

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
FINANCIAL STATEMENTS

JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

(With Independent Auditors' Report Thereon)

Reports Required in Accordance with Office of
Office of Management and Budget Circular A-133

For the Year Ended June 30, 2012

HEALTHCORPS, INC.

(A Not-for-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2012

(With Comparative Totals for June 30, 2011)

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows.....	4
Statement of Functional Expenses	5
Notes to the Financial Statements.....	6-14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	15-16
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	17-18
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21

Independent Auditors' Report

To the Board of Directors
HealthCorps, Inc.
(A Not-for-Profit Corporation)
New York, NY

We have audited the accompanying statement of financial position of HealthCorps, Inc., (the "Organization") as of June 30, 2012, and the related statement of activities and changes in net assets, functional expenses, and statement of cash flows for the year then ended. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from HealthCorps, Inc. 2011 financial statements and, in our report dated February 21, 2012, we expressed an unqualified opinion on those financial statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of, HealthCorps, Inc as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December XX, 2012 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole

Gruber Palumberi Raffaele, P.C.

December XX, 2012
New York, NY

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012
(With comparative totals as of June 30, 2011)

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 880,225	\$ 292,164
Grants and accounts receivable - net	4,293,049	1,757,919
Prepaid expenses	74,594	76,330
Total current assets	<u>5,247,868</u>	<u>2,126,413</u>
Property and equipment, net	<u>96,823</u>	<u>22,509</u>
Other assets		
Security deposits and other assets	<u>26,727</u>	<u>25,737</u>
Total other assets	<u>26,727</u>	<u>25,737</u>
Total assets	<u><u>\$ 5,371,418</u></u>	<u><u>\$ 2,174,659</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 113,588	\$ 141,560
Grants payable	82,452	82,452
Refundable grant advance	-	158,963
Capital lease obligation	18,331	-
Total current liabilities	<u>214,371</u>	<u>382,975</u>
Long-term capital lease obligation- net of current portion	<u>36,915</u>	<u>-</u>
Total Liabilities	251,286	382,975
NET ASSETS		
Net assets - Unrestricted	2,224,576	1,439,728
Net assets - Temporarily restricted	2,895,556	351,956
Total Net Assets	<u>5,120,132</u>	<u>1,791,684</u>
Total Liabilities and Net Assets	<u><u>\$ 5,371,418</u></u>	<u><u>\$ 2,174,659</u></u>

The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
(With comparative totals for the year ended June 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
SUPPORT AND REVENUE:				
Federal and state grants and contracts	2,199,657	-	2,199,657	1,374,068
Other grant and contributions	229,113	70,000	299,113	123,998
Donations	2,782,306	2,755,556	5,537,862	814,877
Fundraising	1,147,922	70,000	1,217,922	1,751,003
Net assets released from restrictions	-	-	-	-
used for programs	351,956	(351,956)	-	-
Rental income & other income	1,857	-	1,857	31,036
Interest income	2	-	2	661
Total Support and Revenue	<u>6,712,813</u>	<u>2,543,600</u>	<u>9,256,413</u>	<u>4,095,643</u>
FUNCTIONAL EXPENSES:				
Program services	4,402,878	-	4,402,878	3,331,390
General and administrative	1,329,306	-	1,329,306	678,877
Fundraising	195,781	-	195,781	141,299
Total Functional Expenses	<u>5,927,965</u>	<u>-</u>	<u>5,927,965</u>	<u>4,151,566</u>
 Change in Net Assets	 784,848	 2,543,600	 3,328,448	 (55,923)
Net Assets - beginning of year	<u>1,439,728</u>	<u>351,956</u>	<u>1,791,684</u>	<u>1,847,607</u>
Net Assets - end of year	<u>\$ 2,224,576</u>	<u>\$ 2,895,556</u>	<u>\$ 5,120,132</u>	<u>\$ 1,791,684</u>

The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(With comparative totals for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,328,448	\$ 296,033
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	22,542	8,944
Bad debt	155,706	65,000
Change in operating assets and liabilities		
Grants and accounts receivable	(2,690,836)	(414,131)
Prepaid expenses	1,736	(4,676)
Other assets	(990)	(15,473)
Accounts payable and accrued expenses	(27,972)	(25,520)
Grants payable	-	(25,000)
Refundable advance	(158,963)	158,963
Net cash provided by operating activities	629,671	44,140
Cash flows from Investing activities:		
Purchase of software	(33,705)	(2,637)
Net cash (used in) investing activities	(33,705)	(2,637)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(7,905)	-
Net cash (used by) financing activities	(7,905)	-
Net change in cash	588,061	41,503
Cash and cash equivalents-beginning of year	292,164	250,661
Cash and cash equivalents-end of year	<u>\$ 880,225</u>	<u>\$ 292,164</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 1,601</u>	<u>\$ -</u>
Supplemental disclosure of non-cash investing and financing activities:		
Equipment purchased under capital lease obligations	<u>\$ 63,151</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
(With comparative total for the year ended June 30, 2011)

	Program Services	General and Administrative	Fundraising	2012 Total	2011 Total
Payroll, payroll taxes & benefits	\$ 2,794,918	\$ 272,567	\$ 109,766	\$ 3,177,251	2,430,434
Payroll administrative fee	-	141,113	-	141,113	112,381
Professional fees	-	79,958	-	79,958	51,710
Marketing & promotion	-	5,187	5,186	10,373	7,351
Rent, parking and utilities	67,878	43,195	12,340	123,413	92,096
Office	41,872	25,464	4,577	71,913	37,995
Telephone	19,820	12,614	3,604	36,038	24,959
Technical support	35,994	56,562	10,284	102,840	83,821
Bad debt	-	155,706	-	155,706	65,000
Insurance	5,328	3,418	1,306	10,052	7,512
Postage	23,817	27,492	-	51,309	18,705
Depreciation & amortization expense	11,271	11,271	-	22,542	8,944
Curriculum & educational material	407,245	-	-	407,245	432,461
Travel	90,716	145,641	-	236,357	104,052
Other expenses	-	76,076	-	76,076	21,930
Interest expense	-	1,601	-	1,601	-
Donations	-	3,500	-	3,500	1,785
School equipment & other program expense	17,760	-	-	17,760	34,612
Outside service contracts	170,515	267,941	48,718	487,174	216,288
Special events	715,744	-	-	715,744	399,530
Total Expenses	<u>\$ 4,402,878</u>	<u>\$ 1,329,306</u>	<u>\$ 195,781</u>	<u>\$ 5,927,965</u>	<u>\$ 4,151,566</u>

The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

HealthCorps, Inc. (the Organization) is a not-for-profit organization formed in New York in August of 2008. The Organization is a proactive health movement which is fighting the obesity and mental resilience crises by empowering American students and their families to become health agents of change for their communities. HealthCorps, Inc. is helping the country reach the tipping point towards wellness now and for the future of our children.

Basis of Presentation

The Organization follows the Not-for-Profit Topic of the FASB Accounting Standards Codification (the Codification). Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets – Net assets whose use by the Organization is subject to donor imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by the passage of time. Temporarily restricted net assets at June 30, 2012 and 2011 amounted to \$2,895,556, and \$351,956 respectively.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Generally, the donors permit the Organization to use or expend all or part of the income earned on those assets to support current operations and accordingly, income is recorded as unrestricted. The organization had no permanently restricted net assets as June 30, 2012 and 2011, respectively.

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 1 - Summary of Significant Accounting Policies (Cont'd)

New Accounting Pronouncements

In June 2010, the FASB issued an exposure draft of a proposed Accounting Standards Update, *Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The proposed standard would change the wording and clarify the application of existing fair value measurement and disclosure requirements and, in some cases, change those requirements. Under the proposal, requirements for measuring the fair value of instruments managed within a portfolio, applying blockage factors and other premiums and discounts when measuring fair value, and disclosures would change. The exposure draft establishes an effective date for interim and annual periods beginning after December 15, 2011.

Cash and Cash Equivalents

Cash and cash equivalents on the statement of financial position include highly liquid investments with initial maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Financial Statement Presentation and Contributions

Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible.

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Grants and Accounts Receivable

Grants and accounts receivables are comprised primarily of amounts due to the Organization from grantor agencies. At June 30, 2012 and 2011, accounts receivable are net of an allowance for doubtful accounts of \$155,706 and \$65,000, respectively, determined based on historical experience and analysis of specific accounts. Uncollectible accounts are written off in the year they are deemed to be worthless.

Property and Equipment

Property and equipment are carried at cost or, if donated, at fair value on the date received. Property and equipment are depreciated on the straight-line and accelerated method over the estimated useful lives of the assets, which range three to ten years. Computer software presents packaged software acquired. Those costs are amortized using the straight-line method over five years. Amortization expense amount to \$6,942 for the year ended June 30, 2012.

Refundable Grant Advances

Refundable advances consist primarily of deposits made in advance by an endowment grant for new school programs.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation with no effect on previously reported change in net assets.

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a 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.

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 1 – SUMMARY OF SIGNIFICANT POLICIES (CONT'D)

The Organization receives grants from state agencies and others for various purposes. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Organization defers grant revenues received under approved awards to the extent they exceed expenses incurred for the purposes specified under the grant restrictions. These funds are reported as refundable advances. At June 30, 2012 and 2011, refundable advances amounted to \$0 and \$158,963 respectively.

Revenue and Expense Recognition

All unconditional contributions are recorded as revenue when received at their fair value. Revenue and expenses are recognized in the period to which they apply. Advance receipts for fees and payments for expenses relating to specific events are deferred until the period to which they apply.

Expense allocation

Program and supporting services have been presented on a functional basis in the statement of activities and changes in net assets. Certain overhead costs have been allocated among the programs, management and general, and fundraising.

Income Taxes

In May 2008, the Organization received a determination letter from the Internal Revenue Service that it is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions.

The Organization accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740, "Income Taxes." The Organization has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guideline.

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 1 – SUMMARY OF SIGNIFICANT POLICIES (CONT'D)

Comparative Total Column

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's Financial statements for the year ended June 30, 2011, from which the summarized information is derived.

Note 2 – PROPERTY AND EQUIPEMENT

As of June 30, 2012 and 2011, property and equipment are comprised of the following:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$27,697	\$28,701
Equipment	101,736	38,585
Computer Software	35,713	-
	<u>\$165,146</u>	<u>\$67,286</u>
Less: accumulated depreciation and amortiza	<u>(68,323)</u>	<u>(44,777)</u>
Net fixed assets	<u><u>\$96,823</u></u>	<u><u>\$22,509</u></u>

For the year ended June 30, 2012 and 2011, depreciation and amortization expense amounted to \$22,542 and \$8,944 respectively.

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 3 – LINE OF CREDIT

On August 19, 2011, the Organization entered into an agreement with a financial services institution for a business line of credit that allows borrowings up to \$500,000 at an interest rate of 4.53%. The line of credit is secured by Uniform Commercial Code (UCC) filings on all assets. The agreement expires on May 23, 2013. As of June 30, 2012 there were no borrowings under the line of credit and no interest expense incurred.

Note 4 – RESEARCH GRANTS

Requests for grants are made by various entities, mostly other not-for-profits, such as universities and other research facilities. The Board and the Executive Director carefully review all grant requests and make the grants that best further the goals of the Organization. All grants require final reports and an accounting as all unused funds are to be returned to the Organization. Grants may be for a term of up to four years. The Organization expenses the grant in full in the year that the grant is made and there are no estimates made for possible refund of unused dollars.

Note 5 – PROFESSIONAL EMPLOYER ORGANIZATION

In March 2011, the Organization entered into an agreement with a professional employer organization to provide off-site human resource services. All employees of the Organization are employed by the professional employer organization. The professional employer organization administers payroll, employee benefits and other related expenses and assists in personnel and related compliance requirements. For the year ended June 30, 2012 and 2011, the fees for services under this agreement were \$141,113 and \$112,381, respectively.

Note 6 – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair Value Measurements

The Organization measures its investments at fair value on a recurring basis. The inputs used develop fair value measures are ranked to indicate the quality and reliability of the resulting fair value measures, as follows:

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 6 – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONT'D)

Level 1 - Measurement based upon quoted prices in active markets for identical assets in an active market as of reporting date.

Level 2 - Measurement based upon marketplace inputs other than Level 1 are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in an inactive market, 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 - Measurement based upon the Organization's assumptions about a hypothetical marketplace because market inputs are not available as of reporting date.

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, credit card payable and line of credit. There was no outstanding balance at year end for the line of credit. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and credit card payable approximate their fair value due to the short term nature of the instruments.

Note 7 – COMMITMENTS AND CONTINGENCIES

Operating Lease commitment

On June 17, 2011, the Organization entered into an operating rental lease agreement commencing on July 1, 2011 through June 30, 2014. In addition to base rate, the Organization is required to pay additional rent escalation based on real estate tax and other costs. At June 30, 2012 rent expense amounted to \$57,936.

Minimum Lease payments payable are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 63,808
2014	<u>65,723</u>
Total	<u>\$ 129,531</u>

Capital Lease commitment

On February 24, 2012, the Organization entered into a thirty-six month non-cancellable capital lease agreement for computer and office equipment. The assets and liabilities under the capital lease are recorded at the lower of present value of the minimum lease payments or the fair value of the assets.

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 7 – COMMITMENTS AND CONTINGENCIES (Cont'd)

The assets are amortized over the lower of the related lease term or their estimated productive lives. Amortization of assets under capital lease is included in depreciation and amortization expense at June 30, 2012.

The following is a summary of equipment held under the capital lease at June 30, 2012:

Equipment	\$ 63,151
Less accumulated amortization	<u>(7,017)</u>
	<u>\$ 56,134</u>

Present Value of minimum capital lease payments as of June 30, 2012 is as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 18,331
2014	21,565
2015	<u>15,350</u>
Total	<u>\$ 55,246</u>

The interest rate on the capitalized lease is 4.2% and is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return. Interest expense on the capital lease amounted to \$1,601 at June 30, 2012.

Note 8 – CONCENTRATIONS

Concentration of credit risk

The Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such investments may be in excess of the FDIC limit. As of June 30, 2012 and 2011, the Organization maintained a cash balance \$650,266 and \$51,443 in excess of the FDIC limit.

The Organization operates programs funded by state grants that are renewed annually depending on the availability of funds and the Organization's compliance with requirements of the contracts and grants. Therefore, annual funding under these grants is not guaranteed.

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

Note 8 – CONCENTRATIONS (Cont'd)

Office of Management and Budget Circular A-133 Audit

The Organization has instructed its independent auditors to audit its applicable federal programs for the year ended June 30, 2012, in compliance with Circular A-133 issued by the U.S. Office of Management and Budget (OMB). Until the audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or pass-through agencies of the independent auditors' reports for fiscal year 2012 will not have a material effect on the Organization's financial position as of June 30, 2012, or its results of operations for the year then ended.

Note 9 – RELATED PARTY TRANSACTION

The Organization received contributions in the amount of \$60,400 and \$120,250 from its board of directors as of June 30, 2012 and 2011 respectively. The contributions are included in the statement of activities and change in net assets the caption, donations and fundraising.

Note 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued – December XX, 2012.