Goodwill of Western Missouri and Eastern Kansas

Accountants' Report and Consolidated Financial Statements

December 31, 2011 and 2010

BKD LLP
CPAs & Advisors

Goodwill of Western Missouri and Eastern Kansas

December 31, 2011 and 2010

Contents

BKD LLP
CPAs & Advisors

1201 Walnut Street, Suite 1700
Kansas City, MO 64106-2246
816.221.6300 Fax 816.221.6380 www.bkd.com

Independent Accountants' Report

Board of Directors
Goodwill of Western Missouri and Eastern Kansas
Kansas City, Missouri

We have audited the accompanying consolidated statements of financial position of Goodwill of Western Missouri and Eastern Kansas and The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop as of December 31, 2011 and 2010, and the related consolidated 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 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 consolidated financial position of Goodwill of Western Missouri and Eastern Kansas and The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop as of December 31, 2011 and 2010, and the consolidated 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.

BKD, LLP

March 27, 2012

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Financial Position
December 31, 2011 and 2010

Assets

	2011	2010 (Restated - Note 11)
Cash and cash equivalents	$ 954,582	$ 612,449
Accounts receivable, net of allowance; 2011 - $10,970, 2010 - $11,627	1,403,946	791,958
Inventories	1,329,934	1,002,202
Prepaid supplies and expenses	255,400	137,416
Deposits	86,986	96,417
Investments	886,728	3,007,428
Property and equipment, net of accumulated depreciation; 2011 - $5,536,177, 2010 - $5,148,793	2,237,275	2,082,089
Total assets	$ 7,154,851	$ 7,729,959

Liabilities and Net Assets

	2011	2010
Liabilities		
Line of credit	$ -	$ 1,493,712
Accounts payable	641,463	729,132
Accrued expenses	1,522,980	1,456,918
Deferred revenue	70,966	3,495
Long-term debt	341,865	-
Total liabilities	2,577,274	3,683,257
Net Assets		
Unrestricted	4,575,058	4,046,702
Temporarily restricted	2,519	-
Total net assets	4,577,577	4,046,702
Total liabilities and net assets	$ 7,154,851	$ 7,729,959

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statements of Activities

Years Ended December 31, 2011 and 2010

	2011	2010 *(Restated - Note 11)*
Unrestricted Net Assets		
Revenues, gains and other support		
Sales to the public	$ 15,623,083	$ 12,148,719
Industrial and janitorial services	4,866,779	5,605,770
Contributions	507,879	296,224
Governmental agencies and programs	1,093,680	1,278,100
Investment return	33,621	346,974
Other	75,737	214,866
Net assets released from restrictions	1,438	-
Total revenues, gains and other support	22,202,217	19,890,653
Expenses and losses		
Program services		
Retail operations	13,695,718	12,007,463
Workforce development (KS)	66,314	95,912
Workforce development (MO)	1,178,952	1,559,162
Sheltered workshop	4,433,993	4,575,787
Total program services	19,374,977	18,238,324
Management and general	2,069,850	1,918,686
Fundraising	229,034	150,389
Total expenses and losses	21,673,861	20,307,399
Change in unrestricted net assets	528,356	(416,746)
Temporarily Restricted Net Assets		
Contributions	3,957	-
Net assets released from restrictions	(1,438)	-
Change in temporarily restricted net assets	2,519	-
Change in Net Assets	530,875	(416,746)
Net Assets, Beginning of Year as Previously Reported	-	4,999,487
Adjustment Applicable to Prior Years	-	(536,039)
Net Assets, Beginning of Year as Restated	4,046,702	4,463,448
Net Assets, End of Year	$ 4,577,577	$ 4,046,702

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statement of Functional Expenses

Year Ended December 31, 2011

	Retail Operations	Workforce Development (Kansas)	Workforce Development (Missouri)	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 5,951,262	$ 38,044	$ 715,634	$ 2,548,500	$ 9,253,440	$ 1,048,817	$ 102,024	$ 10,404,281
Employee benefits	355,922	4,708	151,197	670,684	1,182,511	106,081	16,336	1,304,928
Payroll taxes	731,838	5,748	80,765	314,075	1,132,426	100,019	10,294	1,242,739
Professional fees	551,734	-	18	239,954	791,706	185,070	11,750	988,526
Supplies	421,644	2,228	15,537	365,385	804,794	56,502	19,239	880,535
Cost of merchandise	175,595	-	1,905	2,346	179,846	12,039	-	191,885
Occupancy	4,552,391	7,528	134,273	140,685	4,834,877	140,050	5,327	4,980,254
General insurance	74,232	665	8,623	33,195	116,715	15,613	868	133,196
Interest	4,571	-	-	1,076	5,647	64,701	-	70,348
Employee recruitment	29,494	176	893	4,227	34,790	18,898	1,073	54,761
Marketing	15,566	819	443	23,386	40,214	20,899	41,134	102,247
Mileage expense	39,601	5,055	42,614	9,922	97,192	2,189	428	99,809
Vehicle operations	435,941	-	28	22,304	458,273	6,725	-	464,998
Conferences, meetings and trainings	8,977	218	3,301	10,042	22,538	33,758	4,611	60,907
Fund development	-	-	-	-	-	4,460	12,371	16,831
Memberships	1,713	10	2,170	-	3,893	127,345	2,312	133,550
Community support	-	789	1,592	-	2,381	18,447	-	20,828
Depreciation	318,656	326	4,322	45,867	369,171	79,808	476	449,455
Miscellaneous	26,581	-	15,637	2,345	44,563	28,429	791	73,783
Total functional expenses	$ 13,695,718	$ 66,314	$ 1,178,952	$ 4,433,993	$ 19,374,977	$ 2,069,850	$ 229,034	$ 21,673,861

See Notes to Consolidated Financial Statements

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statement of Functional Expenses

Year Ended December 31, 2010

	Retail Operations	Workforce Development (Kansas)	Workforce Development (Missouri)	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 4,942,790	$ 46,613	$ 942,915	$ 2,559,935	$ 8,492,253	$ 949,546	$ 71,966	$ 9,513,765
Employee benefits	333,740	6,170	183,302	706,032	1,229,244	135,747	23,786	1,388,777
Payroll taxes	669,915	4,653	93,728	306,852	1,075,148	98,538	6,399	1,180,085
Professional fees	300,983	3,825	7,453	291,097	603,358	121,023	15,629	740,010
Supplies	340,884	5,966	38,755	378,900	764,505	42,706	3,196	810,407
Cost of merchandise	242,647	-	6,376	5,456	254,479	-	-	254,479
Occupancy	4,200,474	9,069	148,490	140,436	4,498,469	240,118	5,161	4,743,748
General insurance	83,982	574	14,304	38,202	137,062	4,671	309	142,042
Interest	1,206	-	-	160	1,366	48,578	-	49,944
Employee recruitment	34,286	542	1,264	6,404	42,496	3,403	13	45,912
Marketing	23,279	83	861	29,146	53,369	1,096	15,726	70,191
Mileage expense	42,809	7,285	72,384	11,488	133,966	984	73	135,023
Vehicle operations	359,458	-	-	29,135	388,593	194	-	388,787
Conferences, meetings and trainings	4,946	3,752	4,426	3,645	16,769	46,845	2,718	66,332
Fund development	-	-	-	-	-	53	100	153
Memberships	1,698	-	2,342	125	4,165	130,335	435	134,935
Community support	684	6,594	19,142	-	26,420	1,714	-	28,134
Depreciation	408,873	786	13,283	43,589	466,531	76,170	4,607	547,308
Miscellaneous	14,809	-	10,137	25,185	50,131	16,965	271	67,367
Total functional expenses	$ 12,007,463	$ 95,912	$ 1,559,162	$ 4,575,787	$18,238,324	$ 1,918,686	$ 150,389	$ 20,307,399

See Notes to Consolidated Financial Statements

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Operating Activities		
Change in net assets	$ 530,875	$ (416,746)
Items not requiring (providing) operating activities cash flows		
Depreciation	449,455	547,308
Net realized and unrealized gains on investments	60,681	(270,082)
(Gain) loss on disposition of property and equipment	(5,455)	29,529
Changes in		
Accounts receivable	(611,988)	(60,529)
Inventories	(327,732)	77,777
Prepaid supplies and expenses	(117,984)	(97,025)
Deposits	9,431	5,050
Accounts payable	(87,669)	28,734
Accrued expenses	66,062	277,694
Deferred revenue	67,471	-
Net cash provided by operating activities	33,147	121,710
Investing Activities		
Purchase of property and equipment	(341,454)	(343,751)
Proceeds from disposition of property and equipment	30,000	-
Purchase of investments	(240,584)	(199,009)
Proceeds from disposition of investments	2,300,603	257,916
Net cash provided by (used in) investing activities	1,748,565	(284,844)
Financing Activities		
Net borrowings (payments) on line of credit	(1,493,712)	600,000
Proceeds from issuance of long-term debt	66,189	-
Principal payments on long-term debt	(12,056)	-
Net cash provided by (used in) financing activities	(1,439,579)	600,000
Increase in Cash	342,133	436,866
Cash and Cash Equivalents, Beginning of Year	612,449	175,583
Cash and Cash Equivalents, End of Year	$ 954,582	$ 612,449
Supplemental Cash Flows Information		
Interest paid	$ 70,348	$ 49,944
Long-term debt incurred for purchase of property and equipment	287,732	-

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Goodwill of Western Missouri and Eastern Kansas, (the "Organization") is a not-for-profit organization whose mission is to help people with disabilities or disadvantages by maximizing their vocational potential. The Organization's revenues and other support are derived primarily from the sale of donated clothing and merchandise, contracts, grants and contributions. The Organization operates in 18 counties in northwest Missouri and northeast Kansas.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary, The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop (Sheltered Workshop). All significant intercompany accounts and transactions have been eliminated in consolidation.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011, cash equivalents consisted primarily of money market accounts with brokers.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000. At December 31, 2011, the Organization's cash accounts did not exceed federally insured limits. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction is met in the same time period is recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventories

Inventories generally consist of donated goods that are to be sold in the Organization's retail stores. Inventory value is estimated based on average sales adjusted for inventory turnover, which approximates fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Furniture, fixtures and equipment	3-7 years
Vehicles	3 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2011 and 2010.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Government Contracts

Revenue received from government agencies and programs is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the contract agreements. Government programs are subject to audit and acceptance by the government agency and, as a result of such audit, adjustments could be required.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Deferred Revenue

Revenue from grants and contracts is deferred and recognized over the periods to which the revenues relate.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. With a few exceptions, the Organization is no longer subject to the U.S. federal examinations by tax authorities for years before 2008.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on estimated usage.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	2011	2010
Money market funds	$ 886,728	$ 90,293
Mutual funds	-	30,856
Common and preferred stock	-	2,037,042
Other equity securities	-	69,247
Corporate debt securities	-	779,990
	$ 886,728	$ 3,007,428

Total investment return is comprised of the following:

	2011	2010
Interest and dividend income	$ 94,302	$ 76,892
Net realized gains	401,450	168,180
Change in unrealized gains (losses)	(462,131)	101,902
	$ 33,621	$ 346,974

Note 3: Property and Equipment

Property and equipment at December 31 consisted of the following:

	2011	2010
Land	$ 934,312	$ 954,632
Buildings and leasehold improvements	4,676,706	3,953,491
Furniture, fixtures and equipment	1,796,293	2,290,363
Vehicles	366,141	32,396
	7,773,452	7,230,882
Less accumulated depreciation and amortization	5,536,177	5,148,793
	$ 2,237,275	$ 2,082,089

Note 4: Line of Credit

The Organization had a $2,100,000 revolving bank line of credit, which was cancelled by the Organization in January 2012. At December 31, 2011 and 2010, there was $0 and $1,493,712, respectively, borrowed against this line. The line was collateralized by all of the Organization's investments. Interest varied with the bank's prime rate, which was 3.25% on December 31, 2011 and 2010, and was payable monthly.

In 2011, the Organization also entered into a $300,000 revolving bank line of credit, which expired in March 2012. There were no borrowings against this line of credit at December 31, 2011. The line was collateralized by the Organization's accounts receivable. Interest varied with the bank's prime rate, which was 3.25% on December 31, 2011, and was payable monthly.

Note 5: Long-term Debt

Long-term debt at December 31 consisted of the following:

	2011	2010
Note payable to bank; due May 2016; payable $482 monthly, including interest at 5.5%; collateralized by vehicle	$ 22,228	$ -
Note payable to bank; due May 2016; payable $348 monthly, including interest at 5.5%; collateralized by vehicle	16,048	-
Note payable to bank; due October 2016; payable $436 monthly, including interest at 5.5%; collateralized by vehicle	21,807	-
Capital lease for tractors; due October 2017; payable $4,200 monthly, including interest at 8.0%	234,245	-
Capital lease for forklifts; due December 2016; payable $886 monthly, including interest at 3.9%	47,537	-
	$ 341,865	$ -

Aggregate annual maturities of long-term debt and payments on capital lease obligations at December 31, 2011, are:

	Long-term Debt (Excluding Leases)	Capital Lease Obligations
2012	$ 12,155	$ 61,031
2013	12,852	61,031
2014	13,588	61,031
2015	14,366	61,031
2016	7,122	60,135
Thereafter	-	41,997
	$ 60,083	346,256
Less amount representing interest		64,474
Present value of future minimum lease payments		$ 281,782

Property and equipment include the following property under capital leases at December 31:

	2011	2010
Equipment	$ 48,768	$ -
Vehicles	238,964	-
	287,732	-
Less accumulated depreciation	7,465	-
	$ 280,267	$ -

Note 6: Operating Leases

Noncancellable operating leases, primarily for retail store locations, expire in various years through 2022. These leases generally contain renewal options for periods ranging from 5 to 10 years and require the Organization to pay part or all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments under operating leases at December 31, 2011, were:

2012	$ 2,290,795
2013	1,999,852
2014	1,536,445
2015	1,387,344
2016	1,014,578
Later years	1,896,396
Total minimum lease payments	$ 10,125,410

In accordance with ASC Topic 840, *Leases*, rental agreements with escalating lease payments are recognized in the consolidated statements of activities on a straight-line basis. The difference between the cash payments and amount recognized are recorded as a deferred liability. Deferred rent liability at December 31, 2011 and 2010 was $511,740 and $536,039, respectively, and is included in accrued expenses on the consolidated statements of financial position. Rental expense for all operating leases amounted to $3,162,435 and $3,121,790 for the years ended December 31, 2011 and 2010, respectively.

Note 7: Retirement Plans

The Organization has a defined contribution plan covering substantially all employees. The Organization contributes a matching contribution up to 4% of gross salaries for eligible employees. The Organization's expense related to this plan was $50,791 and $59,297 in 2011 and 2010, respectively.

An employee 401(a) plan covers employees whose services are provided pursuant to a service contract entered into by the employer under the Javits, Wagner, O'Day Act. Benefit amounts are determined by the annual contract. The amounts paid for 2011 and 2010 were $468,024 and $560,401, respectively.

Note 8: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurement,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, mutual funds, common and preferred stock and other equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include corporate debt securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
2011				
Money market funds	$ 886,728	$ 886,728	$ -	$ -
2010				
Money market funds	$ 90,293	$ 90,293	$ -	$ -
Mutual funds	30,856	30,856	-	-
Common and preferred stock	2,037,042	2,037,042	-	-
Other equity securities	69,247	69,247	-	-
Corporate debt securities	779,990	-	779,990	-
	$ 3,007,428	$ 2,227,438	$ 779,990	$ -

Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Accounts Receivable

Approximately 46% of the Organization's accounts receivable balance in 2011 is due from one government contract.

Inventories

As discussed in Note 1, inventory value is estimated based on average sales adjusted for inventory turnover.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Revenue

The Organization's contracts and programs are funded by various governmental agencies. These funds are 27% and 35% of the total revenue of the Organization for the years ended December 31, 2011 and 2010, respectively.

Litigation

The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Current Economic Conditions

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in contributions and grant revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue and grant revenue could have an adverse impact on the Organization's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and other assets that could negatively impact the Organization's ability to maintain sufficient liquidity.

Note 10: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

In March 2012, the Organization entered into two new loan agreements to purchase vehicles totaling $40,373 with the following terms: interest rate of 5.5%, payable in monthly installments of $772 for 60 months, balance due February 2017, collateralized by the vehicles purchased.

In March 2012, the Organization entered into two new operating leases with escalating annual rental payments to be recognized on the straight-line basis of $220,564 and $127,880 annually through 2022. Each lease contains two five year renewal options and requires the Organization to pay its proportionate share of executor costs (property taxes, maintenance and insurance).

Note 11: Restatement of Financial Statements

In 2011, the Organization determined there was a computational error of $536,039 in the December 31, 2010 deferred rent liability calculation. The 2010 consolidated financial statements have been restated to correct this error. The restatement had no impact on previously reported 2010 changes in net assets.

The following financial statement line items for fiscal year 2010 were affected by the correction:

	As Originally Reported	Effect of Restate-ment	Other Reclassi-fications	As Restated
Consolidated Statement of Financial Position				
Accrued expenses	$ 924,374	$ 536,039	$ (3,495)	$ 1,456,918
Total liabilities	3,147,218	536,039		3,683,257
Net assets - unrestricted	4,582,741	(536,039)		4,046,702
Total net assets	4,582,741	(536,039)		4,046,702
Consolidated Statement of Activities				
Net assets, beginning of year	4,999,487	(536,039)		4,463,448
Net assets, end of year	4,582,741	(536,039)		4,046,702