

OUR PIECE OF THE PIE®, INC.

Financial Statements

June 30, 2006 and 2005

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WHITTLESEY & HADLEY, P.C.

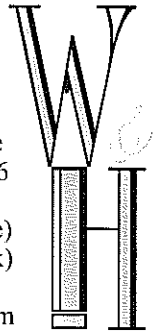
Certified Public Accountants/Consultants

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors
Our Piece of the Pie®, Inc.

We have audited the accompanying statements of financial position of Our Piece of the Pie®, Inc. (the "Organization"), as of June 30, 2006 and 2005, 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 upon 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 Our Piece of the Pie®, Inc. as of June 30, 2006 and 2005, 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.

Whittlesey & Hadley, P.C.

October 13, 2006

OUR PIECE OF THE PIE®, INC.

Statements of Financial Position

June 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|---------------------|---------------------|
| Assets: | | |
| Cash | \$ 927,836 | \$ 751,887 |
| Accounts and grants receivable | 236,973 | 503,826 |
| Prepaid expenses | 22,245 | 34,132 |
| Equipment, net | 37,272 | - |
| | <u>37,272</u> | <u>-</u> |
| Total assets | <u>\$ 1,224,326</u> | <u>\$ 1,289,845</u> |
| Liabilities and Net Assets: | | |
| Liabilities: | | |
| Accounts payable | \$ 109,662 | \$ 199,509 |
| Accrued expenses | 194,231 | 250,735 |
| Refundable advances | 88,183 | 222,583 |
| Tuition reimbursement payable | - | 7,826 |
| | <u>-</u> | <u>7,826</u> |
| Total liabilities | <u>392,076</u> | <u>680,653</u> |
| Net Assets: | | |
| Unrestricted | <u>832,250</u> | <u>609,192</u> |
| Total liabilities and net assets | <u>\$ 1,224,326</u> | <u>\$ 1,289,845</u> |

The accompanying notes are an integral part of the financial statements.

OUR PIECE OF THE PIE®, INC.

Statements of Activities

For the years ended June 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|-------------------------------------|-----------------------|-----------------------|
| Changes in unrestricted net assets: | | |
| Revenues and support: | | |
| Grants | | |
| Federal grants | \$ 2,766,013 | \$ 4,497,074 |
| State grants | 295,624 | 299,182 |
| Contributions & foundations | 1,766,998 | 801,524 |
| United Way | 216,666 | 145,204 |
| Program fees | 67,946 | 383,211 |
| Miscellaneous income | <u>31,624</u> | <u>20,179</u> |
| Total revenues | <u>5,144,871</u> | <u>6,146,374</u> |
| Expenses: | | |
| Childcare | 382,548 | 486,652 |
| AmeriCorps | 613,809 | 531,549 |
| Elderly Care | - | 539,518 |
| Education | 133,401 | 163,953 |
| Case Management | 1,323,634 | 2,443,725 |
| Youth Employment & Training | 1,349,469 | 1,126,650 |
| Management & General | <u>1,118,952</u> | <u>870,970</u> |
| Total expenses | <u>4,921,813</u> | <u>6,163,017</u> |
| Change in net assets | 223,058 | (16,643) |
| Net assets beginning of year | <u>609,192</u> | <u>625,835</u> |
| Net assets end of year | <u>\$ 832,250</u> | <u>\$ 609,192</u> |

The accompanying notes are an integral part of the financial statements.

OUR PIECE OF THE PIE®, INC.

Statement of Functional Expenses

For the year ended June 30, 2006

| | Childcare | AmeriCorps | Elderly Care | Education | Case Management | Youth Employment & Training | Management & General | Total |
|-----------------------------|-------------------|-------------------|--------------|-------------------|---------------------|-----------------------------|----------------------|---------------------|
| Salaries & benefits | \$ 290,263 | \$ 521,116 | \$ - | \$ 107,888 | \$ 1,056,374 | \$ 895,657 | \$ 539,836 | \$ 3,411,134 |
| Services | 14,766 | 7,304 | - | 14,969 | 161,267 | 250,947 | 339,089 | 788,342 |
| Occupancy | 26,586 | 18,148 | - | 518 | 14,562 | 114,670 | 49,321 | 223,805 |
| Supplies | 34,703 | 13,620 | - | 8,437 | 27,225 | 45,149 | 21,234 | 150,368 |
| Equipment | 5,134 | - | - | - | 9,661 | 1,920 | 24,916 | 41,631 |
| Miscellaneous | 2,298 | 1,627 | - | 1,500 | 8,979 | 16,930 | 26,924 | 58,258 |
| Meetings and transportation | 8,745 | 51,058 | - | 89 | 42,897 | 20,255 | 34,401 | 157,445 |
| Printing & postage | 53 | 936 | - | - | 2,669 | 3,941 | 14,932 | 22,531 |
| Depreciation | - | - | - | - | - | - | 690 | 690 |
| Fundraising | - | - | - | - | - | - | 67,609 | 67,609 |
| | <u>\$ 382,548</u> | <u>\$ 613,809</u> | <u>\$ -</u> | <u>\$ 133,401</u> | <u>\$ 1,323,634</u> | <u>\$ 1,349,469</u> | <u>\$ 1,118,952</u> | <u>\$ 4,921,813</u> |

The accompanying notes are an integral part of the financial statements.

OUR PIECE OF THE PIE®, INC.

Statement of Functional Expenses

For the year ended June 30, 2005

| | Childcare | AmeriCorps | Elderly Care | Education | Case Management | Youth Employment & Training | Management & General | Total |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-----------------------------------|-------------------------|---------------------|
| Salaries & benefits | \$ 372,819 | \$ 464,347 | \$ 450,769 | \$ 133,521 | \$ 1,979,125 | \$ 699,516 | \$ 458,252 | \$ 4,558,349 |
| Services | 15,731 | 8,355 | 44,900 | 11,647 | 120,995 | 257,719 | 206,104 | 665,451 |
| Occupancy | 30,173 | 10,601 | 18,909 | 906 | 200,866 | 94,297 | 45,060 | 400,812 |
| Supplies | 40,715 | 9,513 | 5,919 | 9,048 | 30,430 | 45,873 | 16,082 | 157,580 |
| Equipment | 5,170 | 995 | 300 | - | 20,166 | 2,040 | 11,686 | 40,357 |
| Miscellaneous | 4,665 | 2,108 | 360 | 538 | 7,594 | 5,634 | 21,900 | 42,799 |
| Meetings and transportation | 17,052 | 35,534 | 17,997 | 7,380 | 79,039 | 14,622 | 28,098 | 199,722 |
| Printing & postage | 327 | 96 | 364 | 913 | 5,510 | 6,949 | 7,551 | 21,710 |
| Depreciation | - | - | - | - | - | - | 4,246 | 4,246 |
| Fundraising | - | - | - | - | - | - | 71,991 | 71,991 |
| | <u>\$ 486,652</u> | <u>\$ 531,549</u> | <u>\$ 539,518</u> | <u>\$ 163,953</u> | <u>\$ 2,443,725</u> | <u>\$ 1,126,650</u> | <u>\$ 870,970</u> | <u>\$ 6,163,017</u> |

The accompanying notes are an integral part of the financial statements.

OUR PIECE OF THE PIE®, INC.

Statements of Cash Flows

For the years ended June 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 223,058 | \$ (16,643) |
| Adjustments to reconcile change in net assets to net change in cash from operating activities: | | |
| Depreciation | 690 | 4,246 |
| (Increase)/decrease in assets: | | |
| Accounts and grants receivable | 266,853 | 174,012 |
| Prepaid expenses | 11,887 | 24,241 |
| Increase/(decrease) in liabilities: | | |
| Accounts payable | (89,847) | 108,112 |
| Accrued expenses | (56,504) | 44,282 |
| Refundable advances | (134,400) | (89,512) |
| Tuition reimbursement payable | <u>(7,826)</u> | <u>(19,992)</u> |
| Total adjustments | <u>(9,147)</u> | <u>245,389</u> |
| Net change in cash from operating activities | <u>213,911</u> | <u>228,746</u> |
| Cash flows from financing activities | | |
| Purchases of fixed assets | (37,962) | - |
| Payments on notes payable | <u>-</u> | <u>(258,439)</u> |
| Net change in cash from financing activities | <u>(37,962)</u> | <u>(258,439)</u> |
| Net change in cash | 175,949 | (29,693) |
| Cash at beginning of year | <u>751,887</u> | <u>781,580</u> |
| Cash at end of year | <u>\$ 927,836</u> | <u>\$ 751,887</u> |
| Supplemental disclosures: | | |
| Interest expense | <u>\$ -</u> | <u>\$ 4,547</u> |

The accompanying notes are an integral part of the financial statements.

OUR PIECE OF THE PIE®, INC.

Notes to Financial Statements

June 30, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies:

Organization and Operations - Our Piece of the Pie®, Inc. (the "Organization"), formally Southend Community Services, Inc., is a multi-funded non-profit corporation organized for the purpose of expanding employment and educational opportunities for youth, expanding the availability of childcare, and helping elderly maintain their independence.

The Organization recognizes contract revenues from monitoring and other fees for service activities as services are provided within the terms of the contract agreements.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to types of net assets. Grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

Allocation of Expenses by Function - Direct costs are charged to the programs to which they relate, while indirect costs are allocated among the programs and management and administration.

Equipment - The Organization depreciates equipment on the straight-line basis over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the year.

Federal and State Income Taxes - The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes.

Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding depreciation of fixed assets that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Equipment:

The cost and accumulated depreciation for equipment was as follows at June 30:

| | <u>2006</u> | <u>2005</u> |
|--------------------------------|------------------|---------------|
| Equipment | \$ 109,290 | \$ 71,328 |
| Less: accumulated depreciation | <u>72,018</u> | <u>71,328</u> |
| | <u>\$ 37,272</u> | <u>\$ -</u> |

Depreciation expense for the years ended June 30, 2006 and 2005 was \$690 and \$4,246, respectively.

Note 3 - Contingencies:

Grants require the fulfillment of certain conditions as set forth in the grant. Failure to fulfill the conditions can result in the return of funds to grantors. Management is of the opinion that the conditions of the grants will be met.

Note 4 - Credit Risk:

The Organization maintains bank accounts in a commercial bank, the balances of which exceed the federal insurance limits. At June 30, 2006, the uninsured balance was \$932,661.

Note 5 - Line of Credit:

The Organization has a line-of-credit with a bank available to borrow funds as needed. The line requires interest to be paid monthly at the prime rate, which was 8.25% at June 30, 2006, plus 2%. All borrowings are collateralized by substantially all the assets in the custody of the bank. As of June 30, 2006 and 2005, there was \$-0- outstanding, with an availability to borrow up to \$400,000.

Note 6 - Operating Leases:

The Organization rents office space at several locations. The rental payments for these leases for the years ended June 30, 2006 and 2005 were \$98,302 and \$115,747, respectively.

Future minimum lease payments for the year ending June 30 are as follows:

| | |
|------|-----------|
| 2007 | \$ 98,164 |
| 2008 | 55,569 |
| 2009 | 12,994 |
| 2010 | 13,514 |
| 2011 | 11,634 |

Note 7 - Pension Plan:

The Organization has a defined contribution pension plan, which covers substantially all of its employees. All employees are eligible to participate. For the years ended June 30, 2006 and 2005, the Organization did not make a contribution to the plan.