

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Boys & Girls Clubs of Central Oregon, Inc.
Redmond, Oregon

We have audited the accompanying statement of financial position of the Boys & Girls Clubs of Central Oregon, Inc. (a nonprofit organization), as of December 31, 2010, and the related statements of activities, functional expenses 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 December 31, 2009, financial statements and, in our report dated November 15, 2010, we expressed an unqualified opinion on those financial statements.

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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 the Boys & Girls Clubs of Central Oregon, Inc., as of December 31, 2010, and 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.

Harrigan Price Fronk & Co. LLP

July 20, 2011

FINANCIAL STATEMENTS

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 110,106	\$ 133,433
Investments	46,484	41,680
Beneficial interest in lead trust, current portion	5,751	5,566
Other assets	<u>4,925</u>	<u>476</u>
TOTAL CURRENT ASSETS	167,266	181,155
FIXED ASSETS, net of accumulated depreciation	97,449	96,272
BENEFICIAL INTEREST IN LEAD TRUST, net of current portion	<u>37,324</u>	<u>42,895</u>
TOTAL ASSETS	<u>\$ 302,039</u>	<u>\$ 320,322</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,466	\$ 13,783
Payroll and payroll taxes payable	25,225	25,643
Other accrued expenses	2,310	10,178
Current portion of long-term debt	<u>14,400</u>	<u>8,700</u>
TOTAL CURRENT LIABILITIES	49,401	58,304
Scholarships payable	43,603	32,228
Long-term debt, net current portion	<u>22,750</u>	<u>32,900</u>
TOTAL LIABILITIES	<u>115,754</u>	<u>123,432</u>
NET ASSETS		
Unrestricted	98,831	106,749
Temporarily restricted	43,075	48,461
Permanently restricted	<u>44,379</u>	<u>41,680</u>
TOTAL NET ASSETS	<u>186,285</u>	<u>196,890</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 302,039</u>	<u>\$ 320,322</u>

See notes to financial statements

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR DECEMBER 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
SUPPORT AND REVENUE					
Contributions	\$ 582,146	\$	\$	\$ 582,146	\$ 866,407
Change in value of split-interest agreement	1,434			1,434	1,614
Grants	87,319			87,319	97,842
Special events, net	17,098			17,098	
Member dues and other fees	278,719			278,719	258,031
In-kind contributions	22,240			22,240	57,584
Donated use of facilities	191,052			191,052	219,780
Investment income	1,123		4,804	5,927	10,297
Bingo, net	12,924			12,924	14,124
Other income	19,125			19,125	35,967
Net assets, released from restrictions	7,491	(5,386)	(2,105)		
	<u>1,220,671</u>	<u>(5,386)</u>	<u>2,699</u>	<u>1,217,984</u>	<u>1,561,646</u>
EXPENSES AND LOSSES					
Program services					
Youth services	995,158			995,158	1,033,143
Support services					
Fundraising	24,572			24,572	24,158
Management and general	208,859			208,859	213,189
Special events, net					4,284
	<u>1,228,589</u>			<u>1,228,589</u>	<u>1,274,774</u>
CHANGE IN NET ASSETS	(7,918)	(5,386)	2,699	(10,605)	286,872
NET ASSETS - Beginning of period	<u>106,749</u>	<u>48,461</u>	<u>41,680</u>	<u>196,890</u>	<u>(89,982)</u>
NET ASSETS - End of period	\$ <u>98,831</u>	\$ <u>43,075</u>	\$ <u>44,379</u>	\$ <u>186,285</u>	\$ <u>196,890</u>

See notes to financial statements

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	Program Services	Support Services		Total Expenses 2010		Total Expenses 2009	
	Youth Services	Fundraising	Management and General	Amount	%	Amount	%
Awards and recognition	\$ 2,760	\$ 68	\$ 579	\$ 3,407	0.3 %	\$ 6,392	0.5 %
Bank charges	3,891	96	817	4,804	0.4	5,230	0.4
Depreciation	8,368	207	1,756	10,331	0.8	11,834	0.9
Dues and subscriptions	12,563	310	2,637	15,510	1.3	14,495	1.1
In-kind expenses	15,101	373	3,169	18,643	1.5	54,143	4.1
Insurance	15,524	383	3,258	19,165	1.6	13,073	1.0
Interest and investment expense	323	8	68	399	0.0	3,605	0.3
Marketing	3,681	91	773	4,545	0.4	8,862	0.7
Occupancy	181,191	4,474	38,027	223,692	18.2	272,582	21.8
Office expenses	8,656	214	1,816	10,686	0.9	9,460	0.7
Outside services	33,220	820	6,972	41,012	3.3	15,443	1.3
Personnel	572,621	14,139	120,180	706,940	57.5	754,891	59.5
Professional fees	38,844	959	8,152	47,955	3.9	46,096	3.5
Program supplies	37,611	929	7,893	46,433	3.8	4,998	0.4
Repairs and maintenance	35,311	872	7,411	43,594	3.5	33,810	2.6
Telephone and internet	9,651	238	2,026	11,915	1.0	5,617	0.4
Travel, transportation and lodging	15,842	391	3,325	19,558	1.6	9,959	0.8
	<u>\$ 995,158</u>	<u>\$ 24,572</u>	<u>\$ 208,859</u>	<u>\$ 1,228,589</u>	<u>100.0 %</u>	<u>\$ 1,270,490</u>	<u>100.0 %</u>
Percentage of Total Expenses	<u>81.0%</u>	<u>2.0%</u>	<u>17.0%</u>	<u>100.0%</u>			

See notes to financial statements

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (10,605)	\$ 286,872
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	10,331	11,834
Donated fixed assets	(1,100)	(12,400)
Loss (gain) on sale of investments	(557)	1,859
Unrealized gain on investments	(4,107)	(9,497)
Change in operating assets and liabilities		
Grants receivable		19,022
Beneficial interest in lead trust	5,386	5,212
Other assets	(4,449)	1,049
Accounts payable	(6,317)	(33,776)
Payroll and payroll taxes payable	(418)	(35,556)
Other accrued expenses	(7,868)	(7,239)
Scholarship payable	11,375	12,228
	(8,329)	239,608
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bank overdraft		(27,245)
Proceeds from long-term borrowings	5,000	
Payment on long-term borrowings	(10,990)	(6,800)
Net payments on line of credit		(72,130)
	(5,990)	(106,175)
NET CASH USED IN FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(9,008)	
	(9,008)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,327)	133,433
CASH AND CASH EQUIVALENTS - Beginning of period	133,433	
	133,433	
CASH AND CASH EQUIVALENTS - End of period	\$ 110,106	\$ 133,433

See notes to financial statements

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Boys & Girls Clubs of Central Oregon, Inc. (the Organization), is a nonprofit organization whose mission is “ To enable all young people, especially those who need us most, to reach their full potential as young, caring, responsible citizens”. The Organization operated four youth centers in central Oregon to provide educational and recreational activities to youth ages six through eighteen. In prior years the Organization operated as many as eight centers. The Organization is a member of the Boys & Girls Clubs of America. Support and revenues are generated primarily from grants, contributions and fees.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting wherein revenues are recognized when earned and expenses are recorded when incurred.

Financial Statement Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations which require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and all short-term securities with an original maturity of 90 days or less.

Investments

Investments are carried at fair market value. Donated investments usually consist of stock where the fair market value on date of receipt is determined based on quoted market prices. In the absence of donor stipulations, donated investments may be sold immediately to generate cash for operations. Investment income is recognized when received and classified as unrestricted, unless restricted by the donor. Gains and losses are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by the donor.

Investments of \$46,484 and \$41,680 at December 31, 2010, and December 31, 2009, respectively, of marketable securities in an endowment fund held by The Oregon Community Foundation.

Accounting principles generally accepted in the United States of America established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under are described as follows.

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments – Continued

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

The fair value was calculated and provided by The Oregon Community Foundation, a Level 2 input source.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$4,545 and \$8,862 for the year ended December 31, 2010, and December 31, 2009, respectively.

Fixed Assets

Fixed assets are recorded at cost or fair market value on date of receipt, if donated and are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	3-7 years
Vehicles	5 years
Leasehold improvements	3-15 years

Fixed assets with a cost or fair value of less than \$1,000 are expensed when acquired.

If donors stipulate how long or for which youth center the donated fixed assets must be used, the contributions are recorded as temporarily restricted support when received. In the absence of such stipulations, contributions of fixed assets are recorded as unrestricted support.

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions

Under accounting standards generally accepted in the United States of America, all contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes or specific youth centers are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires (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. Donor-restricted contributions and restricted grants whose restrictions are met in the same reporting period are reported as unrestricted support. Most pledges received by the Organization are not considered unconditional promises to give and have not been accrued.

Contributed Services

The Organization recognizes in-kind contribution revenue for certain services received at the fair value of those services. Services recognized are those that would typically need to be purchased by the Organization if they had not been contributed, require specialized skill and are provided by individuals with those skills.

Donated Use of Facilities and Equipment

Contributions of the use of facilities and equipment and the related occupancy or rental expense are recognized when the facilities and equipment are used.

Member Dues

Member dues of \$25 are collected for the membership year which starts on September 1 and ends on August 31. Member dues are recorded as unrestricted revenues when received. Member scholarships are awarded based on need.

Functional Allocation of Expenses

The cost of providing the youth programs and other activities has been summarized on a functional basis in the statement of activities.

Costs are allocated between fundraising, management and general, or program services based on evaluations of the related benefits in accordance with accounting principles generally accepted in the United States of America for non-profit organizations.

Program expenses consist of all expenses paid for operating each of the youth centers. Management and general expenses include oversight, business management, general recordkeeping, budgeting and other such management and administrative activities that support the youth centers and overall organization. Fundraising expenses include the cost of publicizing and conducting fundraising events,

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses – Continued

writing grant applications and conducting other activities to solicit contributions from individuals and other organizations.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities for the year ended December 31, 2010. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's prior year financial statements from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

NOTE 2 – STATEMENT OF CASH FLOWS – SUMMARY OF NON-CASH AND OTHER ITEMS

Cash and cash equivalents for purposes of the statement of cash flows consist of cash on hand and demand deposits.

The Organization paid no interest or income taxes during the year ended December 31, 2010. The Organization paid \$3,000 in interest and no income taxes during the year ended December 31, 2009.

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 3 – FIXED ASSETS

Fixed assets at December 31, 2010, and 2009 consist of:

	2010	2009
Equipment and furniture	\$ 161,351	\$ 219,879
Vehicles	77,322	77,322
Leasehold improvements	128,554	121,046
	367,227	418,247
Accumulated depreciation	(269,778)	(321,975)
	\$ 97,449	\$ 96,272

NOTE 4 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2010	2009
Note payable to Jefferson County Youth Organization, Inc. in monthly installments of \$400 from July 2008 through June 2009, then \$600 per month through June 2010, \$850 through June 2011, \$1,050 through June 2012, \$1,250 through June 2013 and a final payment of \$1,450 due on July 1, 2013. The note is non-interest bearing and unsecured. It was utilized to transfer restricted funds the Organization received for activities in Madras.	\$ 32,900	\$ 41,600
Note payable to Tammy Burkley in monthly installments of \$250, maturing in May 2012 for the acquisition of bingo equipment, including tables and chairs. The note is non-interest bearing and unsecured.	4,250	
	37,150	41,600
Current portion of long-term debt	(14,400)	(8,700)
	\$ 22,750	\$ 32,900

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 4 – LONG-TERM DEBT – CONTINUED

Principal payments due on the long-term debt are as follows:

Year ending December 31,

2011	\$	14,400
2012		15,050
2013		<u>7,700</u>
	\$	<u>37,150</u>

NOTE 5 – RESTRICTED NET ASSETS

Temporarily restricted net assets resulted from contributions receivable from a charitable lead trust. There is a time restriction on this balance, which will be released in an amortized amount each year calculated on a net present value basis using a 3.5% interest rate. The Organization receives \$7,000 per year through 2017 from the trust.

Permanently restricted net assets consist of contributions restricted from the endowment fund. Earnings on this contribution are available for use in operations while the initial contribution is to remain in the endowment fund for perpetuity.

NOTE 6 – BINGO

The Organization conducts weekly bingo events in Redmond, Oregon. The Organization's bingo activities are considered to be charitable gaming and is regulated by the Oregon Department of Justice. Bingo events started in July 2009 and were held throughout the year ended December 31, 2010.

	<u>2010</u>	<u>2009</u>
Bingo revenue, net of cash prizes	\$ 101,723	\$ 63,357
Personnel expense	(58,518)	(26,640)
Facility rental	(20,550)	(13,717)
Bingo licensing and supplies	<u>(9,731)</u>	<u>(8,876)</u>
	<u>\$ 12,924</u>	<u>\$ 14,124</u>

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 7 – SPECIAL EVENTS

The Organization hosted the following special event in 2010:

	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Golf Classic	\$ 21,373	\$ 4,275	\$ 17,098

NOTE 8 – DONATED USE OF FACILITIES

The Organization receives the use of facilities for certain youth centers throughout central Oregon at below fair market rent. This included occupation of a portion of public school facilities in local communities under annual agreements with the school districts in Redmond and Terrebonne. The Bend youth center obtains its use of facilities through an agreement with the Bend Metro Park and Recreation District.

Management periodically estimates the fair rental value of the donated use of facilities for the year. Amounts for 2010 are estimated as follows:

Terrebonne youth center	\$ 19,800
Bend youth center	140,400
Redmond youth center	13,932
Ariel youth center	16,920
	<u>191,052</u>
	\$ 191,052

The agreements obtained for free use of the facilities are for specified periods of time that may extend beyond December 31, 2011. The continued use of the facilities is subject to the Organization adhering to requirements of the agreement or, in some cases, the availability of the facilities. Accordingly, the fair value rent is recognized as contribution and expense for the same amount each period the Organization occupies the free space.

NOTE 9 – EMPLOYEE BENEFIT PLANS

The Organization participates in a 401(k) plan. The Plan allows for an employer match of up to 3% and the contributions are fully vested. Employees are eligible for plan participation after three months of service and reaching 21 years of age. The Organization's contributions to the Plan totaled \$2,457 and \$1,765 for the years ended December 31, 2010, and 2009, respectively.

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 10 – OPERATING LEASES

The Organization leases its copiers and one facility under operating leases. Minimum monthly payments vary, and some include additional rental payments equal to equipment use. Base rents paid under these leases amounted to \$31,344 for the years ended December 31, 2010, and 2009, respectively. Minimum lease payments under these operating leases are as follows:

Year ending December 31,

2011	\$	12,391
2012		<u>11,302</u>
	\$	<u>23,693</u>

NOTE 11 – AFFILIATED ORGANIZATION

The Organization is a member of the Boys & Girls Clubs of America (BGCA). In addition to certain operational requirements for membership, BGCA provides marketing and support materials, access to BGCA employee benefit group plans and was a pass-through grantor of federal awards.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

The Organization receives a substantial amount of its support from various granting agencies. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities.

Tax Positions

The Organization is exempt from federal and state income taxes, with the exception of federal taxes for net profits on unrelated business income, under Internal Revenue Code Section 501(c)(3).

On July 1, 2009, the Organization adopted new accounting guidance related to uncertain income tax positions. The Organization will recognize in its financial statements the benefit of a tax position when it believes that tax position will more likely than not be sustained on audit based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions that jeopardize its status as tax-exempt, such as political activity, substantial lobbying expenditures or excessive unrelated business activities. The Organization has concluded that it had no unrecognized income tax benefits at January 1, 2009, December 31, 2009, or December 31, 2010, and it has no tax positions for which it estimates a significant change over the next 12 months.

The Organization is subject to examination by state and federal tax authorities. With few exceptions, the Organization is no longer subject to examination by major taxing authorities for years before 2007.

BOYS & GIRLS CLUBS OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 13 – SUBSEQUENT EVENTS

On May 9, 2011, the Organization received a donation of real property in Redmond, Oregon. The Redmond Club will be relocated to this new facility once repairs and improvements are complete. Subsequent events have been evaluated through July 21, 2011, the date the financial statements were available to be issued.