrealized investment gains (losses)	222,609	-	222,609	(39,037)
Transfers to operations from beneficial interest in assets held by others	(38,190)	-	(38,190)	(50,510)
Investment fees	(6,906)	-	(6,906)	(1,678)
<b>CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITY</b>	<b>186,961</b>	<b>-</b>	<b>186,961</b>	<b>(88,892)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>201,247</b>	<b>26,731</b>	<b>227,978</b>	<b>(90,137)</b>
<b>NET ASSETS AT BEGINNING OF PERIOD</b>	<b>900,512</b>	<b>71,191</b>	<b>971,703</b>	<b>1,061,840</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,101,759</b>	<b>\$ 97,922</b>	<b>\$ 1,199,681</b>	<b>\$ 971,703</b>

See independent accountants' report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

FRIENDS OF CASCO BAY

Year Ended March 31, 2010

	Baykeeper Operations	Water Quality Monitoring	Pumpout Boat	BayScaping and Stormwater Program	Total Programs	Management & General	Fundraising Expenses	Total Expenses
<b>PERSONNEL</b>								
Salaries and wages	\$ 186,177	\$ 81,976	\$ 13,005	\$ 4,678	\$ 285,836	\$ 66,122	\$ 84,066	\$ 436,024
Employee benefits and taxes	40,842	21,582	1,883	1,187	65,494	16,682	18,885	101,061
	<u>227,019</u>	<u>103,558</u>	<u>14,888</u>	<u>5,865</u>	<u>351,330</u>	<u>82,804</u>	<u>102,951</u>	<u>537,085</u>
<b>OTHER EXPENSES</b>								
Advertising	3,230				3,230			3,230
Bad debt					-	100		100
Board expense					-	696		696
Boat and truck operation	3,390	11,647	4,437		19,474			19,474
Computer/copier expense	2,413	1,318	188	57	3,976	1,246	1,122	6,344
Conferences, seminars, meetings	1,402	293			1,695	326		2,021
Depreciation expense	4,837	9,934	1,650		16,421	3,202		19,623
Dues, subscriptions, publications	1,970	151	20	7	2,148	142	896	3,186
Equipment	1,739				1,739			1,739
Equipment rentals and repairs	50				50		209	259
In-kind expenses	29,414	68,074	3,193	1,800	102,481	2,349	15,349	117,830
Insurance		1,173			1,173	217		3,522
Internet fees	421	230	33	10	694		196	1,107
Licenses and fees	28				28	528		556
Laboratory fees		5,394			5,394			5,394
Office supplies/services	2,016	1,101	157	48	3,322	1,039	937	5,298
Payroll processing service	909	415	60	23	1,407	330	412	2,149
Printing and postage	8,558	1,138	93	17	9,806	538	6,618	16,962
Professional fees	2,062	1,126	160	49	3,397	1,065	5,438	9,900
Recruitment					-	12	235	247
Rent	5,744	3,137	446	136	9,463	2,967	2,670	15,100
Service charges and fees					-	1,344		1,344
Special event expenses					-		6,047	6,047
Supplies	4,071	1,169	487	29	5,756	100	4,941	10,797
Telephone	1,772	891	125	32	2,820	692	623	4,135
Training supplies		5,959			5,959			5,959
Travel and meals	2,206	1,589	23	262	4,080	640	680	5,400
Utilities	501	274	39	12	826	259	233	1,318
	<u>\$ 303,752</u>	<u>\$ 218,571</u>	<u>\$ 25,999</u>	<u>\$ 8,347</u>	<u>\$ 556,669</u>	<u>\$ 100,596</u>	<u>\$ 149,557</u>	<u>\$ 806,822</u>
<b>TOTAL EXPENSES</b>								

See independent accountants' report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

FRIENDS OF CASCO BAY

Three Months Ended March 31, 2009

	Baykeeper Operations	Water Quality Monitoring	Pumpout Boat	BayScaping and Stormwater Program	Total Programs	Management & General	Fundraising Expenses	Total Expenses
<b>PERSONNEL</b>								
Salaries and wages	\$ 40,858	\$ 28,834	\$ 1,979	\$ 423	\$ 72,094	\$ 11,245	\$ 28,480	\$ 111,819
Employee benefits and taxes	9,637	6,801	467	100	17,005	2,652	6,717	26,374
	50,495	35,635	2,446	523	89,099	13,897	35,197	138,193
<b>OTHER EXPENSES</b>								
Board expenses					-	88		88
Boat and truck operations	624	960			1,584			1,584
Computer/copier expenses	347	263	19	4	633	163	239	1,035
Conferences and meetings	45	54			99	152		251
Depreciation expense	1,779	1,979	207		3,965	800		4,765
Dues and publications	348	36	3		387	23	786	1,196
Equipment					-	718		1,436
In-kind expenses	2,625	1,396			4,021			4,021
Insurance		370	395		765	845		1,610
Internet fees	147	112	8	1	268	70	102	440
Licenses and fees			60		60			60
Office supplies/services	315	239	18	3	575	149	217	941
Payroll processing	210	159	12	2	383	99	145	627
Printing and postage	1,937	183		7	2,127	572	753	3,452
Professional fees		100			100			100
Rent	1,254	954	70	12	2,290	593	867	3,750
Service charges and fees						156		156
Supplies	62	2,766			2,828	156	1,000	3,984
Telephone	283	264	21	3	571	142	208	921
Travel	282	136			418	84	9	511
Utilities	314	239	18	3	574	148	216	938
<b>TOTAL EXPENSES</b>	<b>\$ 61,067</b>	<b>\$ 45,845</b>	<b>\$ 3,277</b>	<b>\$ 558</b>	<b>\$ 110,747</b>	<b>\$ 18,855</b>	<b>\$ 40,457</b>	<b>\$ 170,059</b>

See independent accountants' report and notes to financial statements.

STATEMENTS OF CASH FLOWS

FRIENDS OF CASCO BAY

Year Ended March 31, 2010 and  
Three Months Ended March 31, 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 227,978	\$ (90,137)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	19,623	4,765
Net realized and unrealized investment losses	(222,609)	39,037
Changes in operating assets and liabilities:		
Accounts receivable	(48,646)	17,460
Prepaid expenses	(425)	3,064
Accounts payable	(6,166)	(856)
Other current liabilities	15,756	
Accrued vacation	418	(480)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(14,071)</u>	<u>(27,147)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(4,808)	-
Transfers from beneficial interest in assets held by others	38,190	50,510
Net purchases of investments	(2,542)	(656)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>30,840</u>	<u>49,854</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(6,288)	(1,571)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(6,288)</u>	<u>(1,571)</u>
<b>NET INCREASE IN CASH</b>	10,481	21,136
Cash at beginning of year	<u>237,639</u>	<u>216,503</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 248,120</u>	<u>\$ 237,639</u>
Operating cash	\$ 162,554	\$ 152,073
Contingency fund cash	<u>85,566</u>	<u>85,566</u>
	<u>\$ 248,120</u>	<u>\$ 237,639</u>

See independent accountants' report and notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

### FRIENDS OF CASCO BAY

March 31, 2010 and 2009

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

Friends of Casco Bay is a nonprofit environmental organization located in South Portland, Maine, dedicated to improving and protecting the environmental health of Casco Bay. Its programs include the BayKeeper program, water quality monitoring, vessel pumpout services, and BayScaping programs. Friends of Casco Bay's operations are funded through donations, foundation grants, and government grants and contracts.

##### Basis of Accounting

The Organization prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

##### Basis of Presentation

The accompanying financial statements include the assets, liabilities, and net assets of the Organization. Under FASB ASC 958-205-05-6, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor imposed restrictions and the nature of those restrictions: 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.

##### Fiscal Year Change

Effective January 1, 2009, the organization changed its fiscal year from a calendar year end to a March year-end. A three-month fiscal transition period from January 1, 2009 through March 31, 2009 preceded the start of the new fiscal-year cycle.

##### Cash and Cash Equivalents

For purposes of the statements of cash flows, management considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

##### Accounts Receivable

Accounts receivable is recorded net of an allowance for doubtful accounts. The allowance is estimated from historical performance and projections of trends. At March 31, 2010 and 2009, the allowance for doubtful accounts was \$0.

##### 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 additions and deductions during the reporting period. Actual results could differ from those estimates.

See independent accountants' report.

## NOTES TO FINANCIAL STATEMENTS--CONTINUED

### FRIENDS OF CASCO BAY

March 31, 2010 and 2009

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

##### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support when received, depending on the existence or nature of donor restrictions. Promises to give are recorded as temporarily restricted net assets until collected. When a restriction has been met or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of assets other than cash are recorded at their estimated market value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions received is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and the nature of the fund raising activity.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the same time of acquisition of such long-lived assets.

##### Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purposes or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

##### Property and Equipment

The Organization records property and equipment at cost, or fair market value if donated. Costs that do not significantly increase the useful life of an asset are charged to repairs and maintenance. Depreciation is computed using the straight-line method over the useful lives of the assets.

##### Income Taxes

Friends of Casco Bay is a not-for-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined not to be a private foundation under Section 509(a) of the Code.

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2010 and 2009

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

Beneficial Interest in Assets Held by Others

As more fully described in Note B, the Organization is the beneficiary of an endowment fund held by Maine Community Foundation. The assets are invested in debt and equity securities and the Organization records its interest in the endowment fund at the fair value of the underlying assets. Realized and unrealized gains and losses and investment income from the fund are included in the statement of activities as nonoperating revenue. It is the Organization's intent to use transfers from the endowment fund for operations and, accordingly, transfers are included as operating revenue with a corresponding expense as nonoperating activity.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

Subsequent Events

The Organization has evaluated all subsequent events through December 9, 2010, the date the financial statements were available to be issued.

NOTE B--BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2001, the Organization established an endowment fund (the Fund) with the Maine Community Foundation (MCF). The account is used to invest, as long-term investments, proceeds from capital campaign pledges as they are collected. Net income from the Fund may be distributed to Friends of Casco Bay at least annually. Distributions in excess of net income may also be made to Friends of Casco Bay with the approval of MCF's Board of Directors upon recommendation of Friends of Casco Bay.

While the Organization has designated itself as the beneficiary of the Fund, MCF retains a variance power over the funds. The variance power allows MCF to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the judgment of MCF, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. At March 31, 2010 and 2009, the endowment fund had values of \$887,643 and \$700,682, respectively, which are reported in the statement of financial position as beneficial interest in assets held by others.

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2010 and 2009

NOTE C--DESIGNATED NET ASSETS

Designated net assets represent unrestricted net assets designated by the Board and are comprised of the following:

	March 31, 2010	March 31, 2009
Cash reserved for contingencies	\$ 85,566	\$ 85,566
Beneficial interest in assets held by others	887,643	700,682
Totals	<u>\$ 973,209</u>	<u>\$ 786,248</u>

NOTE D--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent net assets restricted by outside donors for the following purposes:

	March 31, 2010	March 31, 2009
Curriculum	\$ 8,500	\$ 5,000
Equipment	-	5,051
Davis Conservation Foundation	-	15,000
Portland Pipeline	4,000	5,000
Water quality program	37,000	27,000
Horizon Foundation	-	6,250
Morton Kelly Charitable Trust	-	5,000
Newsletter	-	1,890
Spring Celebration	-	1,000
Probe Acquisition	1,077	-
Storm Drain Stenciling	5,750	-
Baykeeper	19,095	-
Data Exchange	20,000	-
Nutrient Criteria	2,500	-
Totals	<u>\$ 97,922</u>	<u>\$ 71,191</u>

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2010 and 2009

NOTE D--TEMPORARILY RESTRICTED NET ASSETS--Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

	Year Ended March 31, 2010	Three Months Ended March 31, 2009
Portland Pipeline	\$ 5,000	\$ -
Curriculum	5,000	-
Equipment purchases	3,974	1,747
Davis Conservation Foundation	15,000	-
Water quality program	-	3,000
Horizon Foundation	6,250	-
Morton Kelly Charitable Trust	5,000	-
Newsletter	1,890	-
Spring celebration	1,000	-
	<u>43,114</u>	<u>4,747</u>
Net assets released from restrictions	<u>\$ 43,114</u>	<u>\$ 4,747</u>

NOTE E--SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Organization maintains a majority of its cash balances in one financial institution located in South Portland, Maine. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTE F--IN-KIND GIFTS

In-kind gifts are valued at the fair market of the services or goods received based on an arms-length transaction.

During the year ended March 31, 2010 and the three months ended March 31, 2009, in-kind contributions consisted of the following:

	Year Ended March 31, 2010	Three Months Ended March 31, 2009
Water quality monitoring	\$ 68,074	\$ 1,306
Stormwater	1,800	-
Rent expenses - boat slips	6,716	1,125
Auction		
Boat equipment, repairs, and storage	3,193	-
Film Festival	30,700	-
Office equipment, supplies, and meetings	7,347	1,590
	<u>117,830</u>	<u>4,021</u>
	<u>\$ 117,830</u>	<u>\$ 4,021</u>

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2010 and 2009

NOTE G--LINE OF CREDIT

At March 31, 2010 and 2009, the Organization had a line of credit available for \$50,000. There was no balance outstanding at March 31, 2010 or 2009. Terms of the credit agreement provide for interest at the Wall Street Journal prime rate. All accounts receivable, equipment, inventory, and general intangibles of Friends of Casco Bay are assigned as collateral.

NOTE H--LONG TERM DEBT

At March 31, 2010 and 2009, long-term debt consisted of the following:

	<u>2010</u>	<u>2009</u>
Note payable in monthly installments of \$524 at an interest rate of 0%. The note matures June 2013 and is secured by a vehicle.	\$ 19,913	\$ 26,201
Less: current portion of long-term debt	<u>6,288</u>	<u>6,288</u>
	<u>\$ 13,625</u>	<u>\$ 19,913</u>

Maturities of long-term debt for years after March 31, 2010 are as follows:

2011-\$6,288; 2012-\$6,288; 2013-\$1,049

NOTE I--LEASE

The Organization rents its single office location from Southern Maine Community College as a tenant at will. Rent expense was \$15,100 for the year ended March 31, 2010 and \$3,750 for the three months ended March 31, 2009.

NOTE J--RETIREMENT PLAN

The Organization has a tax deferred annuity plan established under Section 403(b) of the Internal Revenue Code. All employees with at least one year of service are eligible to participate and may elect to defer compensation up to the maximum amount allowed by the IRS. In addition, the Organization makes matching contributions for eligible employees. The Organization's contributions for the year ended March 31, 2010 and three months ended March 31, 2009 were \$16,004 and \$4,492, respectively.

See independent accountants' report.