



## FINANCIAL STEWARDSHIP

For the Years Ended December 31, 2011 and 2010





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## FROM THE EXECUTIVE DIRECTOR

*Thanks be to God for His overwhelming goodness...*

Reflecting on the year of 2011, there is much to say about the ministry of All God's Children International. We celebrated two significant milestones - the 20th anniversary of serving children and families and the placement of more than 2,500 children with their forever family. In 2011 alone, we united 145 children into loving adoptive families with 50% of these children either over the age of six or having a special need. We sent 120 individuals around the world on mission trips, impacting the lives of thousands of orphans and widows. In spite of a challenging economy, AGCI was able to retire nearly a million dollars of debt allowing us to move forward in the future with new program development, setting the stage for greater reach to orphans over the next three to five years.

The ministry of All God's Children International is looking into the future with great excitement at the opportunity to reach out and serve those most vulnerable- the orphan. We seek to be debt free while growing our donor support to reach more children. With an estimated 153 million orphans in the world, our work is only beginning.

While the financial information in this annual audit provides important information about the organization's health and stability, we measure our performance each day in the loving families we help build and the lives of children and families that are improved through our comprehensive orphan care services around the world.

Last year we impacted the lives of 9,500 women and children through our orphan care programs. Next year we could reach 100,000. We will do this because this is God's work and every child has the right to belong in a family where they are loved. Though it is every child's right, every day another 5,700 children find themselves orphaned.

For many of these children All God's Children International is their only hope to be served through loving families, communities, and care. Our donors, board of directors, adoptive families, volunteers, and community members support our global ministries because they matter... to thousands of orphans that have no voice, no place to rest their head, and no one to give them a hug when they are scared and hurt. At AGCI we change lives, change communities and change the future for the orphans we serve. Until every child has a permanent family we will not rest and with God's help and provision we will reach more every day.

God Bless,  
Hollen Frazier

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*"When God's work is  
done in God's way for  
God's glory, it will never  
lack God's supply."*

Hudson Taylor

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*"Do not withhold good from those to whom it is due, when it is in your power to do it."*

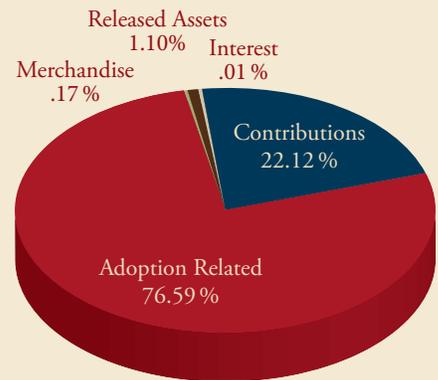
Proverbs 3:27

# STATEMENT OF FINANCIAL ACTIVITY

## Fiscal Year Ended December 31, 2011

### REVENUES, GAINS, AND OTHER SUPPORT

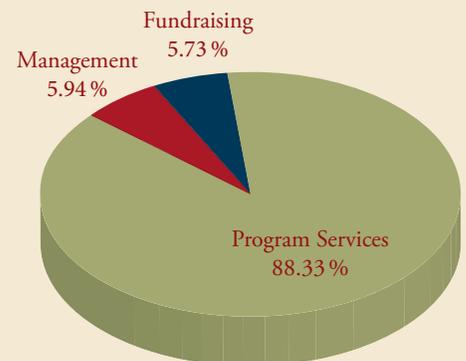
	2011
Contributions <sup>1</sup>	1,200,902
Adoption Related <sup>2</sup>	4,159,149
Merchandise <sup>3</sup>	9,244
Net assets released from restriction <sup>4</sup>	60,000
Interest Income <sup>5</sup>	773
<b>Total Revenues and Gains</b>	<b>5,430,068</b>



Revenues, Gains and Other Support

### EXPENSES

	2011
Program Services <sup>1</sup>	4,189,196
Management & General <sup>2</sup>	281,692
Fundraising <sup>3</sup>	271,892
<b>Total Expenses</b>	<b>4,742,780</b>



Expenses

<b>Increase in Net Assets</b>	<b>687,288</b>
<b>Net Assets <i>Beginning of the Year</i></b>	<b>190,806</b>
<b>Net Assets <i>End of the Year</i></b>	<b>878,094</b>



*A higher standard.  
A higher purpose.*

All God's Children International is a member in good standing with the Evangelical Council for Financial Accountability (ECFA).

We are committed to the utmost standards of stewardship, financial responsibility and accounting practices.

Report of Independent Certified Public Accountant

**To the Board of Directors**  
**All God's Children International**  
Portland, Oregon

I have audited the accompanying statements of financial position of All God's Children International as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All God's Children International as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Richard Winkel, CPA*

June 18, 2012

**Richard Winkel, CPA**

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ALL GOD'S CHILDREN INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 720,657	\$ 943,263
Accounts receivable	<u>40,428</u>	<u>54,690</u>
Total current assets	761,085	997,953
Property and equipment, net of depreciation	1,189,020	1,271,814
Cash, restricted	-	22,500
Loan fees, net of amortization	<u>-</u>	<u>10,526</u>
Total assets	<u>\$ 1,950,105</u>	<u>\$ 2,302,793</u>
LIABILITIES AND NET ASSETS		
Line of credit	\$ 95,237	\$ 100,242
Current portion of long-term debt	44,663	1,183,604
Accounts payable	24,009	46,716
Accrued expenses	141,809	76,312
Client deposits	<u>26,641</u>	<u>25,646</u>
Total current liabilities	332,359	1,432,520
Long-term debt, net of current portion	739,652	596,967
Post adoption trust	<u>-</u>	<u>22,500</u>
Total liabilities	<u>1,072,011</u>	<u>2,051,987</u>
NET ASSETS		
Unrestricted	878,094	190,806
Temporarily restricted	<u>-</u>	<u>60,000</u>
Total net assets	<u>878,094</u>	<u>250,806</u>
Total liabilities and net assets	<u>\$ 1,950,105</u>	<u>\$ 2,302,793</u>

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

ALL GOD'S CHILDREN INTERNATIONAL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contract fees, net of refunds	\$ 4,159,149	\$ -	\$ 4,159,149
Contributions and grants	1,200,902	-	1,200,902
Merchandise sales	9,244	-	9,244
Interest income	773	-	773
	<u>5,370,068</u>	<u>-</u>	<u>5,370,068</u>
Net assets released from restriction	<u>60,000</u>	<u>(60,000)</u>	<u>-</u>
Total revenues	<u>5,430,068</u>	<u>(60,000)</u>	<u>5,370,068</u>
Expenses:			
Program services	4,189,196	-	4,189,196
Management and general	281,692	-	281,692
Fundraising	271,892	-	271,892
	<u>4,742,780</u>	<u>-</u>	<u>4,742,780</u>
Change in net assets	687,288	(60,000)	627,288
Net assets, beginning of year	<u>190,806</u>	<u>60,000</u>	<u>250,806</u>
Net assets, end of year	<u>\$ 878,094</u>	<u>\$ -</u>	<u>\$ 878,094</u>

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

ALL GOD'S CHILDREN INTERNATIONAL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contract fees, net of refunds	\$ 4,741,602	\$ -	\$ 4,741,602
Contributions and grants	430,920	60,000	490,920
Merchandise sales	12,825	-	12,825
Interest income	532	-	532
	<u>5,185,879</u>	<u>60,000</u>	<u>5,245,879</u>
Total revenues			
Expenses:			
Program services	4,310,938	-	4,310,938
Management and general	350,113	-	350,113
Fundraising	167,977	-	167,977
	<u>4,829,028</u>	<u>-</u>	<u>4,829,028</u>
Total expenses			
Change in net assets	356,851	60,000	416,851
Net assets, beginning of year	<u>(166,045)</u>	<u>-</u>	<u>(166,045)</u>
Net assets, end of year	<u>\$ 190,806</u>	<u>\$ 60,000</u>	<u>\$ 250,806</u>

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

ALL GOD'S CHILDREN INTERNATIONAL

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Increase (decrease) in cash and cash equivalents		
Change in net assets	\$ 627,288	\$ 416,851
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	97,112	100,334
Forgiveness of debt	(742,908)	-
Changes in assets and liabilities:		
Accounts receivable	14,262	67,860
Prepaid assets	-	19,248
Restricted cash	22,500	282,325
Accounts payable	(22,707)	(67,658)
Accrued expenses	65,497	30,028
Customer deposits	995	11,206
Post adoption trust	-	(282,325)
Net cash provided by operating activities	<u>62,039</u>	<u>577,869</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(3,792)</u>	<u>(5,200)</u>
Net cash used in investing activities	<u>(3,792)</u>	<u>(5,200)</u>
Cash flows from financing activities:		
Draws on line of credit	10,692	10,692
Payments on line of credit	(15,697)	(10,623)
Increases on long-term debt	41,939	-
Principal payments on long-term debt	<u>(317,787)</u>	<u>(178,780)</u>
Net cash used in financing activities	<u>(280,853)</u>	<u>(178,711)</u>
Net change in cash and cash equivalents	(222,606)	393,958
Cash, beginning of year	<u>943,263</u>	<u>549,305</u>
Cash, end of year	<u>\$ 720,657</u>	<u>\$ 943,263</u>
Cash paid for interest	<u>\$ 109,799</u>	<u>\$ 119,381</u>

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

ALL GOD'S CHILDREN INTERNATIONAL

STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2011

	Program Services	Management and General	Fundraising	Total
Orphan care	\$ 605,045	\$ -	\$ -	\$ 605,045
Adoption costs	1,450,016	-	-	1,450,016
Salaries and wages	1,040,400	96,686	92,628	1,229,714
Employee benefits	147,033	13,664	13,090	173,787
Payroll taxes	91,165	8,472	8,116	107,753
Contracted labor	65,540	-	-	65,540
Administration	239,262	94,671	20,982	354,915
Development and marketing	202,259	14,760	83,474	300,493
Professional fees	30,930	23,983	26,421	81,334
Occupancy	66,240	7,115	5,779	79,134
Travel	76,249	6,072	5,816	88,137
Interest	92,895	8,633	8,271	109,799
Total expenses before depreciation and amortization	4,107,034	274,056	264,577	4,645,667
Depreciation and amortization	82,162	7,636	7,315	97,113
Total expenses	<u>\$ 4,189,196</u>	<u>\$ 281,692</u>	<u>\$ 271,892</u>	<u>\$ 4,742,780</u>

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

ALL GOD'S CHILDREN INTERNATIONAL

STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2010

	Program Services	Management and General	Fundraising	Total
Orphan care	\$ 488,954	\$ -	\$ -	\$ 488,954
Adoption costs	1,576,573	-	-	1,576,573
Salaries and wages	1,056,295	141,393	67,888	1,265,576
Employee benefits	161,957	21,679	10,409	194,045
Payroll taxes	91,164	12,203	5,859	109,226
Contracted labor	109,228	-	-	109,228
Administration	287,284	126,490	15,475	429,249
Development and marketing	250,600	8,323	49,268	308,191
Professional fees	24,955	7,123	2,023	34,101
Occupancy	67,352	8,270	3,970	79,592
Travel	13,194	84	1,299	14,577
Interest	99,640	13,338	6,404	119,382
Total expenses before depreciation and amortization	4,227,196	338,903	162,595	4,728,694
Depreciation and amortization	83,742	11,210	5,382	100,334
Total expenses	<u>\$ 4,310,938</u>	<u>\$ 350,113</u>	<u>\$ 167,977</u>	<u>\$ 4,829,028</u>

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

ALL GOD'S CHILDREN INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010

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NOTE A – ORGANIZATION

All God's Children International (the "Organization") is a nonprofit corporation organized in the state of Oregon that operates primarily in Oregon, Washington, Michigan, Indiana, Kentucky and Ohio. The Organization coordinates and facilitates adoption services to families by working with organizations, adoption agencies, and orphanages in Europe, Asia, Latin America, and Africa that are seeking to find adoptive parents for children within their respective countries. The Organization has contracts with these organizations to facilitate the placement of children into homes of willing families.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with Accounting Standards Codification (ASC) of the Financial Accounting Standards Board 958. ASC 958 is the standard for external financial reporting for not-for-profit organizations.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* are net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Revenue is 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. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Concentration of Economic Risk

The Organization is highly dependent on certain countries to source adoptions. During the years ended December 31, 2011 and 2010 one country accounted for 63% and 65% of completed adoptions and another country accounted for 14% and 16% of completed adoptions, respectively. If political unrest was to occur in any or all of these key countries or if adoptions were disrupted the Organization's ongoing operations could be severely impacted.

ALL GOD'S CHILDREN INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents include accounts with financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. Deposits in excess of FDIC coverage are not insured. Bank balances not covered by FDIC insurance at December 31, 2011 and 2010 were approximately \$0 and \$216,000, respectively.

Restricted Cash

Restricted cash represents refundable deposits received from clients for the post adoption trust. If an adopting family complies with the annual inspection requirements then the deposit is refunded when the child turns 18 years old.

Revenues

Accounts receivable represent outstanding billings due from individuals for adoption services which the Organization is facilitating. Due to the long-term nature of the adoption process, the Organization has contract terms that may span multiple years. The Organization provides services over the contract period and payment terms generally match the period of service. Revenues for services provided under the terms of the adoption contracts are recognized as services are provided.

Support from contributors is recorded when unconditional promises to give are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of receipt.

No amounts have been reflected in the financial statements for donated services. Certain individuals, including members of the Board of Directors, donate time to the operations of the Organization. There are no contributed services that meet the requirements for recognition.

Receivables

Receivables are recognized when the service is provided. The Organization uses the allowance method to account for uncollectible accounts. Receivables are considered to be impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Substantially all balances are collected when the service is provided; therefore, management has determined that the risk of loss to the Organization for uncollectible balances is not significant and no allowance was deemed necessary at December 31, 2011 or 2010.

Fair Value of Financial Instruments

Due to the short-term nature of cash equivalents, prepaid expenses and other assets, accounts payable, and accrued liabilities, their fair value approximates carrying value.

ALL GOD'S CHILDREN INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at purchase cost. Acquisitions, renovations and repairs which increase the value of assets and have an estimated useful life in excess of one year are capitalized. All expenditures for repairs and maintenance which do not appreciably extend the useful life or increase the value of the assets are expensed in the period in which the cost is incurred. Contributed property is recorded at its fair market value on the date of contribution.

The Organization depreciates property and equipment over its estimated useful life using the straight-line method for financial reporting purposes. The Organization generally uses the following estimated useful lives:

Buildings and improvements	40 years
Furniture and equipment	5 – 15 years

Advertising Costs

Advertising is expensed as incurred.

Income Taxes

The Organization received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(1). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Expense Allocation

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

Use of Estimates

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

ALL GOD'S CHILDREN INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010

NOTE C – PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of the following at December 31:

	2011	2010
Land	\$ 175,000	\$ 175,000
Building and improvements	1,045,899	1,045,899
Furniture and equipment	619,315	615,523
	1,840,214	1,836,422
Less accumulated depreciation	(651,194)	(564,608)
	\$ 1,189,020	\$ 1,271,814

Depreciation expense was \$86,586 and \$98,787 for the years ended December 31, 2011 and 2010, respectively.

NOTE D – LINES OF CREDIT

The Organization has a line of credit with a bank granting borrowings up to \$100,000. The line of credit accrues interest at a blended rate of 10.0% per annum. AGCI had \$95,237 and \$100,242 outstanding under the terms of the line of credit as of December 31, 2011 and 2010, respectively.

The Organization had a line of credit with a bank granting borrowings up to \$750,000. The line of credit accrues interest at the bank's prime rate plus 1.0% (4.75%). The line is secured by substantially all of AGCI's personal property, including the headquarters building, subordinated to the other loans secured by this building. During the year ended December 31, 2010 this line of credit was paid off with proceeds from a note payable.

NOTE E – LONG-TERM DEBT

During the year ended December 31, 2011 a bank that held the Organization's debt in the amount of \$1,582,227 transferred the debt to a new lender. During the year ended December 31, 2011 this new lender forgave \$742,908 of the debt. The forgiveness of debt has been recorded as an in-kind contribution on the accompanying statement of activities. The remaining amounts owed to this lender were paid back with the proceeds from a new \$760,000 bank loan.

ALL GOD'S CHILDREN INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010

NOTE E – LONG-TERM DEBT (Continued)

Long-term debt consists of the following at December 31,:

	2011	2010
Note payable to a bank in monthly installments of \$4,502 including interest at 5.05% per annum with a balloon payment due October 6, 2016. The note is secured by the headquarters facility.	\$ 737,815	\$ -
Note payable to a bank in monthly installments of \$5,830, including interest at 6.25% per annum. The note is due to be paid in full in June 2011 and is secured by the headquarters facility.	-	472,804
Note payable to a bank in monthly installments of \$7,785, including interest at 7.25% per annum. The note is due to be paid in full in June 2011 and is secured by the headquarters facility.	-	441,389
Note payable to a private individual. The note requires quarterly payments of \$6,875 with zero interest and matures on December 31, 2013.	46,500	165,000
Note payable to a bank in monthly installments of \$13,062, including interest at 8.0% per annum, with a final balloon payment of \$299,877 due in July 2014 and is secured by the headquarters facility.	-	701,378
	784,315	1,780,571
Less amounts currently due	44,663	1,183,604
	\$ 739,652	\$ 596,967

ALL GOD'S CHILDREN INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010

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NOTE E – LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

<u>Year ending December 31,</u>	
2012	\$ 44,663
2013	37,050
2014	18,983
2015	19,964
2016	<u>663,655</u>
Total	<u>\$ 784,315</u>

Loan costs are amortized over the period of the loan. Amortization expense was \$10,526 and \$1,547 for the years ending December 31, 2011 and 2010, respectively.

NOTE F – LEASES

The Organization leases office space and equipment under non-cancelable operating lease agreements which expire at various dates through June 2016. The Organization also leases office space under a month to month agreement.

Total rent expense was \$36,159 and \$48,705 for the years ended December 31, 2011 and 2010, respectively.

Future minimum payments under the operating leases are as follows:

<u>Year ending December 31,</u>	
2012	30,620
2013	28,620
2014	28,620
2015	28,620
2016	<u>14,310</u>
	<u>\$ 130,790</u>

NOTE G – RELATED PARTY TRANSACTIONS

In June 2007 the Board granted the Organization's husband and wife founders a sabbatical through the end of 2007. As part of the sabbatical agreement the Board approved deferred compensation for the couple from 2008 through 2010. The couple was paid \$60,000 as part of the deferred compensation agreement during the years ended December 31, 2010. There were no payments during the year ended December 31, 2011.

The Organization contracts with the founders' son to provide professional services. Total payments to the founders' son were \$74,722 and \$80,344 during the years ended December 31, 2011 and 2010, respectively.

ALL GOD'S CHILDREN INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010

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NOTE H – EMPLOYEE BENEFIT PLANS

The Organization has a 401(k) plan covering substantially all employees of the Organization. Participants may elect to defer a portion of their salary up to the maximum percentage allowable by the Internal Revenue Code. The Organization makes a matching contribution to the plan up to 4% of participant's earnings. Employer contributions of \$17,535 and \$17,670 were accrued for the years ended December 31, 2011 and 2010, respectively.

NOTE I – SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES

During the year ended December 31, 2011 long-term debt in the amount of \$742,908 was forgiven by the lender.

During the year ended December 31, 2010 the Organization paid off a line of credit with proceeds from a \$745,000 note payable.

NOTE J – SUBSEQUENT EVENTS

The Organization did not have any subsequent events through June 18, 2012 which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2011.