

Animal Friends, Inc.
562 Camp Horne Road
Pittsburgh, PA 15237

FINANCIAL REPORT

December 31, 2011 AND 2010

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FRANK P. HESS & CO., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Animal Friends, Inc.:

We have audited the accompanying balance sheet of Animal Friends, Inc., as of December 31, 2011, and the related statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the organization's 2010 financial statements and, in our report dated July 22, 2011, we expressed an unqualified opinion on these 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 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 Animal Friends, Inc., as of December 31, 2011, and the results of its activities, 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.

Frank P. Hess & Co., Inc.

June 29, 2012

ANIMAL FRIENDS, INC.

BALANCE SHEET

DECEMBER 31, 2011

WITH SUMMARIZED INFORMATION AT DECEMBER 31, 2010

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 793,315	\$ 17,380	\$ 0	\$ 810,695	\$ 415,323
Investments (Note 2)	325,319	0	2,530,707	2,856,026	799,857
Receivables (Note 3)	60,913	0	262,460	323,373	1,043,864
Inventory	56,352	0	0	56,352	59,731
Prepaid Expenses	57,737	0	0	57,737	9,402
Property, Plant and Equipment - Net (Note 4)	6,484,600	0	0	6,484,600	6,761,364
Other Assets (Note 5)	1,834,062	0	0	1,834,062	1,148,777
Deposit (Note 6)	20,000	0	0	20,000	0
Bond Issue Costs	94,500	0	0	94,500	101,500
Assets Held In Trust (Note 7)	0	0	1,576,683	1,576,683	1,620,982
<u>TOTAL ASSETS</u>	<u>\$ 9,726,798</u>	<u>\$ 17,380</u>	<u>\$ 4,369,850</u>	<u>\$ 14,114,028</u>	<u>\$ 11,960,800</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 118,578	\$ 0	\$ 0	\$ 118,578	\$ 278,405
Accrued Expenses	45,527	0	0	45,527	207,730
Capital Lease (Note 8)	87,500	0	0	87,500	127,500
Tax Exempt Bonds (Note 8)	3,935,000	0	0	3,935,000	4,155,000
<u>Total Liabilities</u>	<u>4,186,605</u>	<u>0</u>	<u>0</u>	<u>4,186,605</u>	<u>4,768,635</u>
<u>Net Assets (Note 9)</u>					
Unrestricted	5,540,193	0	0	5,540,193	3,947,116
Temporarily Restricted	0	17,380	0	17,380	1,128,128
Permanently Restricted	0	0	4,369,850	4,369,850	2,116,921
<u>Total Net Assets</u>	<u>5,540,193</u>	<u>17,380</u>	<u>4,369,850</u>	<u>9,927,423</u>	<u>7,192,165</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 9,726,798</u>	<u>\$ 17,380</u>	<u>\$ 4,369,850</u>	<u>\$ 14,114,028</u>	<u>\$ 11,960,800</u>

See Notes to Financial Statements

ANIMAL FRIENDS, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2011

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>SUPPORT AND REVENUE</u>					
Donations and Grants (Note 10)	\$ 1,606,382	\$ 416,461	\$ 2,297,228	\$ 4,320,071	\$ 1,934,521
Legacies	1,931,423	0	57,565	1,988,988	1,304,705
Fund Raisers (Net of \$404,444 Direct Costs)	726,266	0	0	726,266	740,908
Investment Income (Note 11)	86,733	0	0	86,733	204,094
Trust Income (Note 12)	56,152	0	(101,864)	(45,712)	173,493
Net Assets Released From Restrictions: Satisfaction of Donor Restrictions	<u>1,527,209</u>	<u>(1,527,209)</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>5,934,165</u>	<u>(1,110,748)</u>	<u>2,252,929</u>	<u>7,076,346</u>	<u>4,357,721</u>
<u>EXPENSES (Note 13)</u>					
Program	3,698,589	0	0	3,698,589	3,960,965
Administration	221,319	0	0	221,319	216,928
Fund Raising	<u>421,180</u>	<u>0</u>	<u>0</u>	<u>421,180</u>	<u>425,293</u>
	<u>4,341,088</u>	<u>0</u>	<u>0</u>	<u>4,341,088</u>	<u>4,603,186</u>
<u>NET ACTIVITY</u>	1,593,077	(1,110,748)	2,252,929	2,735,258	(245,465)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>3,947,116</u>	<u>1,128,128</u>	<u>2,116,921</u>	<u>7,192,165</u>	<u>7,437,630</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 5,540,193</u>	<u>\$ 17,380</u>	<u>\$ 4,369,850</u>	<u>\$ 9,927,423</u>	<u>\$ 7,192,165</u>

See Notes to Financial Statements

ANIMAL FRIENDS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 2,735,258	\$ (245,465)
Add (Deduct) Items Not Affecting Cash:		
Depreciation	271,661	296,780
Capital (Gains) Losses	(18,468)	(160,371)
Donated Asset Held In Trust	(57,565)	0
Noncash Trust (Income) Loss	45,712	(173,493)
Trust Cash Distributions	56,152	62,680
Bond Issue Costs Amortization	7,000	7,000
Change in Inventory	3,379	(16,989)
Change In Prepaid Expenses	(48,335)	40,541
Change In Deposit	(20,000)	0
Change In Accounts Payable	(159,827)	152,972
Change In Accrued Expenses	(162,203)	66,474
Donations Restricted to Long Term Use	<u>(2,297,228)</u>	<u>0</u>
<u>NET CASH FLOWS FROM OPERATIONS</u>	<u>355,536</u>	<u>30,129</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Marketable Investments	(2,673,048)	(553,834)
Sale of Marketable Investments	640,450	828,305
Change in Loan Escrow	<u>(685,285)</u>	<u>68,594</u>
<u>NET CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>(2,717,883)</u>	<u>343,065</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Donations Restricted to Long Term Use	2,297,228	0
Change In Receivables	720,491	140,158
Draw (Repayment) on Line of Credit	0	(220,880)
Repayment of Capital Lease	(40,000)	(37,500)
Retirement of Tax Exempt Bonds	<u>(220,000)</u>	<u>(215,000)</u>
<u>NET CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>2,757,719</u>	<u>(333,222)</u>
<u>NET CASH FLOWS</u>	<u>395,372</u>	<u>39,972</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>415,323</u>	<u>375,351</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 810,695</u>	<u>\$ 415,323</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 118,769</u>	<u>\$ 121,608</u>

Donations of animal supplies (primarily food) valued at \$81,000 and \$80,000 were received in 2011 and 2010 respectively.

See Notes to Financial Statements

ANIMAL FRIENDS, INC.
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Animal Friends, Inc., ("Friends") received its charter as a nonprofit corporation from the Commonwealth of Pennsylvania on June 1, 1943. Since then it has operated as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of Friends is to ensure the well being of companion animals, while ending overpopulation, abuse and unwarranted euthanasia. It is the vision of the organization to 1) reduce the number of unwanted animals through aggressive spay/neuter programs; 2) provide for the well being of companion animals in need, while adhering to our no-kill tradition, and find each a lifelong, loving home; 3) promote the human-animal bond through education and outreach programs; 4) act as an advocate on behalf of animals in crisis and as an enforcer of their rights and protection and; 5) ensure the financial security and stability of the organization for future generations.

Accounting For Restrictions

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

Unrestricted Net Assets - Net assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions which will be satisfied by actions of Friends or by the passage of time.

Permanently Restricted Net Assets - Net assets which are subject to donor-imposed stipulations that they be maintained or used in a certain way or endowments which represent resources that must be invested permanently with income to be used for either general or specific purposes.

Friends has adopted the following policies for gifts received with a donor-imposed restriction:

In the absence of donor stipulations specifying how long-lived donated assets must be used, restrictions on long-lived assets and other personal property items, or cash to acquire long-lived assets or personal property items, expire when the assets are placed in service or purchased as the case may be. The sale proceeds (or, in the case of a destroyed item, insurance proceeds) from either a donated asset or an asset purchased with a gift of cash are unrestricted unless specifically delineated otherwise by the original donor. In the absence of donor stipulations, interest income earned on temporarily restricted funds is unrestricted and may be used for general operations, programs, and services.

Contributions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor 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.

Volunteer Services

Unpaid volunteers have made significant contributions of their services to develop Friends' programs and assist in its support. The value of these contributions is not reflected in the accompanying financial statements since it is not susceptible to an objective measurement or valuation.

Basis Of Accounting

All transactions of Friends have been accounted for using the accrual basis of accounting. All restricted gifts are separately identified both in the financial statements and in the underlying accounting workpapers.

Estimates

These financial statements use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash, certificates of deposit, and other highly liquid investments with maturities of three months or less.

Fair Value Accounting

Investments and Assets Held in Trust are reported at fair value. Fair values are classified according to a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Securities traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Securities not traded in an active market but for which market inputs are readily available.

Level 3 - Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

All Investments and Assets Held in Trust are Level 1 securities.

Receivables

Receivables are recorded at net realizable value. No allowance for doubtful accounts was deemed necessary.

Inventory

Inventory is comprised of food, clothing and gift items held for sale in the gift shop. Proceeds from the sale of donated food and clothing items are recorded as Donations. Net proceeds from the sale of purchased items are recorded as a Fund Raiser. Inventory also includes animal supplies (primarily food) for use in the facility. Inventory is accounted for at the lower of cost or market, using the specific identification cost method.

Property, Plant and Equipment

All Property, Plant and Equipment are being depreciated using the straight-line method over each asset's useful life. Useful lives assigned are five years for transportation equipment; three to ten years for furniture and equipment; and twenty to forty years for buildings. Repairs and maintenance, which do not extend the lives of the applicable assets, are charged to expense as incurred. Gain or loss from the retirement or other disposition of these assets is included in the statement of activities.

Bond Issue Costs

Bond Issue Costs were incurred to obtain financing for the new Center. These costs are being amortized on a straight-line basis over the terms of corresponding bonds (Note 8).

Revenue Recognition

Income from Legacies is not recognized until an estate has been settled. Reimbursements from reduced-cost spaying and neutering services is recognized on a cash basis due to the inability to reasonably estimate bad debts.

Advertising

Advertising costs are expensed as incurred.

Allocations

Friends reports fundraising costs and expenses by their functional classification. Some expenses have been allocated to functional classifications based on salary costs or square footage.

Prior Year Amounts

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 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 December 31, 2010, from which the summarized information was derived.

2. INVESTMENTS

Investments were composed of the following:

<u>Investment Type</u>	<u>2011</u>	<u>2010</u>
Money Market Funds	\$ 1,330,143	\$ 19,733
Equity Mutual Funds	1,087,642	771,054
Debt Mutual Funds	844,785	592,478
Common Stocks	<u>645,561</u>	<u>516,592</u>
	3,908,131	1,899,857
Restricted for Debt Service (Note 5)	<u>(1,100,000)</u>	<u>(1,100,000)</u>
Marketable Securities	2,808,131	799,857
Real Estate Held for Sale	<u>47,895</u>	<u>0</u>
Equity Mutual Funds	<u>\$ 2,856,026</u>	<u>\$ 799,857</u>

3. ENDOWMENT CAMPAIGN

In January, 2011 the board approved a plan for a three year \$3,000,000 endowment campaign. During 2011 donations of \$2,297,228 were received. Most of the receivable balances will be collected in 2012.

In 2002 Friends initiated a Capital Campaign to raise \$7,350,000 for the construction of a new Center. Amounts donated to this campaign totaled approximately \$6,100,000. There are no remaining receivable balances at December 31, 2011 related to the Capital Campaign.

4. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2011 Property, Plant and Equipment were composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 479,563	\$ 0	\$ 479,563
Building	6,640,583	909,086	5,731,497
Transportation Equipment	281,654	112,903	168,751
Furniture and Equipment	<u>569,962</u>	<u>465,173</u>	<u>104,789</u>
	<u>\$ 7,971,762</u>	<u>\$1,487,162</u>	<u>\$ 6,484,600</u>

5. OTHER ASSETS

Other Assets were composed of the following:

<u>Asset</u>	<u>2011</u>	<u>2010</u>
Compensating Cash Balance	\$ 400,000	\$ 400,000
Investments Restricted for Debt Service	700,000	700,000
Cash Restricted for Debt Service	<u>734,062</u>	<u>48,777</u>
	<u>\$ 1,834,062</u>	<u>\$ 1,148,777</u>

All Cash proceeds from the Capital Campaign (Note 3) are restricted for use in debt service (Note 8).

6. DEPOSIT

Friends has entered into a land purchase agreement to acquire property contiguous to the existing Center. The total acquisition cost is estimated to be \$300,000 and closing on the purchase is expected to occur in 2012.

7. ASSETS HELD IN TRUST

Permanently Restricted Assets Held In Trust represents assets held in six separate trusts by others. In these trusts, Friends is entitled to receive a percentage of the future income earned as stipulated by the grantor in perpetuity.

8. DEBT

Debt balances and terms as of December 31, 2011 were as follows:

<u>Creditor</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Allegheny County Industrial Development Authority; 0.7% interest rate through 6/30/12, then to be renegotiated; annual principal payments due July 1; 20 year principal amortization through July 1, 2025; balance is secured by a bank letter of credit costing 1.0%; balance is also secured by the Center and Escrow Account.	\$225,000	\$3,710,000	\$3,935,000
Co Active Capital Partners; 7.0% interest rate; 60 month lease with principal and interest payments of \$3,964; final payment due 12/15/13; balance is secured by the Mobile Spay/Neuter vehicle.	<u>42,500</u>	<u>45,000</u>	<u>87,500</u>
Total	<u>\$267,500</u>	<u>\$3,755,000</u>	<u>\$4,022,500</u>

Principal payments are due as follows:

<u>Year Ending</u>	<u>Amount</u>
2012	\$ 267,500
2013	280,000
2014	240,000
2015	250,000
2016	260,000
Thereafter	<u>2,725,000</u>
Total	<u>\$4,022,500</u>

Friends has a \$300,000 line of credit with interest at the prime rate expiring October 20, 2012. At December 31, 2011, nothing was drawn on the line.

9. NET ASSETS

Friends currently maintains three separate net asset classifications in order to control in detail all gifts received. These classifications include: 1) Unrestricted, which is used to account for revenues earned and gifts received without a restricted directive; 2) Temporarily Restricted, which is used to account for gifts received by Friends with donor-restricted directives; and 3) Permanently Restricted, which is used to account for gifts received which are subject to donor restricted directives which never expire. A summary of the activity in the open Temporarily Restricted Net Asset class from January 1, 2011 to December 31, 2011 is as follows:

<u>Net Asset Class</u>	<u>Balance January 1</u>	<u>Support And Revenue</u>	<u>Release Of Net Assets</u>	<u>Balance December 31</u>
Capital Campaign	\$1,032,172	\$ 0	\$(1,032,172)	\$ 0
Spay/Neuter	0	238,060	(238,060)	0
Pet Therapy	0	150,401	(150,401)	0
Allen Haven	50,685	0	(50,685)	0
AARF	0	28,000	(28,000)	0
Endowment Appreciation	27,565	0	(27,565)	0
Other	<u>17,706</u>	<u>0</u>	<u>(326)</u>	<u>17,380</u>
	<u>\$1,128,128</u>	<u>\$ 416,461</u>	<u>\$(1,527,209)</u>	<u>\$ 17,380</u>

A summary of the activity in the Permanently Restricted Net Asset class from January 1, 2011 to December 31, 2011 is as follows:

<u>Net Asset Class</u>	<u>Balance January 1</u>	<u>Support and Revenue</u>	<u>Release of Net Assets</u>	<u>Balance December 31</u>
Permanent Endowment	\$ 495,939	\$ 2,297,228	\$ 0	\$2,793,167
Assets Held in Trust	<u>1,620,982</u>	<u>(44,299)</u>	<u>0</u>	<u>1,576,683</u>
	<u>\$2,116,921</u>	<u>\$ 2,252,929</u>	<u>\$ 0</u>	<u>\$4,369,850</u>

A reconciliation of endowment activity is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Balance January 1	\$ 0	\$ 27,565	\$ 495,939	\$ 523,504	\$ 478,552
Contributions	0	0	2,297,228	2,297,228	10,000
Investment Income	0	21,149	0	21,149	9,305
Capital Gains/(Losses)	(13,353)	2,547	0	(10,806)	55,899
Fees	0	(6,067)	0	(6,067)	(3,559)
Distribution	<u>0</u>	<u>(45,194)</u>	<u>0</u>	<u>(45,194)</u>	<u>(26,693)</u>
Balance December 31	<u>\$ (13,353)</u>	<u>\$ 0</u>	<u>\$ 2,793,167</u>	<u>\$ 2,779,814</u>	<u>\$ 523,504</u>

Friends' endowment fund is governed by Pennsylvania's Principal and Income Act (Act 141) enacted on December 21, 1998.

The Board of Directors has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the real value of the endowment portfolio. Under this policy, the endowment assets are invested in a manner that is intended to emphasize total return (aggregate return from capital appreciation and dividend and interest income) sufficient to preserve the real (inflation-adjusted) value of the portfolio, achieve long-term growth of principal, while avoiding excessive risk and to the extent necessary, provide for the operating needs of Friends. The Board of Directors has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes (domestic and international equity, investment grade fixed income, high yield fixed income and cash equivalents). The investment objective for each asset class portfolio is to exceed the rate of return of a relevant benchmark after taking into account all manager fees.

Each year, Friends appropriates a percentage of its endowment fund's average fair value over the prior three years preceding the fiscal year in which the distribution is planned. The Board of Trustees votes on this appropriation each year. For the fiscal years 2011 and 2010, this percentage was 5%.

From time to time, the fair value of assets associated with endowment funds may fall below the level of the original gift. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. In 2011, these deficiencies resulted from unfavorable market fluctuations.

10. DONATIONS

Unrestricted and Temporarily Restricted donations are received from a broad base of donors. There is not a significant concentration of risk in large donations.

11. INVESTMENT INCOME (LOSS)

Investment Income (Loss) is composed of the following:

<u>Item</u>	<u>2011</u>	<u>2010</u>
Interest	\$ 34,692	\$ 24,570
Dividends	33,573	19,153
Capital Gains (Losses)	<u>18,468</u>	<u>160,371</u>
	<u>\$ 86,733</u>	<u>\$ 204,094</u>

12. TRUST INCOME (LOSS)

Trust Income (Loss) is composed of the following:

<u>Item</u>	<u>2011</u>	<u>2010</u>
Dividends	\$ 22,306	\$ 20,360
Interest	10,014	11,196
Capital Gains (Losses)	(65,391)	153,330
Expenses	<u>(12,641)</u>	<u>(11,393)</u>
	<u>\$ (45,712)</u>	<u>\$ 173,493</u>

13. EXPENSES

Detail of functional expenses is as follows:

	<u>2 0 1 1</u>				<u>2010</u>
<u>Expense</u>	<u>Program</u>	<u>Administration</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>	<u>Total</u>
Payroll & Related Costs*	\$2,273,514	\$132,181	\$237,926	\$2,643,621	\$2,651,300
Direct Animal Care	611,251	0	0	611,251	837,415
Depreciation	255,362	5,433	10,866	271,661	296,780
Utilities	145,713	3,100	6,201	155,014	159,760
Printing & Postage	58,698	6,861	86,903	152,462	152,170
Interest	110,406	2,349	4,698	117,453	113,655
Software Support & Website	44,046	26,428	17,619	88,093	83,476
Repairs & Maintenance	53,351	1,135	2,270	56,756	55,579
Office Costs	31,442	8,804	10,061	50,307	51,071
Insurance	44,101	938	1,877	46,916	49,683
Bank Fees	0	0	33,469	33,469	28,716
Professional Fees	0	33,251	0	33,251	28,210
Local Transportation	27,186	0	0	27,186	21,604
Publicity	4,099	0	7,613	11,712	17,752
Other	<u>39,420</u>	<u>839</u>	<u>1,677</u>	<u>41,936</u>	<u>56,015</u>
Total	<u>\$3,698,589</u>	<u>\$221,319</u>	<u>\$421,180</u>	<u>\$4,341,088</u>	<u>\$4,603,186</u>

* On January 1, 1999 Friends adopted a defined contribution pension plan covering all full and part time employees who have completed one year of service. Friends can contribute 0%-15% of employee wages to the plan. Friends' cost for this plan was \$18,849 in 2011 and \$26,281 in 2010.

14. CONCENTRATION OF CREDIT RISK

Although Friends maintains cash balances in excess of federally insured limits, they have not historically experienced any credit loss.

15. SUBSEQUENT EVENTS

Except as stated in Note 6, no subsequent events occurred for the period January 1, 2012 through June 29, 2012 which is the date the financial statements were available for issue.