

**Safe Passage and
Camino Seguro**

Financial Report

June 30, 2011

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Independent Auditors' Report

Board of Directors
Safe Passage and Camino Seguro
Yarmouth, Maine

We have audited the accompanying consolidated statement of financial position of Safe Passage (a nonprofit corporation) and Camino Seguro (a nonprofit organization) as of June 30, 2011 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's financial statements as of and for the eighteen-month period ended June 30, 2010, and, in our report dated November 22, 2010, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Safe Passage and Camino Seguro as of June 30, 2011 and the consolidated changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



South Portland, Maine
November 2, 2011

Consolidated Statements of Financial Position

June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash	\$ 432,204	\$ 486,842
Contributions receivable - current portion	157,080	193,694
Prepaid expenses	4,588	3,122
Total Current Assets	<u>593,872</u>	<u>683,658</u>
Property and Equipment		
Buildings and land improvements	906,734	887,127
Furniture, fixtures, and equipment	165,648	126,493
Vehicles	130,717	129,188
	<u>1,203,099</u>	<u>1,142,808</u>
Accumulated depreciation	(317,212)	(238,205)
	<u>885,887</u>	<u>904,603</u>
Land	64,814	64,814
	<u>950,701</u>	<u>969,417</u>
Other Assets		
Investments	3,140,202	2,825,337
Contributions receivable - net of current portion	50,000	150,000
Loans receivable	2,242	4,916
	<u>3,192,444</u>	<u>2,980,253</u>
Total Assets	<u>\$ 4,737,017</u>	<u>\$ 4,633,328</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 14,568	\$ 26,705
Due to support groups	52,280	61,481
Due to sponsored children	32,690	18,740
Accrued payroll and severance	141,346	127,728
Total Current Liabilities	<u>240,884</u>	<u>234,654</u>
Net Assets		
Unrestricted		
Undesignated	1,415,790	1,487,977
Board designated	1,778,598	1,538,113
Total unrestricted	<u>3,194,388</u>	<u>3,026,090</u>
Temporarily restricted	259,586	330,425
Permanently restricted	1,042,159	1,042,159
	<u>4,496,133</u>	<u>4,398,674</u>
Total Liabilities and Net Assets	<u>\$ 4,737,017</u>	<u>\$ 4,633,328</u>

See independent auditors' report.

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

Consolidated Statements of Activities

Year Ended June 30, 2011

(with summarized comparative totals for the eighteen-month period ended June 30, 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities				
Support and Revenues				
Contributions	\$ 1,117,477	\$ 137,715		\$ 1,255,192
Sponsorships	650,220			650,220
Other income	28,333			28,333
Loss on currency translation	(54,927)			(54,927)
Endowment income utilized in operations	117,000			117,000
Net assets released after satisfaction of restrictions	208,554	(208,554)		
Total Support and Revenues	2,066,657	(70,839)		1,995,818
Operating Expenses and Losses				
Program	1,585,271			1,585,271
Administrative	411,944			411,944
Fundraising	203,962			203,962
Total Expenses	2,201,177			2,201,177
Change in Net Assets from Operations	(134,520)	(70,839)		(205,359)
Non-Operating Activities				
Board designated contributions				41,506
Endowment contributions				816
Loss on endowment contribution receivable				(6,000)
Investment income	302,818	117,000		419,818
Net assets released	117,000	(117,000)		
Endowment income utilized in operations	(117,000)			(117,000)
Change in Net Assets from Non-Operating Activities	302,818			302,818
Total Change in Net Assets	168,298	(70,839)		97,459
Net Assets, Beginning of Year	3,026,090	330,425	\$ 1,042,159	4,398,674
Net Assets, End of Year	\$ 3,194,388	\$ 259,586	\$ 1,042,159	\$ 4,496,133

See independent auditors' report.

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

Consolidated Statements of Functional Expenses

Year Ended June 30, 2011

(with summarized comparative totals for the eighteen-month period ended June 30, 2010)

	Program	Supporting Services			2011	2010
		Administrative	Fundraising	Total	Total	Total
Salaries, taxes and benefits	\$ 664,454	\$ 182,723	\$ 92,872	\$ 275,595	\$ 940,049	\$1,328,282
Medical and family assistance	42,130			-	42,130	72,993
Professional services	42,493	100,463	19,173	119,636	162,129	195,605
In-kind food, supplies and materials	199,067	2,340	11,355	13,695	212,762	332,725
School expenses	101,717				101,717	184,252
After school activities and supplies	36,294	86		86	36,380	57,248
Repairs and maintenance	41,418	227		227	41,645	58,692
Rent and security	52,514	14,539	9,563	24,102	76,616	118,559
Utilities	30,250	3,810	345	4,155	34,405	48,412
Food and drinking water	97,788	207		207	97,995	106,192
Travel and transportation	67,398	22,705	4,028	26,733	94,131	148,971
Minor furniture and equipment	11,164	2,508	2,097	4,605	15,769	54,339
Telephone and communications	20,274	5,700	2,425	8,125	28,399	43,297
Other	60	5,942		5,942	6,002	13,021
Insurance	13,976	3,575	396	3,971	17,947	13,779
Printing, postage and office supplies	47,621	10,192	23,356	33,548	81,169	51,701
Staff recruitment and development	27,021	19,887	1,661	21,548	48,569	44,978
Fundraising	4,640	36	36,689	36,725	41,365	56,106
Bank fees and services charges	179	21,004	2	21,006	21,185	30,178
Depreciation	84,813				84,813	100,253
Bad debt		16,000		16,000	16,000	7,683
	<u>\$ 1,585,271</u>	<u>\$ 411,944</u>	<u>\$ 203,962</u>	<u>\$ 615,906</u>	<u>\$ 2,201,177</u>	<u>\$3,067,266</u>

See independent auditors' report.

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

Consolidated Statements of Cash Flows

Year Ended June 30, 2011

(with summarized comparative totals for the eighteen-month period ended June 30, 2010)

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 97,459	\$ 519,538
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	84,813	100,253
Bad debt expense	16,000	13,683
Gain on sale of property and equipment	8,391	
Realized and unrealized gains on investments	(363,726)	(280,984)
Endowment contributions		(816)
Loss on foreign currency translation		84,715
(Increase) decrease in operating assets:		
Contributions receivable	114,122	(206,949)
Prepaid expenses	(1,466)	163
Increase (decrease) in operating liabilities:		
Accounts payable	(12,137)	24,873
Due to support groups and children	4,749	26,073
Accrued payroll and severance	13,618	88,784
Total adjustments	<u>(135,636)</u>	<u>(150,205)</u>
Net cash flows from operating activities	<u>(38,177)</u>	<u>369,333</u>
Cash flows from investing activities		
Purchases of property and equipment	(74,488)	(140,505)
Purchase of investments	(68,139)	(303,468)
Proceeds from sale of investments	117,000	182,345
Collection of loan receivable	2,674	31,729
Net cash flows from investing activities	<u>(22,953)</u>	<u>(229,899)</u>
Cash flows from financing activities		
Collection of endowment contributions	6,492	57
Net cash flows from financing activities	<u>6,492</u>	<u>57</u>
Effect of foreign currency translation on cash		<u>(3,211)</u>
Net change in cash	(54,638)	136,280
Cash at beginning of period	<u>486,842</u>	<u>350,562</u>
Cash at end of period	<u>\$ 432,204</u>	<u>\$ 486,842</u>

See independent auditors' report.

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

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Safe Passage is a 501(c)(3) tax-exempt nonprofit corporation in the United States and Camino Seguro is a tax-exempt nonprofit organization registered and operating in Guatemala (hereinafter collectively called the Organization). These two entities represent a humanitarian group that provides educational opportunities to poor children in the country of Guatemala. Founded in 1999 by an American teacher, Safe Passage serves children of families who scavenge for a living at the Guatemala City municipal garbage dump.

The core activities of the Organization are an early education center and an educational reinforcement program that enables the children to attend local schools and provides support and supervision to support students' academic progress through the formal education system and/or organized vocational technical training. Currently, over 500 children from about 300 families are enrolled in local schools with the assistance of Safe Passage. Within Safe Passage, the children, who range in age from two to 20, are provided with support and services that include classes and tutoring, financial aid for school needs, health care, vocational training, and a daily meal. Family needs are attended to by trained social workers and parents are offered literacy classes. Based on a philosophy of self-sufficiency and self-help, children can earn food packages to help out their families by regular attendance at school and educational reinforcement activities.

The Organization's programs are primarily located in Guatemala City and centered at an Early Childhood Center and an Educational Reinforcement Center built with donated funds. The physical plant is equipped and maintained and includes classrooms, a computer lab, library and health clinic. In the city of Antigua, one hour away from Guatemala City, Safe Passage leases space for management and administrative headquarters.

The Organization employs about 75 full and part-time staff of Guatemalan teachers, social workers, and support personnel. This permits concentrated attention to each student. Safe Passage maintains an additional administrative and fundraising staff of four in the United States, located in Yarmouth, Maine.

Paid staff in Guatemala works closely with international and Guatemalan volunteers who make both short and long-term commitments to the Organization. Each year approximately 11 long-term volunteers fill teaching and operational positions and more than 330 short-term volunteers travel to Guatemala from around the U.S. and the world to provide assistance across all areas of the Organization. The impact of volunteers is significant, both in contributing skills and limiting operational costs, and in building a public constituency for the Organization in their respective home countries.

Beneficiaries of the Organization include the children who participate in its educational and related programs as well as family members and the whole community around the garbage dump that benefits from jobs, educational opportunity, reduced crime and social services. Accordingly, almost 1,100 family members, in addition to the 531 children enrolled in the Organization's programs, benefit from the Organization's array of services.

Consolidation

The accompanying consolidated financial statements include the accounts of Safe Passage and Camino Seguro, both of which are under common control. Material intercompany transactions and balances have been eliminated in the consolidation.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. The Organization is required to report information pertaining to its assets and net assets and support, revenues and expenses according to three classes of net assets as follows:

Unrestricted Net Assets – Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets – 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.

Permanently Restricted Net Assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. The Board of Directors, as allowed by state statute, has appropriated any appreciation and earnings in excess of the spending formula to be classified as unrestricted funds. The Board of Directors has further classified these funds as Board Designated.

The Board also created a fourth designation.

Board Designated Net Assets – Included in the unrestricted net asset category are Board Designated funds consisting of those contributions where the donor has requested that all or part of the principal and interest earned may be spent in any year upon authorization of the Board of Directors. Other surplus unrestricted funds may be added to this fund as the Board of Directors may decide from time to time.

Comparative Financial Statements

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 eighteen-month period ended June 30, 2010, from which the summarized information was derived.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State of Maine Uniform Prudent Management Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers a number of factors in making a determination to appropriate or accumulate donor-restricted endowment funds which are designed to safeguard the principal.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions Receivable

Unconditional contributions receivable are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Allowance for uncollectible contributions receivable was \$3,000 at June 30, 2011 and 2010.

Property and Equipment

Property and equipment are stated at cost or, in the case of donated property, at estimated fair value at the date of receipt. The Organization capitalizes property and equipment with a cost, or estimated fair value, of \$1,000, if acquired in the United States, and approximately \$100, if acquired in Guatemala. Depreciation on furniture, fixtures and equipment, and vehicles is calculated on a straight-line basis using estimated useful lives of three to eight years. Buildings and land improvements are depreciated on a straight-line basis over 15 to 20 years. Land, buildings and the majority of the vehicles, furniture, fixtures and equipment are located in Guatemala.

Investments

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of activities.

The Organization's investment policy and spending policy for permanently restricted endowments and board-designated investments is as follows:

The portfolio will be managed with no less than 40% and no more than the 60% in equities or securities convertible into common stock. Debt securities with maturities greater than one year shall be at least 20% and no more than 60% of the portfolio; the remainder of the fund shall be invested in high quality cash equivalents. The current target allocation for the fund is 50% equities and 50% debt securities, including cash equivalents. Mutual funds and Exchange Traded Funds (ETFs) are permitted. Non-U.S. securities are limited to 25% of the portfolio.

Primary Investment Objective: The Permanent Endowment Fund is perpetual in nature; it must provide for long-term growth in order to create and maintain a growing stream of income to support the needs of Safe Passage over time. Specifically, the Permanent Endowment Fund seeks a long-term average annual inflation adjusted total return in excess of the spending rate adopted by the Board from time to time.

The Investment Committee will recommend the payout for the coming fiscal year to the Board of Directors in November of each year. The annual payout shall be no more than 5% of a rolling three-year average of the market value of the fund as of the last business day of September.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Payroll and Severance

Guatemalan law requires each employer to provide a bonus in the amount of one month's salary to each employee by July 15 of each year. In addition, Guatemala law requires employers to provide severance to all employees who are dismissed without justification in the amount of one month's salary for each year of service. The Organization has recorded the accrued bonus and severance as of June 30, 2011 and 2010.

Non-Operating Activities

Non-operating activities consist of contributions for non-operating purposes such as endowments and board-designated funds, which are designated for long-term sustainability of the Organization. In addition, non-operating activities include gains and losses on investments and other assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues and expenses as net assets released after satisfaction of restrictions.

Contributed Services

The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's programs. Donated services supporting the education and social work programs that met the recognition criteria amounted to \$121,379 for the year ended June 30, 2011 and \$183,535 for the eighteen-month period ended June 30, 2010, and are included in the statement of activities.

Donated Food, Supplies and Materials

Each year, certain food, supplies and materials have been donated in-kind to the Organization. The estimated fair value of these materials has been reflected in the accompanying financial statements as contributions with a like amount included in program and supporting services expenses.

Functional Expenses

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

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Foreign Currency Translation

The Guatemalan quetzal is the functional currency for the Organization's programs. All amounts in these financial statements are reflected in U.S. dollars. All statement of financial position accounts have been translated using an exchange rate representative of the exchange rate in effect at the statement of financial position dates. The foreign currency translation adjustment is recorded in the statement of activities. The translation adjustment also includes gains and losses due the change in the value of various foreign currencies in relation to the U.S. dollar resulting from contributions received and cash transfers to fund the operations of the Organization in Guatemala, which amounted to a loss of \$54,927 for the year ended June 30, 2011 and \$8,062 for the eighteen-month period ended June 30, 2010. The accumulated foreign currency translation adjustments amounted to \$84,715 at June 30, 2011 and 2010.

Income Taxes

Safe Passage is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and Camino Seguro is exempt from income taxes in Guatemala.

Management has evaluated the Organization's tax positions and concluded that as of June 30, 2011 and 2010, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liabilities nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ending December 31, 2007 through June 30, 2011.

Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Money market funds, held as a portion of the Organization's endowment portfolio, are classified as investments for purposes of the statements of cash flows.

Fair Value Measurements

Fair value is 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. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts located in the United States and Guatemala. Cash maintained in accounts located in the United States, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Cash maintained in accounts located in Guatemala is insured up to approximately \$2,500. The Organization believes it is not exposed to any significant credit risk from cash and cash equivalents.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2011 and 2010 are as follows:

	2011	2010
Unrestricted, temporarily restricted and board-designated	\$ 210,080	\$ 340,202
Permanent endowment		6,492
	<u>210,080</u>	<u>346,694</u>
Less allowance for uncollectible	3,000	3,000
Net unconditional contributions receivable	<u>\$ 207,080</u>	<u>\$ 343,694</u>
	2011	2010
Less than one year	\$ 157,080	\$ 193,694
One to five years	50,000	150,000
	<u>\$ 207,080</u>	<u>\$ 343,694</u>

NOTE 4 – INVESTMENTS

Investments as of June 30, 2011 and 2010 are as follows:

	2011	2010
Money market funds	\$ 174,487	\$ 169,201
Fixed income	1,373,465	1,486,512
Equity securities	1,592,250	1,169,624
	<u>\$ 3,140,202</u>	<u>\$ 2,825,337</u>

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 4 – INVESTMENTS – CONTINUED

Investment income is summarized as follows:

	2011	2010
Interest and dividend income	\$ 82,118	\$ 98,265
Net realized and unrealized gains	363,726	280,984
Investment fees	<u>(26,026)</u>	<u>(32,786)</u>
	<u>\$ 419,818</u>	<u>\$ 346,463</u>

NOTE 5 – ENDOWMENT FUNDS

The Organization's endowment fund consists of a donor-restricted fund and a fund designated by the Board of Directors to function as an endowment.

Donor-restricted and board-designated endowment net asset compositions by type of fund as of June 30, 2011 and 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2011				
Donor-restricted endowment fund	\$ 319,445		\$ 1,042,159	\$ 1,361,604
Board-designated endowment fund	<u>1,778,598</u>			<u>1,778,598</u>
Totals	<u>\$ 2,098,043</u>	<u>\$ -</u>	<u>\$ 1,042,159</u>	<u>\$ 3,140,202</u>
June 30, 2010				
Donor-restricted endowment fund	\$ 272,440		\$ 1,035,667	\$ 1,308,107
Board-designated endowment fund	<u>1,517,230</u>			<u>1,517,230</u>
Totals	<u>\$ 1,789,670</u>	<u>\$ -</u>	<u>\$ 1,035,667</u>	<u>\$ 2,825,337</u>

Changes in endowment net assets for the year ended June 30, 2011 and the eighteen-month period ended June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2011				
Beginning of year	\$ 1,789,670		\$ 1,035,667	\$ 2,825,337
Contributions	6,901		6,492	13,393
Investment return:				
Investment income, net of fees	28,377	\$ 26,369		54,746
Net appreciation	273,095	90,631		363,726
Amounts appropriated		<u>(117,000)</u>		<u>(117,000)</u>
End of year	<u>\$ 2,098,043</u>	<u>\$ -</u>	<u>\$ 1,042,159</u>	<u>\$ 3,140,202</u>

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 5 – ENDOWMENT FUNDS – CONTINUED

June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 1,407,638		\$ 1,015,593	\$ 2,423,231
Contributions	204,717		20,074	224,791
Investment return:				
Investment income, net of fees	32,002	\$ 33,477		65,479
Net appreciation	144,267	136,717		280,984
Transfer	1,046			1,046
Amounts appropriated		(170,194)		(170,194)
End of year	<u>\$ 1,789,670</u>	<u>\$ -</u>	<u>\$ 1,035,667</u>	<u>\$ 2,825,337</u>

NOTE 6 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2011 and 2010:

	2011	2010
Contributions receivable - time restricted	\$ 152,740	\$ 273,883
Planned giving project	48,900	
Health grant	16,260	
English program	12,500	
IT operations	9,040	6,268
Social work	8,959	7,706
ODT project	5,188	6,263
Micro Finance Grant	2,500	5,000
Scholarships	1,549	
School expenses	1,500	
Lacrosse program	250	
Parent literacy	200	
Vehicle		8,153
Farmland		6,689
Executive director search		6,000
Extra food		6,000
Art program		4,163
Health clinic		300
	<u>\$ 259,586</u>	<u>\$ 330,425</u>

Permanently restricted net assets consisted of the following as of June 30, 2011 and 2010:

	2011	2010
Endowment - to support future operations	\$ 1,042,159	\$ 1,042,159

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Leases

The Organization executed an operating lease commitment in excess of one year on August 1, 2008 for the administration offices in Yarmouth, Maine that expires on July 31, 2013, with monthly lease payments of \$1,700 through July 31, 2009 and an increase of 3% each year thereafter. The Organization leases other office space under month-to-month operating leases. Total rent expense was \$39,270 for the year ended June 30, 2011 and \$61,892 for the eighteen-month period ended June 30, 2010.

The future minimum rental payments under non-cancelable operating leases having an initial or remaining term in excess of one year as of June 30, 2011 are as follows:

Year ending June 30,		
2012		\$ 22,545
2013		23,334
		<u>\$ 45,879</u>

Land Use

The Organization has a written agreement with a donor that provides for free use of the land on which the daycare center, occupational training center and gardens have been built upon through August 31, 2020.

NOTE 8 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Level 1	Level 2	Level 3
June 30, 2011				
Money market funds	\$ 174,487	\$ 174,487		
Fixed income	1,373,465	1,373,465		
Equity securities	1,592,250	1,592,250		
Total	<u>\$ 3,140,202</u>	<u>\$ 3,140,202</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2010				
Money market funds	\$ 169,201	\$ 169,201		
Fixed income	1,486,512	1,486,512		
Equity securities	1,169,624	1,169,624		
Total	<u>\$ 2,825,337</u>	<u>\$ 2,825,337</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 9 – SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the date of the auditors' report, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.