

**PEOPLE RESPONDING IN
SOCIAL MINISTRY**

FINANCIAL STATEMENTS

**For the Years Ended
January 31, 2011 and 2010**

People Responding in Social Ministry

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For the Years Ended January 31, 2011 and 2010

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Independent Auditor's Report

To The Board of Trustees
People Responding in Social Ministry
Golden Valley, Minnesota

We have audited the accompanying statements of financial position of People Responding in Social Ministry (a Minnesota nonprofit organization) as of January 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years 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 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 financial statements referred to above present fairly, in all material respects, the financial position of People Responding in Social Ministry as of January 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.

Boeckermann Grafstrom & Mayer, LLC

BOECKERMANN GRAFSTROM & MAYER, LLC
Certified Public Accountants

Minneapolis, Minnesota
June 28, 2011

People Responding in Social Ministry

Statements of Financial Position

January 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 66,598	\$ 133,334
Accounts Receivable	59,198	51,035
Unconditional Promises to Give	4,500	2,000
Auto Shop Receivables, Net of Allowance for Doubtful Accounts of \$900 in 2011 and \$250 in 2010	10,328	2,319
Ways to Work Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2011 and \$900 in 2010	0	3,597
PRISM Family Car Loans Receivable, Net of Allowance for Doubtful Accounts of \$5,100 in 2011 and \$11,000 in 2010	28,763	62,264
Prepaid Expenses	5,245	5,245
Inventory	<u>278,158</u>	<u>292,605</u>
 Total Current Assets	 <u>\$ 452,791</u>	 <u>\$ 552,399</u>
PROPERTY AND EQUIPMENT		
Furniture and Fixtures	\$ 149,549	\$ 148,349
Vehicles	397,233	334,320
Leasehold Improvements	<u>247,468</u>	<u>245,848</u>
 Total Property and Equipment	 <u>\$ 794,250</u>	 <u>\$ 728,517</u>
Accumulated Depreciation	<u>(604,311)</u>	<u>(525,638)</u>
 Net Property and Equipment	 <u>\$ 189,939</u>	 <u>\$ 202,879</u>
OTHER ASSETS		
Deposits	\$ 7,623	\$ 7,623
Unconditional Promises to Give	0	5,000
Investments	<u>47,870</u>	<u>6,577</u>
 Total Other Assets	 <u>\$ 55,494</u>	 <u>\$ 19,200</u>
 TOTAL ASSETS	 <u><u>\$ 698,223</u></u>	 <u><u>\$ 774,478</u></u>

See Accompanying Notes to the Financial Statements

People Responding in Social Ministry
Statements of Activities
For the Years Ended January 31, 2011 and 2010

	2011			2010
	Unrestricted	Temporarily Restricted	Totals	Totals
SUPPORT AND REVENUE				
Support				
Member Churches	\$ 96,959	\$ 1,906	\$ 98,865	\$ 102,480
Other Churches	4,019	0	4,019	9,112
Corporations and Foundations	201,298	201,955	403,253	285,851
Organizations	24,743	48,044	72,787	86,857
Individuals	317,212	8,175	325,387	238,032
Ride Donations	0	135,948	135,948	47,305
Other Donations	7,006	1,796	8,802	12,277
In-Kind Contributions	842,519	937,354	1,779,873	1,573,071
Special Event Contributions	79,618	0	79,618	85,865
Total Support	<u>\$ 1,573,375</u>	<u>\$ 1,335,178</u>	<u>\$ 2,908,553</u>	<u>\$ 2,440,850</u>
Grants from Governmental Agencies				
Metropolitan Council Grants	\$ 0	\$ 207,642	\$ 207,642	\$ 198,486
Municipal Grants	17,600	4,500	22,100	1,000
FEMA Grants	0	16,091	16,091	26,700
Total Grants	<u>\$ 17,600</u>	<u>\$ 228,233</u>	<u>\$ 245,833</u>	<u>\$ 226,186</u>
Revenue				
Thrift Shop Revenue	\$ 30,258	\$ 20	\$ 30,278	\$ 21,258
Auto Shop Revenue	301,025	0	301,025	357,819
Family Car Revenue	737	30,275	31,012	48,247
Miscellaneous Income	17,445	0	17,445	12,296
Investment Income (Loss)	1,517	0	1,517	1,731
Total Revenue	<u>\$ 350,982</u>	<u>\$ 30,295</u>	<u>\$ 381,277</u>	<u>\$ 441,351</u>
Net Assets Released from Restrictions	<u>\$ 1,584,637</u>	<u>\$ (1,584,637)</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 3,526,594</u>	<u>\$ 9,069</u>	<u>\$ 3,535,663</u>	<u>\$ 3,108,387</u>
EXPENSES				
Program Services	\$ 3,385,154	\$ 0	\$ 3,385,154	\$ 3,009,111
Management and General	56,752	0	56,752	50,528
Fundraising	127,726	0	127,726	114,775
TOTAL EXPENSES	<u>\$ 3,569,632</u>	<u>\$ 0</u>	<u>\$ 3,569,632</u>	<u>\$ 3,174,414</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (43,038)</u>	<u>\$ 9,069</u>	<u>\$ (33,969)</u>	<u>\$ (66,027)</u>
BEGINNING NET ASSETS	<u>77,497</u>	<u>408,466</u>	<u>485,963</u>	<u>551,990</u>
ENDING NET ASSETS	<u><u>\$ 34,459</u></u>	<u><u>\$ 417,535</u></u>	<u><u>\$ 451,994</u></u>	<u><u>\$ 485,963</u></u>

See Accompanying Notes to the Financial Statements

People Responding in Social Ministry
Statements of Functional Expenses
For the Years Ended January 31, 2011 and 2010

	2011			2010	
	Program Services	Management and General	Fund Raising	Total	Totals
EXPENSES					
Personnel Expenses					
Salaries	\$ 768,972	\$ 26,122	\$ 21,225	\$ 816,319	\$ 708,854
Payroll Taxes	56,867	1,932	1,569	60,368	52,183
Employee Benefits	59,986	2,038	1,655	63,679	56,302
Total Personnel Expenses	\$ 885,825	\$ 30,092	\$ 24,449	\$ 940,366	\$ 817,339
Donated Toys and Other	147,302	0	0	147,302	58,074
Donated Food	1,042,155	0	0	1,042,155	921,434
Donated Clothing and Household Goods	429,600	0	0	429,600	401,844
Food Purchases	25,812	0	0	25,812	8,856
Toys and School Supplies	0	0	0	0	210
Specific Assistance	13,136	0	0	13,136	21,300
Supplies	21,660	461	757	22,878	8,249
Telephone	17,266	3,369	421	21,056	19,869
Postage and Shipping	3,402	189	5,860	9,451	6,714
Occupancy Costs	178,292	3,197	6,582	188,071	201,766
Printing and Copying	6,364	2,745	3,369	12,478	17,233
Insurance	11,712	210	432	12,354	11,046
Professional Services	26,234	6,518	6,397	39,149	50,658
Contract Services	28,145	0	0	28,145	17,290
Equipment Rental and Repair	1,762	60	49	1,871	6,749
Transportation Expense	159,934	0	0	159,934	123,110
Fund Raising	0	0	44,079	44,079	53,388
Membership Dues	14,041	936	3,744	18,721	10,264
Miscellaneous	20,146	6,411	620	27,176	25,225
Interest	6,144	63	63	6,270	5,294
Family Car and Ways to Work Expenses	27,316	0	0	27,316	52,760
Auto Shop Expenses	172,680	0	0	172,680	177,185
Bad Debts	66,382	0	0	66,382	55,694
Advertising	6,915	692	26,970	34,577	6,281
Total Expenses Before Depreciation	\$ 3,312,224	\$ 54,943	\$ 123,791	\$ 3,490,959	\$ 3,077,832
Depreciation	72,930	1,809	3,934	78,673	96,582
TOTAL FUNCTIONAL EXPENSES	\$ 3,385,154	\$ 56,752	\$ 127,726	\$ 3,569,632	\$ 3,174,414

See Accompanying Notes to the Financial Statements

People Responding in Social Ministry Statements of Cash Flows

For the Years Ended January 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (33,969)	\$ (66,027)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	78,673	96,582
Net Realized/Unrealized (Gains) Losses	(41,293)	(1,335)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(8,163)	14,274
Unconditional Promises to Give	2,500	2,000
Auto Shop Receivable	(8,010)	3,261
Ways to Work Receivable	3,597	10,660
PRISM Family Car Loans Receivable	33,501	13,104
Prepaid Expense	0	9,967
Inventories	14,447	(17,972)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	27,243	5,095
Accrued Expenses	(5,874)	9,943
Deferred Revenue	19,818	7,620
	<u>82,468</u>	<u>87,172</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>82,468</u>	\$ <u>87,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$ (65,733)	\$ (109,742)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Long-Term Debt	\$ (77,583)	\$ (78,154)
Payments of Capital Lease Obligations	<u>(5,888)</u>	<u>(871)</u>
NET CASH USED BY FINANCING ACTIVITIES	\$ <u>(83,471)</u>	\$ <u>(79,025)</u>
NET DECREASE IN CASH	\$ (66,736)	\$ (101,595)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>133,334</u>	<u>234,929</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 66,598</u>	<u>\$ 133,334</u>

See Accompanying Notes to the Financial Statements

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

NOTE 1: NATURE OF ORGANIZATION

People Responding in Social Ministry (the Organization) is incorporated under the laws of the state of Minnesota as a nonprofit corporation. The Organization offers support-based programming with emergency services supported by communities of faith, schools, local governments, businesses, community groups, foundations, and individuals.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and are presented in accordance with the Financial Accounting Standards Board's Statement of Financial Accounting Standards (SFAS) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*. SFAS ASC 958-205 requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Assets accumulated and resources received and expended by the Organization are either unrestricted as to use or purpose or restricted by the donor for a particular purpose. Permanently restricted net assets account for donations restricted for specific purposes whereby the restriction does not expire. Temporarily restricted net assets represents contributions to the Organization whose use is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled by expending the funds for their restricted purpose. As of January 31, 2011 and 2010, the Organization had not received any permanently restricted gifts.

The Organization has chosen to report contributions with donor imposed restrictions that are met in the same reporting period they are received as temporarily restricted contributions with an accompanying reclassification for net assets released from restrictions.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
USE OF ACCOUNTING ESTIMATES (Continued)**

Accounts Receivable

The Organization utilizes the reserve method to account for bad debts. The allowance is calculated based on the best estimate of management. Accounts and other receivables are presented net of allowances for bad debts of \$6,000 and \$12,100 for the years ended January 31, 2011 and 2010, respectively. Accounts receivable are due upon invoice. Loan receivable payments are due every 30 days from the date of the loan. Accounts are written off at the discretion of management after all efforts to collect have been exhausted. For the years ended January 31, 2011 and 2010, bad debt expense was \$66,382 and \$55,694, respectively.

Inventory

Inventory consists of food, clothing, toys, autos, and other items donated by various contributors and is reflected in the financial statements at \$2 per pound for food, \$4 per pound for clothing, a range of \$4-\$25 for toys depending on size, and estimated fair market value for autos.

Investments

Investments are stated at the readily determinable fair market value in accordance with SFAS ASC 958-320, *Investments Debt and Equity Securities*.

Unrealized and realized gains and losses are included in the statements of activities.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided on the straight-line method over an estimated useful life of three to five years. Contributed items are recorded at fair market value at the date of the contribution. Maintenance and repairs of property and equipment are charged to operations, and major repairs are capitalized.

Donated Materials and Services

Donated materials are reflected as contributions in the financial statements at their estimated fair values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

For the years ended January 31, 2011 and 2010, the Organization received \$16,563 in contributed services meeting the requirements for recognition in the financial statements. Total volunteer service hours not meeting the requirements for recognition in the financial statements were 33,770 and 33,721 for the years ended January 31, 2011 and 2010, respectively.

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
USE OF ACCOUNTING ESTIMATES (Continued)**

Tax Exempt Status

The Organization was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and the comparable section of the Minnesota Income tax Statutes. The Organization is not classified as a private foundation and contributions by donors are tax deductible.

The income received by the Organization is exempt from taxation under Section 501(a) of the Internal Revenue Code. The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Organization's adopted this new guidance for the year ended January 31, 2010. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financials statements to comply with the provision of this guidance. The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before January 31, 2008.

Functional Expenses

The expenses included in the accompanying statements of functional expenses were allocated to, or specifically identified with, the various functions as follows:

Salaries and related expenses - based on job descriptions and management's estimate of where time was expended.

Other expenses - based on the best estimates of management.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$34,576 and 6,281 for the years ended January 31, 2011 and 2010, respectively.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown in the restricted net assets. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Unemployment Compensation

The Organization has elected to self-insure unemployment tax claims. Any amounts incurred will be recorded as expense when payable.

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES (Continued)

Subsequent Events

In determining required financial statement disclosures, the Company has evaluated subsequent events through June 28, 2011, the date which the financial statements were available to be issued. The Company determined that there were no subsequent events that met the criteria for disclosure.

NOTE 3: CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITED IN EXCESS OF INSURED LIMITS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization maintains its cash balances at two financial institutions. These institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Accounts at other institutions may be privately insured. On October 3, 2008, the FDIC deposit insurance temporarily increased the FDIC limits. Through December 31, 2013, amounts are generally insured at \$250,000 or more. At January 31, 2011 and 2010, no amounts were in excess of \$250,000.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable as of January 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Grants	\$ 60,653	\$ 31,166
Northwest Hennepin Human Services Council	2,450	11,027
Families Moving Forward	0	4,990
Other	<u>(3,905)</u>	<u>3,852</u>
Total	<u>\$ 59,198</u>	<u>\$ 51,035</u>

The receivables from Northwest Hennepin Human Services Council (NWHHSC) are for reimbursement of disbursements made under an emergency financial assistance loan program in which the Organization performs the case management and administrative activities in providing emergency loans to clients. The Organization is reimbursed for such disbursements by NWHHSC. The total disbursements made by the Organization for the years ended January 31, 2011 and 2010 were \$73,215 and \$96,200, respectively. The total families served by this program in the years ended January 31, 2011 and 2010 were 120 and 126, respectively.

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

NOTE 5: PROMISES TO GIVE RECEIVABLE

Unconditional promises to give receivable at January 31, 2011 and 2010 are measured at face value. Collection of receivables is expected as follows:

	<u>2011</u>	<u>2010</u>
Due in One Year Grants	\$ 1,500	\$ 2,000
Due in Two to Four Years	<u>3,000</u>	<u>5,000</u>
Total Promises to Give Receivable	<u>\$ 4,500</u>	<u>\$ 7,000</u>

NOTE 6: INVENTORY

Inventory as of January 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Food	\$ 141,244	\$ 57,668
Toys and Other	42,022	82,987
Clothing and Household Items	32,552	60,648
Vehicles	62,340	88,456
Auto Shop Parts	<u>0</u>	<u>2,846</u>
Total	<u>\$ 278,158</u>	<u>\$ 292,605</u>

NOTE 7: INVESTMENTS

Investment return consists of dividend income of \$3,000 and net realized and unrealized gain of \$8,278 for the year ended January 31, 2011.

Investments are stated at fair value. Investments consist of the following at January 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Inland American Real Estate Trust	\$ 39,467	\$ 0
Opportunity Fund	7,259	6,577
Other	<u>1,144</u>	<u>0</u>
Total	<u>\$ 47,870</u>	<u>\$ 6,577</u>

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Organization adopted FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis. FASB ASC 820-10 requires new disclosure that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at January 31, 2011 and 2010.

IRA accounts: Primarily valued at quoted market prices of underlying investments less administration fees.

The IRA accounts have Real Estate Investment Trusts that are sold on limited secondary market.

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	2011			
	Total	Level 1	Level 2	Level 3
Available for Sale Securities				
Inland American Real Estate Trust	\$ 39,467	\$ 0	\$ 39,467	\$ 0
Opportunity Fund	7,259	0	7,259	0
Other	1,144	0	1,144	0
	<u>47,870</u>	<u>\$ 0</u>	<u>47,870</u>	<u>\$ 0</u>
	2010			
	Total	Level 1	Level 2	Level 3
Available for Sale Securities				
Opportunity Fund	\$ 6,577	\$ 0	\$ 6,577	\$ 0

NOTE 9: WAYS TO WORK, INC. LOAN RESERVE

During the year ended January 31, 2009, the Organization entered into a banking relationship with Ways to Work, Inc. This banking relationship is an expansion of the agreement that the Organization entered into with Ways to Work, Inc. in 2004, that calls for the Organization to solicit, process, and service small loans to non-credit worthy, low-income families in accordance with the Ways to Work, Inc. loan system program. Prior to May 2008, the Organization financed these loans to low-income working families. As of May 2008, Ways to Work, Inc. finances these loans. These loans are used by the families to acquire vehicles generally from the Organization.

The Organization is required to purchase any defaulted loans issued through this program from Ways to Work, Inc. A defaulted loan is considered to be any borrower who is accumulatively past due for 120 days. Since 1999, the Organization has experienced defaults ranging from 3% to 14% in the car ownership loan programs financed internally by the Organization. Ways to Work, Inc. requires the Organization to maintain a loan reserve of \$20,000.

As of January 31, 2011 and 2010, there were \$227,417 and \$175,812, respectively, of loans outstanding under this program.

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

NOTE 10: LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2011</u>	<u>2010</u>
Note payable to Ways to Work, Inc., paid in full during the year ended January 31, 2011.	\$ 0	\$ 60,000
Note payable to Westpark Center, bearing interest at prime (3.25% at January 31, 2011) with monthly installments of interest only until July 2006. Starting July 2006, monthly installments include principal of \$1,150 plus applicable interest. Unsecured.	<u>74,181</u>	<u>91,765</u>
Total	\$ 74,181	\$ 151,765
Less Current Maturities	<u>18,134</u>	<u>77,555</u>
Total Long-Term Debt, Less Current Maturities	<u>\$ 56,047</u>	<u>\$ 74,210</u>

The aggregate annual maturities of long-term debt at January 31, 2011 was as follows:

<u>Year Ending January 31,</u>	<u>Amount</u>
2012	\$ 18,134
2013	18,733
2014	19,350
2015	<u>17,964</u>
	<u>\$ 74,181</u>

NOTE 11: LINE OF CREDIT

The Organization entered into a revolving credit line agreement with M&I Bank for \$100,000. The credit line is secured by all business assets. Interest accrues at prime rate plus 0.25% (prime rate was 3.25% at January 31, 2011). The line was renewed in June, 2011 and will expire June, 2012.

At January 31, 2011, no amounts were outstanding under this agreement.

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

NOTE 12: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2011</u>	<u>2010</u>
Food, Toys, Clothing, and Other	\$ 215,818	\$ 204,149
PRISM Express Vehicles	139,377	115,861
Project Family Car	<u>62,340</u>	<u>88,456</u>
Total Temporarily Restricted Net Assets	<u>\$ 417,535</u>	<u>\$ 408,466</u>

NOTE 13: IN KIND CONTRIBUTIONS

The Organization records in kind contributions of property and equipment at fair market value at the date of the donation, food at \$2 per pound, clothing and household items at \$4 per pound, toys are valued at various amounts depending on size, and vehicles are valued at a percentage of the estimated fair market value. In kind contributions are reflected as support when received and as expenses when distributed. The following in kind contributions were received for the year ended 2011:

	<u>Value</u>	<u>Amount</u>
Food	\$ 1,019,362	509,681 lbs
Clothing and Household Items	438,192	109,548 lbs
Toys and Other	176,018	Var. items
Vehicles	<u>146,301</u>	90 vehicles
Total	<u>\$ 1,779,873</u>	

The following in kind contributions were received for the year ended 2010:

	<u>Value</u>	<u>Amount</u>
Food	\$ 887,994	443,997 lbs
Clothing and Household Items	400,292	100,073 lbs
Toys and Other	133,773	Var. items
Vehicles	<u>151,012</u>	154 vehicles
Total	<u>\$ 1,573,071</u>	

People Responding in Social Ministry
Notes to the Financial Statements
For the Years Ended January 31, 2011 and 2010

NOTE 14: LEASE OBLIGATIONS

The Organization leases office space under a written operating lease agreement, amended September 29, 2009, expiring April 30, 2015. The lease contains a 120-day termination clause and calls for monthly rental payments of \$13,111 plus the Organization's share of operating expenses for the term of the lease.

Rent expense under the lease for the years ended January 31, 2011 and 2010 was \$147,825 and \$160,951, respectively.

The following is a schedule of future minimum lease payments under operating leases:

<u>Year Ending January 31,</u>	<u>Amount</u>
2012	\$ 90,855
2013	90,855
2014	90,855
2015	<u>22,713</u>
Total Minimum Future Lease Payments	<u>\$ 295,278</u>

The Organization leases some office equipment under various capital lease agreements expiring through 2015.

The following is a schedule by year of future minimum lease payments required under the capital leases:

<u>Year Ending January 31,</u>	<u>Amount</u>
2012	\$ 5,888
2013	5,888
2014	5,888
2015	<u>4,687</u>
Total Lease Commitment	\$ 22,351
Less Current Portion	<u>5,888</u>
Total Obligations Under Capital Leases, Less Current Portion	<u>\$ 16,463</u>

Total lease expense was \$5,888 and \$871 for the years ended January 31, 2011 and 2010, respectively. Total property under capital leases was \$29,109. For the years ended January 31, 2011 and 2010, depreciation expense was \$5,822 and \$1,455, respectively, accumulated depreciation was \$7,277 and \$1,455, respectively, and interest expense under the capital leases was \$0.

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NOTE 15: SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization provides services within the Twin Cities area. The amounts due for services provided are from third-party payers, all of which are local residents.

NOTE 16: SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

The following amounts were paid during the years for:

	<u>2011</u>	<u>2010</u>
Interest	<u>\$ 6,270</u>	<u>\$ 5,294</u>

In the fiscal years ended January 31, 2011 and 2010, the Organization acquired capital lease equipment. The equipment had a value of \$29,109.