

EASTERN SHORE CENTER FOR
INDEPENDENT LIVING, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

CONTENTS

	PAGES
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS	
Comparative Statement of Financial Position	2
Comparative Statements of Activities	3
Comparative Statements of Cash Flows	4
Notes to Financial Statements	5 - 7
SUPPLEMENTARY INFORMATION	
Grants Received and Receivable	8



HOLLOWAY & MARVEL, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors
Eastern Shore Center for Independent Living, Inc.
Cambridge, Maryland

We have reviewed the accompanying statement of financial position of Eastern Shore Center for Independent Living, Inc. (a nonprofit organization) as of September 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Holloway & Marvel, P.A.

Salisbury, Maryland
December 15, 2010



Eastern Shore Center for Independent Living, Inc.
Comparative Statement of Financial Position
September 30, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Cash	\$ 16,180	\$ 51,422
Grants and Contribution Receivable	89,363	22,441
Other Receivable	3,421	-
Prepaid Expenses	3,816	3,350
Total Current Assets	112,780	77,213
Property:		
Equipment and Furniture	29,364	29,364
Total Cost of Property	29,364	29,364
Accumulated Depreciation	(28,297)	(26,984)
Net Cost After Accum. Depr.	1,067	2,380
Other Assets		
Security Deposit	867	867
Total Other Assets	867	867
Total Assets	\$ 114,714	\$ 80,460

See Accountants' Review Report and Accompanying Notes To Financial Statements

	<u>2010</u>	<u>2009</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 9,215	\$ 1,828
Accrued Expenses	29,948	27,406
Payroll Taxes	5,345	2,933
Deferred Grant Revenue	<u>22,390</u>	<u>1,975</u>
Total Current Liabilities	<u>66,898</u>	<u>34,142</u>
Net Assets		
Unrestricted	40,296	38,570
Temporarily Restricted	<u>7,520</u>	<u>7,748</u>
Total Net Assets	<u>47,816</u>	<u>46,318</u>
Total Liabilities and Net Assets	<u>\$ 114,714</u>	<u>\$ 80,460</u>

Eastern Shore Center for Independent Living, Inc.
Comparative Statements of Activities
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets		
Public Support and Revenue		
Grants	\$ 377,545	\$ 252,564
Fees for Services	1,000	1,807
Contributions	150	100
Other	7,658	-
Interest	<u>1</u>	<u>6</u>
Total Public Support and Revenue	386,354	254,477
Net Assets Released from Restrictions	<u>228</u>	<u>227</u>
Total Unrestricted Revenue	<u>386,582</u>	<u>254,704</u>
Expenses		
Program Services	322,838	208,548
Management and General	<u>62,018</u>	<u>57,240</u>
Total Unrestricted Expenses	<u>384,856</u>	<u>265,788</u>
Increase (Decrease) in Unrestricted Net Assets	<u>1,726</u>	<u>(11,084)</u>
Temporarily Restricted Net Assets		
Public Support and Revenue		
Net Assets Released from Restrictions	<u>(228)</u>	<u>(227)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(228)</u>	<u>(227)</u>
Increase (Decrease) in Net Assets	1,498	(11,311)
Net Assets, Beginning of Year	<u>46,318</u>	<u>57,629</u>
Net Assets, End of Year	<u><u>\$ 47,816</u></u>	<u><u>\$ 46,318</u></u>

See Accountants' Review Report and Accompanying Notes To Financial Statements

Eastern Shore Center for Independent Living, Inc.
Comparative Statement of Cash Flows
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 1,498	\$(11,311)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,312	1,660
(Increase) Decrease in		
Grants and Contributions Receivable	(66,922)	18,496
Other Receivables	(3,421)	14,356
Prepaid Expenses	(465)	3,407
Increase (Decrease) in		
Accounts Payable	7,387	(4,715)
Accrued Expenses	4,954	4,039
Deferred Insurance Proceeds	-	(13,472)
Deferred Grant Revenue	20,415	(24,525)
Net Cash Provided by (Used in) Operating Activities	<u>(35,242)</u>	<u>(12,065)</u>
Net Increase (Decrease) in Cash	(35,242)	(12,065)
Cash, Beginning of Year	<u>51,422</u>	<u>63,487</u>
Cash, End of Year	<u>\$ 16,180</u>	<u>\$ 51,422</u>

See Accountants' Review Report and Accompanying Notes To Financial Statements

Eastern Shore Center for Independent Living, Inc.

Notes to Financial Statements

September 30, 2010 and 2009

PURPOSE AND ORGANIZATION

Eastern Shore Center for Independent Living, Inc. (the Organization) is a not-for-profit organization located in Cambridge, Maryland that provides independent living services to residents of the Eastern Shore of Maryland with a wide range of significant disabilities.

The Organization receives its support from the U.S. and Maryland Departments of Education and other state agencies. Its revenues will be affected by the political outlook and the state economy.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization classifies revenues and net assets as unrestricted, temporarily restricted or permanently restricted depending on the existence of donor-imposed restrictions on the usage of the funds. Support that is restricted by the donor is reported as unrestricted support if the restriction expires in the year in which support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When the Organization incurs expenses satisfying the donor's restriction, the temporarily restricted balance is transferred to unrestricted net assets. The Organization has no permanently restricted net assets.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management of the Organization 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 revenues and expenses during the year. Actual results could differ from those estimates.

Support and Revenue

Revenues from the U.S. Department of Education grant and certain other grants are recognized when the Organization has incurred expenditures satisfying the terms of the grants. Revenue from the Maryland Department of Education grant and certain other grants are recognized as services are performed over the terms of the grants. Service fees are recognized as revenue when the services are performed. Revenue from contributions is recognized when received.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with a maturity of three months or less.

Grants Receivable

Management estimates that all outstanding billings on grants are fully collectible, and has made no provision for uncollectible accounts.

See Accountants' Review Report.

Eastern Shore Center for Independent Living, Inc.

Notes to Financial Statements - Continued

September 30, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Equipment and Furniture

Equipment and furniture are stated at cost if purchased, or at fair value if obtained by donation. Depreciation is calculated using the straight-line method over estimated useful lives of five years. Depreciation expense was \$1,312 and \$1,660 for the years ended September 30, 2010 and 2009, respectively.

The Maryland State Department of Education holds title to all equipment purchased with grant funds for a period of four years from the date of receipt of the equipment. The Organization may not sell, transfer, or dispose of the equipment during that period.

Fair Value Measurement

Assets and liabilities are stated at fair value per ASC 820-10. All fair value measurements were made using level 3 inputs. Level 3 inputs are significant unobservable inputs. The carrying value of assets and liabilities approximates their fair value. There are no unrecognized gains or losses on assets or liabilities.

Functional Allocations of Expenses

The costs of providing program and supporting services are presented on a functional basis in the statement of activities. Certain costs have been allocated among the functions.

Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in these financial statements. Contributions to the Organization qualify as charitable deductions.

LEASES

The Organization is obligated under a month to month lease for office space. The organization leases storage space under a month to month lease. Rent expense was \$12,640 and \$12,755 for the years ended September 30, 2010 and 2009, respectively.

RELATED PARTY TRANSACTION

Computer repair and maintenance services are provided by ACCI, Inc., a local firm which is 50 percent owned by the brother of the Organization's Executive Director. Total payments made or due to ACCI were \$9,800 and \$16,095 for the years ended September 30, 2010 and 2009, respectively. Accounts payable balances due to ACCI were \$2,015 and \$458, respectively.

The organization employs the sister-in-law of the Executive Director. Total payments to the employee were \$21,460 and \$0 for the years ended September 30, 2010 and 2009, respectively.

See Accountants' Review Report.

Eastern Shore Center for Independent Living, Inc.

Notes to Financial Statements - Continued

September 30, 2010 and 2009

TEMPORARILY RESTRICTED NET ASSETS

The resources of the Organization are temporarily restricted for the following causes as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Maryland State Department of Education funding for equipment purchases, at equipment book value	\$ -	\$ 228
Building of home handicapped access ramps	<u>7,520</u>	<u>7,520</u>
	<u>\$ 7,520</u>	<u>\$ 7,748</u>

CASH FLOW INFORMATION

During the years ended September 30, 2010 and 2009, there were no cash payments for interest expense and income taxes.

SUBSEQUENT EVENTS

Subsequent events were evaluated through December 2, 2010, which is the date the financial statements were available to be issued.

See Accountants' Review Report.

SUPPLEMENTARY INFORMATION

Eastern Shore Center for Independent Living, Inc.
Grants Received and Receivable
Year Ended September 30, 2010

	United States Department of Education	Maryland Department of Education	Maryland IL-AT	ARRA	Fees for Services	Peer To Peer	Other	Additions and Elimination	Total
Grants Received and Receivable	\$ 85,710	\$ 146,500	\$68,835	\$10,000	\$ -	\$66,500	\$ -	\$ -	\$377,545
Fee For Services	-	-	-	-	1,000	-	-	-	1,000
Other Revenue	-	-	-	-	-	-	7,658	-	7,658
Donations	-	-	-	-	-	-	150	-	150
Interest Income	-	-	-	-	-	-	1	-	1
	<u>85,710</u>	<u>146,500</u>	<u>68,835</u>	<u>10,000</u>	<u>1,000</u>	<u>66,500</u>	<u>7,809</u>	<u>-</u>	<u>386,354</u>
Grant Expenditures Paid and Payable									
Dues and Subscriptions	409	728	-	-	-	-	-	-	1,137
Insurance	1,621	2,883	-	-	-	-	-	-	4,504
Office Supplies	1,886	3,351	-	-	-	5,829	156	-	11,222
Salaries	41,357	68,208	13,504	3,161	506	34,941	-	-	161,677
Payroll Taxes	3,485	5,733	1,251	247	40	2,834	-	-	13,590
Independent Contractors	13,104	23,296	-	-	-	12,333	-	-	48,733
Health Insurance	7,087	12,599	-	1,791	-	6,288	-	-	27,765
Other Expenses	-	23	-	-	-	-	-	-	23
Postage	291	516	-	-	-	-	-	-	807
Professional Fees	1,080	1,920	-	-	-	-	-	-	3,000
Promotion	110	196	-	-	-	-	-	-	306
Rent	4,550	8,090	-	-	-	-	-	-	12,640
Repairs	1,042	5,264	-	-	-	-	8,340	-	14,646
Telephone	3,039	5,359	-	-	24	-	128	-	8,550
Travel	3,210	4,082	-	137	227	562	52	-	8,270
Training	101	179	-	4,664	-	-	-	-	4,944
Utilities	1,448	2,575	-	-	-	-	-	-	4,023
Board Expenses	29	51	-	-	-	-	-	-	80
Equipment Expense	863	1,535	54,080	-	-	1,149	-	-	57,627
Depreciation Expense	-	-	-	-	-	-	-	1,312	1,312
Total Expenditures	<u>84,712</u>	<u>146,588</u>	<u>68,835</u>	<u>10,000</u>	<u>797</u>	<u>63,936</u>	<u>8,676</u>	<u>1,312</u>	<u>\$384,856</u>
Grants in Excess of (less than) Expenditures	<u>\$ 998</u>	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203</u>	<u>2,564</u>	<u>\$(867)</u>	<u>\$ (1,312)</u>	<u>\$ 1,498</u>