

# **Miriam's Kitchen, Inc.**

Financial Statements

For the years ended

December 31, 2010 and 2009

# Miriam's Kitchen, Inc.

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To the Board of Directors of  
Miriam's Kitchen, Inc.

### **Independent Auditor's Report**

We have audited the accompanying Comparative Statement of Financial Position of Miriam's Kitchen, Inc. (a nonprofit organization), as of December 31, 2010 and 2009, and the related Comparative 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 Miriam's Kitchen, Inc., as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, an error resulting in the understatement of previously reported revenue as of December 31, 2009, was discovered by management of the Organization during the current year. Accordingly, the 2009 financial statements have been restated to correct the error.



September 27, 2011

**Miriam's Kitchen, Inc.**  
**Statement of Financial Position**

	December 31,	
	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 141,303	\$ 41,133
Accounts receivable	288,665	275,309
Pledges receivable	318,315	212,260
Prepaid expenses	30,153	12,870
<b>Total current assets</b>	<b>778,436</b>	<b>541,572</b>
Investments:		
Legg mason government money market fund	2,125,518	2,042,323
Vanguard index and money market funds	187,367	135,366
<b>Total investments</b>	<b>2,312,885</b>	<b>2,177,689</b>
Property and equipment:		
Dining room renovations	90,781	85,618
Kitchen equipment	19,812	14,382
Office equipment	37,202	30,857
Less: accumulated depreciation	(34,262)	(11,709)
<b>Total property and equipment</b>	<b>113,533</b>	<b>119,148</b>
Other assets:		
Pledges receivable - long term	70,260	113,310
Other	780	780
<b>Total other assets</b>	<b>71,040</b>	<b>114,090</b>
<b>Total assets</b>	<b>\$ 3,275,894</b>	<b>\$ 2,952,499</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 73,122	\$ 92,580
<b>Total current liabilities</b>	<b>73,122</b>	<b>92,580</b>
Net assets:		
Temporarily restricted	574,241	488,085
Unrestricted	2,628,531	2,371,834
<b>Total net assets</b>	<b>3,202,772</b>	<b>2,859,919</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,275,894</b>	<b>\$ 2,952,499</b>

*See accompanying notes.*

**Miriam's Kitchen, Inc.**  
**Statement of Activities**

For the years ended December 31,  
2010 2009

	2010	2009
<b>Changes in unrestricted net assets:</b>		
Support and revenue:		
Cash contributions	\$ 949,927	\$ 1,203,096
In kind contributions	191,053	186,103
Special events revenue	391,945	286,882
Transitional housing rent	-	828
Investment income	4,221	3,457
Merchandise sales	1,841	778
Miscellaneous income	4,169	-
Realized gain on sale of transitional housing property	-	111,405
Realized and unrealized gain on investments and fixed assets	3,211	1,067
Assets released from restriction	463,770	332,714
<b>Total unrestricted support and revenue</b>	<b>2,010,137</b>	<b>2,126,330</b>
Expenses:		
Program services:		
Breakfast	353,022	449,082
Miriam's studio	164,759	113,805
Morning case management	300,338	337,228
Transitional housing	-	82,579
Dinner program	310,791	62,276
Evening case management	356,622	93,338
Advocacy	-	2,622
Development	230,673	220,773
Administration	37,235	33,994
<b>Total expenses</b>	<b>1,753,440</b>	<b>1,395,697</b>
<b>Increase in unrestricted net assets</b>	<b>256,697</b>	<b>730,633</b>
<b>Changes in temporarily restricted net assets:</b>		
Contributions	549,926	488,085
Assets released from restriction	(463,770)	(332,714)
<b>Increase in temporarily restricted net assets</b>	<b>86,156</b>	<b>155,371</b>
<b>Change in net assets</b>	<b>342,853</b>	<b>886,004</b>
<b>Net assets, beginning of year</b>	<b>2,859,919</b>	<b>1,973,915</b>
<b>Net assets, end of year</b>	<b>\$ 3,202,772</b>	<b>\$ 2,859,919</b>
<b>Represented by:</b>		
Unrestricted	\$ 2,628,531	\$ 2,371,834
Temporarily restricted	574,241	488,085
<b>Net assets, end of year</b>	<b>\$ 3,202,772</b>	<b>\$ 2,859,919</b>

See accompanying notes.

**Miriam's Kitchen, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2010**

	Program Services								
	Breakfast program	Miriam's Studio`	Morning case management	Dinner program	Evening case management	Advocacy	Development	Administration	Total
Food and kitchen supplies	\$ 74,823	\$ -	\$ -	\$ 41,914	\$ -	\$ -	\$ -	\$ -	\$ 116,737
Salaries and benefits	183,699	109,499	216,069	180,088	267,774	-	118,347	34,317	1,109,793
Insurance	1,779	936	1,592	1,779	2,341	-	749	187	9,363
Office supplies and expense	10,315	4,545	8,981	9,654	12,895	-	4,126	1,060	51,576
Program support	23,971	19,293	17,921	20,721	18,204	-	234	48	100,392
Client support	-	-	15,953	-	12,034	-	-	-	27,987
Financial solicitation	1,971	1,037	1,763	1,971	2,593	-	73,532	207	83,074
Repairs and maintenance	16,202	-	-	15,009	-	-	-	-	31,211
Professional fees	2,588	1,165	2,329	2,329	3,235	-	1,035	259	12,940
Miscellaneous	4,811	2,164	4,197	4,463	6,013	-	1,924	482	24,054
Occupancy	26,120	26,120	26,120	26,120	26,120	-	30,500	-	161,100
Depreciation	5,413	-	5,413	5,413	5,413	-	226	675	22,553
Capital expenses	1,330	-	-	1,330	-	-	-	-	2,660
<b>Total expenses</b>	<b>\$ 353,022</b>	<b>\$ 164,759</b>	<b>\$ 300,338</b>	<b>\$ 310,791</b>	<b>\$ 356,622</b>	<b>\$ -</b>	<b>\$ 230,673</b>	<b>\$ 37,235</b>	<b>\$ 1,753,440</b>

*See accompanying notes.*

**Miriam's Kitchen, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2009**

	Program Services									Total	
	Breakfast program	Miriam's Studio`	Morning case management	Transitional housing	Dinner program	Evening case management	Advocacy	Development	Administration		
Food and kitchen supplies	\$ 84,262	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,262
Salaries and benefits	150,799	88,144	202,266	44,885	61,769	70,026	236	110,787	27,743	756,655	
Insurance	3,735	989	3,076	1,318	-	-	221	1,428	220	10,987	
Office supplies and expense	18,841	4,496	14,740	6,387	-	-	1,065	6,530	1,159	53,218	
Program support	23,712	10,292	18,179	127	-	-	-	296	87	52,693	
Client support	-	-	27,716	-	-	-	-	-	-	27,716	
Financial solicitation	6,536	1,730	5,383	1,922	-	-	577	67,919	577	84,644	
Repairs and maintenance	53,139	-	-	-	-	-	-	-	-	53,139	
Professional fees	6,565	3,280	5,845	2,640	-	-	240	2,760	240	21,570	
Miscellaneous	13,632	4,367	3,982	1,707	-	-	283	1,774	427	26,172	
Occupancy	84,890	-	32,650	15,216	-	-	-	28,265	3,265	164,286	
Depreciation and amortization	944	-	79	8,377	-	-	-	-	276	9,676	
Capital expenses	2,027	507	23,312	-	507	23,312	-	1,014	-	50,679	
<b>Total expenses</b>	<b>\$ 449,082</b>	<b>\$ 113,805</b>	<b>\$ 337,228</b>	<b>\$ 82,579</b>	<b>\$ 62,276</b>	<b>\$ 93,338</b>	<b>\$ 2,622</b>	<b>\$ 220,773</b>	<b>\$ 33,994</b>	<b>\$ 1,395,697</b>	

*See accompanying notes.*

**Miriam's Kitchen, Inc.**  
**Statement of Cash Flows**

For the years ended December 31,  
2010                      2009

	2010	2009
<b>Cash flow provided by operating activities:</b>		
Change in net assets	\$ 342,853	\$ 886,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,553	9,676
Donation of Stock	(40,884)	(8,970)
Unrealized (gain) on investments	(3,211)	(2,651)
Realized loss on disposition of fixed assets	-	1,584
Realized gain on sale of transitional housing property	-	(111,405)
Accounts receivable	(13,356)	(59,412)
Pledges receivable	(63,005)	(131,968)
Prepaid expenses	(17,283)	(7,461)
Other assets	-	(270)
Accounts payable and accrued expenses	(19,458)	39,379
Other liabilities	-	(400)
Net cash provided by operating activities	208,209	614,106
<b>Cash flow (used) by investing activities:</b>		
Proceeds from sale of transitional housing property	-	356,877
Proceeds from sale of stock	40,884	8,970
Acquisition of fixed assets	(16,938)	(122,032)
Net acquisition of investments	(131,985)	(971,741)
Net cash (used) by investing activities	(108,039)	(727,926)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>100,170</b>	<b>(113,820)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>41,133</b>	<b>154,953</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 141,303</b>	<b>\$ 41,133</b>

*See accompanying notes.*

# Miriam's Kitchen, Inc.

## Notes to the Financial Statements

### Note 1

#### Organization and Purpose

Miriam's Kitchen (the Organization) was founded in 1983 under the laws of the District of Columbia through a collaboration of Western Presbyterian Church, the United Church, and the George Washington University Hillel Student Association. Located in Northwest Washington, D.C., the Organization operated four programs in 2010: the Meals Program, which serves breakfast and dinner each weekday morning; the Case Management Program, which provides clinical case management services, transportation and identification assistance, and referrals to needed support services; the Miriam's Studio Program, which provides therapeutic art and socialization groups each weekday morning; and the Miriam's Café Program, which operates every Wednesday afternoon from 12 – 2 pm. In 2009, the Organization ended its transitional housing program and sold the property being used for housing.

Miriam's Kitchen is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, Miriam's Kitchen has been organized and operated exclusively for charitable purposes.

### Note 2

#### Summary of Significant Accounting Policies

##### Basis of Accounting

Miriam's Kitchen uses the accrual basis of accounting for financial reporting whereby revenue is recognized when earned and expenses are recognized when incurred. The Organization's primary source of revenue is contributions, which are recognized as unrestricted unless specified by the donor for a specific use in future periods. Temporarily restricted revenues received and released from restriction in the same period are reported as unrestricted revenues.

##### Contributed Goods and Services

Support from donated food, professional services, van usage and building and equipment usage has been recorded at its estimated fair value. Support arising from contributed services of volunteers has not been recognized in the accompanying financial statements because an objective basis is not available to assign fair values to such items.

The 2010 and 2009 in-kind contributions are described below:

	2010	2009
Facility use	\$ 130,600	\$ 130,600
Van use	-	182
Accounting services	-	8,570
Food	29,953	21,751
Fundraising support	30,500	25,000
Total	\$ 191,053	\$ 186,103

As part of the 100 Bowls of Compassion fundraising event, donors contribute items to be auctioned off. Items that are not sold during the event are returned to the donor unless the donor declines to accept them back. Items that are not returned are utilized in other fundraising events. These items are not recorded on the financial statements.

##### FDIC Insurance

The Organization maintains its cash accounts primarily with banks located in the Washington, DC area. The total cash balances are insured by the FDIC up to \$250,000 per bank in 2010 and 2009. The Organization had no amounts on deposit that exceeded the balance insured by the FDIC at December 31, 2010 or 2009.

##### Inventory

Miriam's Kitchen holds immaterial amounts of inventory, consisting of various food items and paper products, the costs of which have been expensed in the accompanying financial statements.

##### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit with banks, and all highly liquid investments with original maturity dates of three months or less.

# Miriam's Kitchen, Inc.

## Notes to the Financial Statements (Continued)

### Use of Estimates

The presentation 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, 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.

### Investments

Investments are reported at market value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-320, Investments. Unrealized gains and losses are shown as changes in net assets.

### Receivables

Receivables are recorded at cost, no interest is charged on accounts and accounts are written off at the point management deems them to be uncollectible.

### Property and Equipment

Equipment is recorded at cost and depreciation is computed on the accelerated method over a five year to seven year useful life. Real property is depreciated on the accelerated method over a 15 or 27.5 year life and personal property is depreciated on the accelerated method over a 5 or 7 year life.

Expenditures for maintenance and repairs and minor betterments that do not extend the lives of the assets are charged to expense as incurred. Major expenditures which extend the lives of the assets are capitalized.

### Fair Value of Financial Instruments

Effective January 1, 2008, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. This pronouncement did not require any new fair value measurements and its adoption did not affect the results of operations or financial position of the Organization.

### Subsequent Events

Subsequent events have been evaluated through September 27, 2011, which is the date the financial statements were available to be issued.

## Note 3

### Contributions

Contributions included the following for the year ended December 31, 2010:

	Unrestricted	In-kind	Total
Foundations	\$ 376,337	\$ -	\$ 376,337
Church Community	40,638	130,600	171,238
Corporation/other organizations	166,329	29,953	196,282
Workplace Giving/United Way	74,553	-	74,553
Individuals	292,070	-	292,070
Total contributions	\$ 949,927	\$ 160,553	\$ 1,110,480

For the year ended December 31, 2010, \$99,916 was received from members of the Board of Directors and staff.

Contributions included the following for the year ended December 31, 2009:

	Unrestricted	In-kind	Total
Foundations	\$ 398,763	\$ -	\$ 398,763
Church Community	45,941	139,352	185,293
Corporation/other organizations	128,281	46,751	175,032
United Way	2,506	-	2,506
Individuals	627,605	-	627,605
Total contributions	\$ 1,203,096	\$ 186,103	\$ 1,389,199

For the year ended December 31, 2009, \$44,652 was received from members of the Board of Directors and staff.

Miriam's Kitchen, Inc.  
Notes to the Financial Statements (Continued)

In 2009, Miriam's Kitchen received a \$2,500 conditional in kind grant from the Capital Area Food Bank. Of the \$2,500 grant proceeds received, Miriam's Kitchen utilized \$200 in 2009, and the remaining \$2,300 in 2010.

**Note 4**

**Related-Party Transactions**

Western Presbyterian Church provides some direct financial support to Miriam's Kitchen, free use of space to house the Organization's operations, certain accounting services, and use of its vehicles. Included in the December 31, 2010 and 2009 accounts receivable (payable) are \$31,493 and (\$22,698), respectively, due from (to) with the Church for reimbursements for certain expenses.

In 2010 and 2009, the Church made annual in-kind contributions of \$130,600 and \$139,352, respectively.

In July of 2009, Miriam's Kitchen began making payments to Western Presbyterian Church to defray costs associated with Miriam's Kitchen's use of additional space for its case management program under an agreement that runs through April of 2012. The payment is \$80,000 per year, but the amount would drop to \$60,000 per year if the Kitchen cancelled its expanded use of the premises. As of December 31, 2010, Miriam's Kitchen has not cancelled its expanded use.

Cash contributions made by Western Presbyterian Church to the Kitchen were \$4,000 in both 2010 and 2009.

**Note 5**

**Restricted Net Assets**

Temporarily restricted net assets consist of funds received for general use in a future year, as shown below:

	2010	2009
Pledges receivable	\$ 388,575	\$ 325,570
Help the Homeless Walkathon*	185,666	162,515
Total	\$ 574,241	\$ 488,085

\*Included in accounts receivable

**Note 6**

**403(b) Plan**

In July 2000, the Board of Directors authorized the creation of a defined contribution 403(b) Plan. The Plan name is the Western Presbyterian Church 403(b) Retirement Plan, and all permanent employees who work over 20 hours a week are eligible to make elective deferrals and to receive employer contributions equal to 6% of their salaries. The 2010 and 2009 employer contributions were \$45,756 and \$31,103, respectively.

**Note 7**

**Unconditional Promises to Give**

Individuals have pledged the following amounts, either directly or through America Charities (AC) and the Combined Federal Campaign (CFC) as of the year ended December 31, 2010:

	Direct pledges	AC and CFC	Total
To be paid in 2011-2013	\$ 276,878	\$ 111,697	\$ 388,575

Individuals have pledged the following amounts as of the year ended December 31, 2009:

	Direct pledges	AC and CFC	Total
To be paid in 2010-2013	\$ 238,648	\$ 86,922	\$ 325,570

Management believes that 100% of all direct pledges are collectible. The AC and CFC amounts are based upon pledges received and determined in the year indicated. Due to the low rates of return currently available on investments, no discount has been recorded on the above pledges.

Miriam's Kitchen, Inc.  
Notes to the Financial Statements (Continued)

**Note 8**

**Fair Value Measurements**

**Fair Value of Financial Instruments**

The following table represents the historical cost basis and estimated fair values of financial instruments at December 31,:

	2010		2009	
	Cost basis	Fair value	Cost basis	Fair value
Cash and cash equivalents	\$ 141,303	\$ 141,303	\$ 41,133	\$ 41,133
Legg Mason Government Money Market Fund	2,125,518	2,125,518	2,042,323	2,042,323
Vanguard Funds	74,474	187,367	71,660	135,366
<b>Total</b>	<b>\$ 2,341,295</b>	<b>\$ 2,454,188</b>	<b>\$ 2,155,116</b>	<b>\$ 2,218,822</b>

The fair values of the financial statements shown in the preceding table represent management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants as of the dates shown. Those fair value measurements maximize the use of observable units.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – the net carrying amounts, at face value, approximate fair value because of the short maturity of these instruments.

Investments – Fair values for securities are measured using prices provided by its investment managers and its custodian bank multiplied by the quantity held. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

**Fair Value Hierarchy**

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, effective January 1, 2008, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 establishes 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows.

*Level 1 – Quoted prices in active markets for identical assets or liabilities.*

*Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.*

*Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.*

Miriam's Kitchen, Inc.  
Notes to the Financial Statements (Continued)

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009:

	December 31, 2010 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:				
Investments:				
Legg Mason accounts	\$ 2,125,518	\$ 2,125,518	\$ -	\$ -
Vanguard -				
Treasury Money Market Fund	67,041	67,041	-	-
Bond Index Funds	111,310	111,310	-	-
Stock Funds	9,016	9,016	-	-
Total	\$ 2,312,885	\$ 2,312,885	\$ -	\$ -

	December 31, 2009 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:				
Investments:				
Legg Mason accounts	\$ 2,042,323	\$ 2,042,323	\$ -	\$ -
Vanguard -				
Treasury Money Market Fund	61,658	61,658	-	-
Bond Index Funds	65,862	65,862	-	-
Stock Funds	7,846	7,846	-	-
Total	\$ 2,177,689	\$ 2,177,689	\$ -	\$ -

**Note 9**

**Matching Pledge**

In 2007, the Organization received a conditional pledge to match dollar for dollar, up to \$50,000, any new or increased donations made by individuals during the period January 1, 2008 through June 30, 2009. The condition was fully met during 2008; consequently, the \$50,000 pledge was recorded in that year. The pledge was paid in full in 2010.

**Note 10**

**Sale of Transitional Housing**

On November 2, 2009, the Organization sold its transitional housing unit known as Arnold's House. The gain on the sale is calculated as follows:

Sales price	\$ 382,000
Less: settlement fees	(25,123)
Sales proceeds	356,877
Cost basis	290,139
Accumulated depreciation	(44,667)
Net book value	245,472
Gain on sale	\$ 111,405

Miriam's Kitchen, Inc.  
Notes to the Financial Statements (Continued)

**Note 11**

**Restatement of Prior Year Pledges Receivable**

Subsequent to the issuance of the 2009 audit report, it was discovered that \$39,150 of 2009 pledges receivable had not been recorded in 2009, and \$2,708 of 2009 pledge payments had not been properly classified. The schedule set forth below presents restated amounts for 2009:

	Before restatement	After restatement
Pledges receivable	\$ 289,128	\$ 325,570
Restricted contributions	451,643	488,085
Net assets	2,823,477	2,859,919

**Note 12**

**Accounting for Uncertain Tax Positions**

Effective January 1, 2010, the Organization adopted the accounting standards regarding "Accounting for Uncertain Tax Positions." This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The adoption of this standard had no material effect on the Organization's financial position, results of operations, or cash flow. The tax years of 2007 to 2009 remain subject to examination by the taxing authorities.

The Organization includes penalties and interest assessed by income taxing authorities in administration expenses. The Organization did not recognize expenses for interest or penalties in 2010 or 2009.