

**FAMILY AND CHILDREN'S
ASSOCIATION, INC. AND AFFILIATE**

**REPORT ON AUDITS OF COMBINED FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2011 and 2010

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

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Years Ended December 31, 2011 and 2010

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Combined Financial Statements



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Independent Auditors' Report

Board of Trustees
Family and Children's
Association, Inc. and Affiliate
Mineola, New York

We have audited the accompanying combined statements of financial position of Family and Children's Association, Inc. and Affiliate (the "Organization") as of December 31, 2011 and 2010, and the related combined statements of activities and change in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Family and Children's Association, Inc. and Affiliate as of December 31, 2011 and 2010, and the change in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Hatz Rubenstein Reminick LLP". The signature is written in a cursive, flowing style.

Melville, New York
May 25, 2012

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

Combined Statements of Financial Position

| December 31, | 2011 | 2010 |
|---|---------------|---------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 388,986 | \$ 375,203 |
| Investments | 9,689,015 | 10,866,965 |
| Accounts receivable, net of allowance of approximately \$33,500 and \$32,600, respectively | 4,324,927 | 3,716,251 |
| Pledges receivable | 12,500 | 245,000 |
| Prepaid expenses and other current assets | 94,838 | 108,536 |
| Assets - discontinued operations (Note 16) | 404,002 | 566,043 |
| Total Current Assets | 14,914,268 | 15,877,998 |
| Property, Plant and Equipment, net | 5,535,380 | 5,869,560 |
| Pledges Receivable, net | 4,938 | 9,777 |
| Other Assets | 467,297 | 465,006 |
| Total Assets | \$ 20,921,883 | \$ 22,222,341 |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Notes payable to bank | \$ 4,767,528 | \$ 4,412,157 |
| Accounts payable and accrued expenses | 2,172,786 | 2,289,383 |
| Refundable advances | 358,052 | 109,901 |
| Current portion of long-term debt | 168,128 | 157,367 |
| Liabilities - discontinued operations (Note 16) | 1,039,002 | 681,492 |
| Total Current Liabilities | 8,505,496 | 7,650,300 |
| Long-Term Debt | 1,191,997 | 1,360,124 |
| Other Long-Term Liabilities | 49,621 | 50,493 |
| Total Liabilities | 9,747,114 | 9,060,917 |
| Commitments and Contingencies | | |
| Net Assets: | | |
| Unrestricted | 10,962,322 | 12,706,933 |
| Temporarily restricted | 30,114 | 272,158 |
| Permanently restricted | 182,333 | 182,333 |
| Total Net Assets | 11,174,769 | 13,161,424 |
| Total Liabilities and Net Assets | \$ 20,921,883 | \$ 22,222,341 |

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

Combined Statements of Activities and Change in Net Assets

| <i>Years Ended December 31,</i> | 2011 | 2010 |
|--|---------------|---------------|
| Change in Unrestricted Net Assets from Operations: | | |
| Support and revenue: | | |
| Contracts and fees from government agencies | \$ 15,390,598 | \$ 15,241,480 |
| Revenue from services to other agencies | 2,236,287 | 2,923,105 |
| Other program fees | 1,054,255 | 1,090,086 |
| Contributions and grants | 591,729 | 748,967 |
| Special events revenue | 436,506 | 305,545 |
| Special event costs of direct benefits to donors | (133,375) | (127,533) |
| Loss from rental operations | (251,267) | (188,206) |
| Other income | 557,658 | 616,077 |
| Total Unrestricted Support and Revenue | 19,882,391 | 20,609,521 |
| Expenses: | | |
| Program services: | | |
| Mental health services | 4,235,453 | 4,316,011 |
| Runaway and homeless youth services | 2,737,625 | 3,046,052 |
| Family services | 3,423,736 | 3,564,216 |
| Services to the aged | 2,093,418 | 1,939,984 |
| Drug and alcohol services | 2,563,367 | 2,481,949 |
| Group home services | 206,125 | 220,532 |
| Independent living services | 598,687 | 620,610 |
| Adult and children and general counseling services | 407,862 | 515,074 |
| Crisis intervention and advocacy services | 87,027 | 123,710 |
| Volunteers | 1,688 | 3,635 |
| Total program services | 16,354,988 | 16,831,773 |
| Supporting services: | | |
| Management and general | 2,151,142 | 2,214,368 |
| Fundraising | 267,959 | 300,393 |
| Total supporting services | 2,419,101 | 2,514,761 |
| Services to other agencies | 2,099,286 | 2,799,580 |
| Total Expenses | 20,873,375 | 22,146,114 |
| Change in Unrestricted Net Assets before Transfer from Investments, Non-Operating Activities and Discontinued Operations | (990,984) | (1,536,593) |
| Transfer from Investments for Operations and Capital Expenditures | 500,000 | 500,000 |
| Change in Unrestricted Net Assets after Transfer for Operations and Capital Expenditures and before Non-Operating Activities and Discontinued Operations | (490,984) | (1,036,593) |

**FAMILY AND CHILDREN'S
ASSOCIATION, INC. AND AFFILIATE**

Combined Statements of Activities and Change in Net Assets (continued)

| <i>Years Ended December 31,</i> | 2011 | 2010 |
|---|----------------------|----------------------|
| Change in Unrestricted Net Assets from Non-Operating Activities: | | |
| Interest and dividend income, net of fees of \$68,053 and \$58,623, respectively | \$ 327,769 | \$ 275,446 |
| Net realized losses on sale of investments | (95,108) | (157,632) |
| Unrealized appreciation in fair market value of investments | (859,041) | 859,761 |
| Net assets released from restriction | 252,044 | 298,829 |
| Transfer from investments for operations and capital expenditures | (500,000) | (500,000) |
| Change in Unrestricted Net Assets from Non-Operating Activities | <u>(874,336)</u> | <u>776,404</u> |
| Change in Unrestricted Net Assets from Discontinued Operations: | | |
| (Loss) income from discontinued operations | (379,291) | 153,993 |
| Change in Unrestricted Net Assets | <u>(1,744,611)</u> | <u>(106,196)</u> |
| Change in Temporarily Restricted Net Assets: | | |
| Contributions | 10,000 | - |
| Net assets released from restriction | (252,044) | (298,829) |
| Change in Temporarily Restricted Net Assets | <u>(242,044)</u> | <u>(298,829)</u> |
| Change in Net Assets | (1,986,655) | (405,025) |
| Net Assets, beginning of year | 13,161,424 | 13,566,449 |
| Net Assets, end of year | <u>\$ 11,174,769</u> | <u>\$ 13,161,424</u> |

**FAMILY AND CHILDREN'S
ASSOCIATION, INC. AND AFFILIATE**

Combined Statements of Cash Flows

| <i>Years Ended December 31,</i> | 2011 | 2010 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ (1,986,655) | \$ (405,025) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 465,560 | 513,643 |
| (Gain) loss on sale of fixed assets | (1,612) | 46 |
| Decrease in allowance for doubtful accounts | 964 | 6,317 |
| Net realized and unrealized losses (gains) on investments | 954,149 | (702,129) |
| (Increase) decrease in operating assets: | | |
| Accounts receivable, net | (609,640) | (179,468) |
| Pledges receivable, net | 237,339 | 232,237 |
| Prepaid expenses and other current assets | 13,698 | 56,558 |
| Assets - discontinued operations | 162,041 | (361,796) |
| Other assets | (2,291) | 91,701 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | (116,597) | 526,004 |
| Refundable advances | 248,151 | 29,215 |
| Liabilities - discontinued operations | 357,510 | 121,641 |
| Other long-term liabilities | (872) | (1,232) |
| Net Cash Used in Operating Activities | (278,255) | (72,288) |
| Cash Flows from Investing Activities: | | |
| Purchase of property, plant and equipment | (134,768) | (187,355) |
| Proceeds from sale of fixed assets | 5,000 | - |
| Purchase of investments | (7,331,958) | (3,826,396) |
| Proceeds from the sale of investments | 7,555,759 | 4,398,752 |
| Net Cash Provided by Investing Activities | 94,033 | 385,001 |
| Cash Flows from Financing Activities: | | |
| Proceeds from notes payable | 355,371 | - |
| Payments on long-term debt | (157,366) | (147,314) |
| Net Cash Provided by (Used in) Financing Activities | 198,005 | (147,314) |
| Net Increase in Cash and Cash Equivalents | 13,783 | 165,399 |
| Cash and Cash Equivalents, beginning of year | 375,203 | 209,804 |
| Cash and Cash Equivalents, end of year | \$ 388,986 | \$ 375,203 |
| Supplemental Information: | | |
| Interest paid | \$ 157,982 | \$ 165,372 |

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

Notes to Combined Financial Statements

Years Ended December 31, 2011 and 2010

1. Description of Organization and Summary of Significant Accounting Policies

Nature of operations - Family and Children's Association, Inc. and Affiliate ("FCA" or the "Organization") is a New York State charitable not-for-profit organization established in 1998, following the merger of Family Services Association of Nassau County, Inc. with Children's House. The combined financial statements include the programs of its affiliate, Community Advocates Housing Development Fund Company, Inc. ("CAHD"), which operates a housing project in Roslyn Heights for low income families. All intercompany activities have been eliminated.

FCA provides a broad range of programs and services, which are designed to support families who are experiencing difficulties. Assistance is provided through professional counseling and through participation in community activities directed toward family well-being. The Organization works with other service providers and organizations to improve the well-being of its target population and to enhance the delivery and accessibility of programs through the greater Long Island region. Such programs include Mental Health Counseling, Family Support, Drug and Alcohol, Runaway and Homeless Youth Services, Crisis Intervention and Advocacy, Services to the Aged, as well as Independent Living Services and Group Homes.

Discontinued mental health clinic operations - In December 2011, the Organization's board approved a resolution to discontinue the operations of its Article 31 mental health clinics in West Hempstead and Roosevelt (the "Clinics") (see Note 16).

Basis of presentation - The combined financial statements have been prepared on the accrual basis.

Revenue recognition - The Organization derives its revenue from, among other sources, contracts and fees for service from federal, state and county (Nassau and Suffolk Counties) governments; contributions and grants from individuals and organizations; Long Island's United Way contributions; fundraising drives and rental income. Revenues from contracts are recorded as expenditures are made in accordance with the contracts.

Contributions - The Organization reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 combined statements of activities and change in net assets as net assets released from restrictions. Temporarily restricted contributions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in unrestricted net assets.

The Organization reports gifts of property, plant and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Net assets - The net assets of the Organization are reported as follows:

Unrestricted - Net assets which are not donor restricted and are available for general operations.

Temporarily restricted - Net assets which are limited by donor restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Organization.

Permanently restricted - Net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but generally permit the Organization to utilize earnings for unrestricted or temporarily restricted purposes.

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

Notes to Combined Financial Statements

Years Ended December 31, 2011 and 2010

Donated services and materials - A number of volunteers have donated significant amounts of their time in the Organization's program services and fundraising campaigns. The value of this contributed time is not reflected in the accompanying combined financial statements for the years ended December 31, 2011 and 2010, as it does not meet the criteria for recognition under generally accepted accounting principles.

Pledges (unconditional promises to give) - Pledges (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate applicable to the year in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments - Investments consist primarily of cash and cash equivalents, corporate stocks and bonds and mutual funds. Investments are carried at fair value except for investments in mutual funds that do not have readily determinable fair values. These investments are recorded at net asset value ("NAV") as reported by the fund managers, as a practical expedient to estimating fair value. The change in unrealized appreciation (depreciation) in the fair value of investments is reflected in the accompanying combined statements of activities and change in net assets.

Fair value - In accordance with Accounting Standards Codification ("ASC") 820, the Organization must determine whether its assets and liabilities recorded at fair value are valued based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements.

Property, plant and equipment, depreciation and amortization - Property, plant and equipment are stated at cost except for donated assets, which are recorded at fair value at the time of donation. The Organization capitalizes property and equipment with a cost of \$1,000 or higher, and a useful life of at least two years. Depreciation is provided using the straight-line method calculated over the estimated lives of the related assets, which range from 2 to 40 years. Amortization of leasehold improvements is provided over the shorter of their useful lives or the terms of the lease period using the straight-line method.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on various allocation factors.

Tax status - The Organization's income is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the New York State income tax laws, except for income not related to its tax-exempt purpose (revenue from certain rental income). No income taxes were incurred for the years ended December 31, 2011 and 2010.

Uncertain tax positions - Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax provisions that require adjustment to the combined financial statements to comply with the provisions of FASB Accounting Standards Codification No. 740. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2008, which is the standard statute of limitations look-back period.

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 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.

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

Notes to Combined Financial Statements

Years Ended December 31, 2011 and 2010

Cash and cash equivalents - The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less on the date of purchase to be cash equivalents, except for amounts held by investment managers, which are included in investments.

Allowance for doubtful accounts - Management must make estimates of uncollectability of accounts receivable. Management specifically analyzes accounts receivable, historical bad debts, current funding trends and changes in payment trends and rates when evaluating the adequacy of the allowance for doubtful accounts.

Evaluation of subsequent events - Management has evaluated subsequent events through May 25, 2012, the date the combined financial statements are available for issuance, for inclusion or disclosure in the combined financial statements.

Reclassifications - Certain 2010 amounts and descriptions have been reclassified to conform to the 2011 combined financial statement presentation. These reclassifications have no effect on previously reported changes in net assets.

2. Investments

Investments consist of the following:

| <i>December 31,</i> | 2011 | | 2010 | |
|---------------------------|----------------------|---------------------|----------------------|----------------------|
| | Cost | Market Value | Cost | Market Value |
| Cash and Cash Equivalents | \$ 1,280,685 | \$ 1,280,685 | \$ 2,306,721 | \$ 2,306,721 |
| Corporate Stocks | 3,751,123 | 3,591,576 | 4,515,162 | 5,003,226 |
| Corporate Bonds | 4,378,542 | 4,305,913 | 1,518,329 | 1,562,776 |
| Mutual Funds | 610,953 | 510,841 | 2,000,000 | 1,994,242 |
| | <u>\$ 10,021,303</u> | <u>\$ 9,689,015</u> | <u>\$ 10,340,212</u> | <u>\$ 10,866,965</u> |

The following represents unrealized (depreciation) appreciation in fair market value of investments:

| <i>Years Ended December 31,</i> | 2011 | 2010 |
|--|---------------------|-------------------|
| Unrealized Appreciation (Depreciation), beginning of year | \$ 526,753 | \$ (333,008) |
| Unrealized (Depreciation) Appreciation in Fair Market Value of Investments, during fiscal year | <u>(859,041)</u> | <u>859,761</u> |
| Unrealized (Depreciation) Appreciation, end of year | <u>\$ (332,288)</u> | <u>\$ 526,753</u> |

Interest and dividend income was approximately \$3,100 and \$392,700, respectively, for 2011 and \$3,000 and \$331,000, respectively, for 2010.

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

Notes to Combined Financial Statements

Years Ended December 31, 2011 and 2010

Fair value measurements - The following table presents information about the Organization's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2011 and 2010, and indicates the fair value hierarchy of the valuation techniques the Organization utilized to determine such fair value:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|-------------------------------------|--|---|
| Year Ended December 31, 2011 | | |
| Cash and Cash Equivalents | \$ 1,280,685 | \$ - |
| Corporate Stocks | 3,591,576 | - |
| Corporate Bonds | 4,305,913 | - |
| Mutual Funds | - | 510,841 |
| | \$ 9,178,174 | \$ 510,841 |
| Year Ended December 31, 2010 | | |
| Cash and Cash Equivalents | \$ 2,306,721 | \$ - |
| Corporate Stocks | 5,003,226 | - |
| Corporate Bonds | 1,562,776 | - |
| Mutual Funds | - | 1,994,242 |
| | \$ 8,872,723 | \$ 1,994,242 |

The following table provides detail for investments valued at NAV:

December 31, 2011

| Strategy | NAV per Share Range in Funds | No. of Funds | Fair Value | Redemption Terms | Redemption Restrictions |
|---------------------|---------------------------------|-----------------|-------------------|---------------------|----------------------------|
| Mutual Funds (a)(b) | \$10 - \$24 | 2 | \$ 510,841 | N/A | N/A |
| Total | | 2 | \$ 510,841 | | |

(a) Equity securities of foreign and domestic issuers principally engaged in gold-related activities and gold bullion. Focus on stocks that have favorable prospects for growth.

(b) Floating rate investments and economic equivalents which enable the fund to achieve a floating rate of income. It may invest in securities of any credit quality without limitation, including securities rated below investment grade.

The following table provides detail for investments valued at NAV:

December 31, 2010

| Strategy | NAV per Share Range in Funds | No. of Funds | Fair Value | Redemption Terms | Redemption Restrictions |
|------------------|---------------------------------|-----------------|---------------------|---------------------|----------------------------|
| Mutual Funds (a) | \$10 | 1 | \$ 1,994,242 | N/A | N/A |
| Total | | 1 | \$ 1,994,242 | | |

(a) Fixed income instruments including bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public or private-sector entities.

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

Notes to Combined Financial Statements

Years Ended December 31, 2011 and 2010

The Organization had no Level 3 investments at December 31, 2011 or 2010.

Reconciliation of Level 3 Assets for Year Ended December 31, 2010

| | | |
|---|----|-----------|
| Beginning Balance | \$ | 634,810 |
| Sales | | (643,007) |
| Realized Gain | | 8,197 |
| Net Change in Unrealized Appreciation from Assets Still Held at the Reporting Date | | - |
| Ending Balance | \$ | - |

3. Transfer from Investments

Annually, the board of trustees authorizes a transfer of a designated amount from investments to the Organization's operating account. This designated amount is identified in the Organization's annual budget in order to assist with operating expenses, and is at the discretion of management and the board of trustees.

4. Scholarship Fund

The Organization's scholarship fund consists of restricted cash, included in other assets, and board designated funds, which together represent an endowment for scholarships.

Interpretation of relevant law - The spending of endowment funds by a not-for-profit corporation in the State of New York was governed by the Uniform Management of Institutional Funds Act ("UMIFA"), as enacted in 1978, until September 17, 2010, when the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Organization has interpreted NYPMIFA as requiring the preservation of the original value of a gift for gifts received prior to September 17, 2010, absent donor stipulations to the contrary, and for post September 17, 2010 gifts, as allowing the Organization to appropriate for expenditure or accumulate earnings as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the Organization has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. 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.

Spending policy - The Organization may spend earnings from the scholarship fund annually to provide scholarships.

Endowment investment policy - The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of returns that can be utilized to fund scholarships while seeking to maintain the purchasing power of the endowment assets.

Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve investment returns that are competitive versus pools of assets of similar nature and circumstances.

FAMILY AND CHILDREN'S ASSOCIATION, INC. AND AFFILIATE

Notes to Combined Financial Statements

Years Ended December 31, 2011 and 2010

The following presents the composition of endowment net assets by fund type:

| <i>December 31,</i> | 2011 | | 2010 | |
|----------------------------------|--------------|------------------------|--------------|------------------------|
| | Unrestricted | Permanently Restricted | Unrestricted | Permanently Restricted |
| Board Designated Endowment Funds | \$ 224,805 | \$ - | \$ 224,519 | \$ - |
| Donor Restricted Endowment Funds | - | 182,333 | - | 182,333 |

The changes in endowment net assets were as follows:

| <i>Years Ended December 31,</i> | 2011 | | 2010 | |
|---------------------------------------|-------------------|------------------------|-------------------|------------------------|
| | Board Designated | Permanently Restricted | Board Designated | Permanently Restricted |
| Net Assets, beginning of year | \$ 224,519 | \$ 182,333 | \$ 224,102 | \$ 182,333 |
| Investment Income (Loss) | 286 | (11,788) | 417 | 16,402 |
| Appropriated | - | - | - | (16,402) |
| Transfer from Unrestricted Net Assets | - | 11,788 | - | - |
| Net Assets, end of year | <u>\$ 224,805</u> | <u>\$ 182,333</u> | <u>\$ 224,519</u> | <u>\$ 182,333</u> |

5. Pledges Receivable

Pledges receivable consist of the following:

| <i>December 31,</i> | 2011 | 2010 |
|--|------------------|-------------------|
| Unconditional Promises to Give before Discount | \$ 17,500 | \$ 255,000 |
| Less Unamortized Discount | 62 | 223 |
| Net Unconditional Promises to Give | <u>\$ 17,438</u> | <u>\$ 254,777</u> |
| Amounts Due In: | | |
| Less than one year | \$ 12,500 | \$ 245,000 |
| One to five years | 4,938 | 9,777 |
| | <u>\$ 17,438</u> | <u>\$ 254,777</u> |

Discount rates used to calculate the net present value of the pledges ranged from .83% to 1.52%.

6. Property, Plant and Equipment, Net

Property, plant and equipment, net, consists of the following:

| <i>December 31,</i> | 2011 | 2010 |
|---|---------------------|---------------------|
| Land | \$ 762,782 | \$ 762,782 |
| Building and Improvements | 8,347,286 | 8,271,580 |
| Furniture and Equipment | 3,821,326 | 3,760,782 |
| Vehicles | 708,584 | 720,732 |
| Construction In Progress | - | 5,400 |
| | <u>13,639,978</u> | <u>13,521,276</u> |
| Accumulated Depreciation and Amortization | 8,104,598 | 7,651,716 |
| | <u>\$ 5,535,380</u> | <u>\$ 5,869,560</u> |

Total depreciation and amortization expense for the years ended December 31, 2011 and 2010 was approximately \$466,000 and \$514,000, respectively, including approximately \$62,000 and \$63,000 of depreciation expense that has been offset against income from rental operations in each of the years ended 2011 and 2010.