

**FINANCIAL STATEMENTS**

**QUIXOTE CENTER, INC.**

**FOR THE YEAR ENDED JUNE 30, 2010  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2009**

# QUIXOTE CENTER, INC.

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Quixote Center, Inc.  
Brentwood, Maryland

We have audited the accompanying statement of financial position of the Quixote Center, Inc. (the Center) as of June 30, 2010, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Center's 2009 financial statements and, in our report dated October 20, 2009, we expressed an unqualified opinion on those statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Center as of June 30, 2010 and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

April 5, 2011

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**QUIXOTE CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2010**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

<b>ASSETS</b>		<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 567,241	\$ 190,777
Investments (Notes 2 and 9)		25,002	111,404
Accounts receivable		12,337	16,660
Prepaid expenses		<u>9,261</u>	<u>3,645</u>
Total current assets		<u>613,841</u>	<u>322,486</u>
<b>PROPERTY AND EQUIPMENT</b>			
Land		30,418	30,418
Buildings		258,388	258,388
Equipment		<u>89,844</u>	<u>88,544</u>
		378,650	377,350
Less: Accumulated depreciation		<u>(272,349)</u>	<u>(251,861)</u>
Net property and equipment		<u>106,301</u>	<u>125,489</u>
<b>TOTAL ASSETS</b>		<u><b>\$ 720,142</b></u>	<u><b>\$ 447,975</b></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities (Note 8)		\$ 49,811	\$ 11,104
Sabbatical escrow (Note 6)		-	23,252
Transfer of programs: Nicaragua-United States Friendship Office (Note 10)		302,455	-
Transfer of programs: Konbit Pou Ayiti, Inc. (Note 10)		<u>50,000</u>	<u>-</u>
Total current liabilities		<u>402,266</u>	<u>34,356</u>
<b>NET ASSETS (Note 3)</b>			
Unrestricted		(30,018)	4,389
Temporarily restricted (Note 4)		<u>347,894</u>	<u>409,230</u>
Total net assets		<u>317,876</u>	<u>413,619</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><b>\$ 720,142</b></u>	<u><b>\$ 447,975</b></u>

See accompanying notes to financial statements.

## QUIXOTE CENTER, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Contributions and grants	\$ 102,954	\$ 987,107	\$ 1,090,061	\$ 795,487
Investment income (loss) (Note 2)	20,255	-	20,255	(47,009)
Publications and product sales	38	14,208	14,246	13,878
Rental income (Note 7)	9,200	-	9,200	5,100
Royalty income	-	2,755	2,755	4,155
Mailing list rentals	-	1,583	1,583	3,020
Miscellaneous income (Notes 6 and 7)	13,229	39,049	52,278	156,551
Net assets released from donor restrictions (Note 5)	<u>753,583</u>	<u>(753,583)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>899,259</u>	<u>291,119</u>	<u>1,190,378</u>	<u>931,182</u>
<b>EXPENSES</b>				
Program Services:				
Quixote Center Programs	87,920	-	87,920	33,549
Nicaragua Cultural Alliance	16,916	-	16,916	-
Quest for Peace	263,281	-	263,281	330,464
Quest for Peace - ART	40,759	-	40,759	56,806
Quest for Peace - CFTA	4,281	-	4,281	-
Climate Conference	139,674	-	139,674	-
Criminal Justice	7,320	-	7,320	35,616
Books for Prisoners	13,157	-	13,157	8,016
Grassroots Investigation Project	2,915	-	2,915	1,982
Catholics Speak Out	60,698	-	60,698	23,296
Faith Matters	21,254	-	21,254	150,093
Haiti Reborn	<u>173,960</u>	<u>-</u>	<u>173,960</u>	<u>87,478</u>
Total program services	<u>832,135</u>	<u>-</u>	<u>832,135</u>	<u>727,300</u>
Supporting Services:				
General and Administrative	83,908	-	83,908	174,868
Fundraising	<u>17,623</u>	<u>-</u>	<u>17,623</u>	<u>31,053</u>
Total supporting services	<u>101,531</u>	<u>-</u>	<u>101,531</u>	<u>205,921</u>
Total expenses	<u>933,666</u>	<u>-</u>	<u>933,666</u>	<u>933,221</u>
Change in net assets before other item	(34,407)	291,119	256,712	(2,039)
<b>OTHER ITEM</b>				
Transfers of programs (Note 10)	<u>-</u>	<u>(352,455)</u>	<u>(352,455)</u>	<u>-</u>
Change in net assets	(34,407)	(61,336)	(95,743)	(2,039)
Net assets at beginning of year, as restated (Note 3)	<u>4,389</u>	<u>409,230</u>	<u>413,619</u>	<u>415,658</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ (30,018)</u></b>	<b><u>\$ 347,894</u></b>	<b><u>\$ 317,876</u></b>	<b><u>\$ 413,619</u></b>

See accompanying notes to financial statements.

**QUIXOTE CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<b>2010</b>							
	<b>Program Services</b>							
	<b>Quixote Center Programs</b>	<b>Nicaragua Cultural Alliance</b>	<b>Quest for Peace</b>	<b>Quest for Peace - ART</b>	<b>Quest for Peace - CFTA</b>	<b>Climate Conference</b>	<b>Criminal Justice</b>	<b>Books for Prisoners</b>
Salaries and fringe benefits (Notes 6 and 8)	\$ 41,576	\$ 16,916	\$ 92,892	\$ 26,800	\$ 3,298	\$ -	\$ 3,801	\$ 1,558
Printing and production	3,890	-	3,962	911	-	-	158	-
Contributions and grants	9,369	-	81,546	-	-	139,674	-	-
Contracted services	6,635	-	-	-	-	-	500	-
Occupancy	2,001	-	4,754	1,774	85	-	1,095	45
Accounting and legal	-	-	-	-	-	-	-	-
Insurance	123	-	1,061	140	-	-	1	-
Depreciation	-	-	-	-	-	-	-	-
Telephone	863	-	1,809	206	68	-	4	26
Travel	-	-	20,929	4,946	-	-	-	-
Postage and delivery	6,160	-	14,569	-	-	-	725	9,281
Supplies	2,284	-	566	41	-	-	14	3
Subscriptions and publications	304	-	519	78	-	-	-	6
Meetings and conferences	347	-	109	-	-	-	-	-
Advertising and promotion	-	-	100	-	-	-	-	-
Equipment rent and maintenance	3,007	-	2,487	465	103	-	72	76
Miscellaneous expenses	61	-	707	-	-	-	-	409
Computer expenses	179	-	428	208	29	-	30	1
Publications	-	-	-	-	-	-	-	-
Subtotal	76,799	16,916	226,438	35,569	3,583	139,674	6,400	11,405
General and administrative allocation	11,121	-	36,843	5,190	698	-	920	1,752
<b>TOTAL</b>	<b>\$ 87,920</b>	<b>\$ 16,916</b>	<b>\$ 263,281</b>	<b>\$ 40,759</b>	<b>\$ 4,281</b>	<b>\$ 139,674</b>	<b>\$ 7,320</b>	<b>\$ 13,157</b>

See accompanying notes to financial statements.

2009										
					Supporting Services					
Grassroots Investigation Project	Catholics Speak Out	Faith Matters	Haiti Reborn	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$	84	\$ 21,296	\$ 21,254	\$ 46,882	\$ 276,357	\$ 90,989	\$ 10,414	\$ 101,403	\$ 377,760	\$ 488,146
	1	6,879	-	1,328	17,129	567	3,760	4,327	21,456	16,278
	-	6,884	-	73,966	311,439	-	-	-	311,439	216,506
	-	300	-	6,000	13,435	1,300	-	1,300	14,735	29,334
	6	1,283	-	2,853	13,896	4,971	932	5,903	19,799	14,492
	-	-	-	-	-	24,895	-	24,895	24,895	12,542
	11	618	-	785	2,739	2,231	122	2,353	5,092	3,578
	-	-	-	-	-	20,487	-	20,487	20,487	20,626
	1	356	-	765	4,098	898	145	1,043	5,141	5,073
	2,156	-	-	4,555	32,586	1,455	-	1,455	34,041	14,671
	209	4,855	-	6,064	41,863	1,848	1,787	3,635	45,498	58,073
	-	215	-	186	3,309	1,325	39	1,364	4,673	4,509
	1	152	-	179	1,239	1,826	68	1,894	3,133	1,201
	-	-	-	68	524	1,024	-	1,024	1,548	8,703
	-	8,478	-	3,800	12,378	-	-	-	12,378	6,107
	2	632	-	1,333	8,177	2,414	319	2,733	10,910	7,484
	-	-	-	73	1,250	9,224	-	9,224	10,474	8,040
	-	145	-	199	1,219	8,091	37	8,128	9,347	11,954
	-	860	-	-	860	-	-	-	860	5,904
	2,471	52,953	21,254	149,036	742,498	173,545	17,623	191,168	933,666	933,221
	444	7,745	-	24,924	89,637	(89,637)	-	(89,637)	-	-
<b>\$</b>	<b>2,915</b>	<b>\$ 60,698</b>	<b>\$ 21,254</b>	<b>\$ 173,960</b>	<b>\$ 832,135</b>	<b>\$ 83,908</b>	<b>\$ 17,623</b>	<b>\$ 101,531</b>	<b>\$ 933,666</b>	<b>\$ 933,221</b>

## QUIXOTE CENTER, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (95,743)	\$ (2,039)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,487	20,626
Net (appreciation)/depreciation of investments	(20,100)	48,455
Donated stock	-	(131,325)
(Increase) decrease in:		
Accounts receivable	4,323	41,302
Prepaid expenses	(5,616)	448
Increase (decrease) in:		
Accounts payable and accrued liabilities	38,708	(291,559)
Sabbatical escrow	(23,252)	(18,524)
Transfer of programs: Nicaragua-United States Friendship Office	302,455	-
Transfer of programs - Konbit Pou Ayiti, Inc.	<u>50,000</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>271,262</u>	<u>(332,616)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	-	(7,275)
Proceeds from sale of investments	105,202	10,914
Acquisition of investments	<u>-</u>	<u>(11,140)</u>
Net cash provided (used) by investing activities	<u>105,202</u>	<u>(7,501)</u>
Net increase (decrease) in cash and cash equivalents	376,464	(340,117)
Cash and cash equivalents at beginning of year	<u>190,777</u>	<u>530,894</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 567,241</u></b>	<b><u>\$ 190,777</u></b>

See accompanying notes to financial statements.



## QUIXOTE CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

The Quixote Center, Inc. (the Center) is a non-profit organization, incorporated in the State of Maryland. The Center's activities focus upon religious and educational development and alleviating the plight of the poor minorities. The Center produces and distributes publications and provides speakers in order to increase the public's awareness of social justice issues. The Center also acts as an intermediary for the donation of humanitarian aid supplies to the people of Nicaragua from the people of the United States. The Center's primary responsibilities in this area include arranging for the shipment of the donated supplies, including the related fundraising to raise funds to cover shipment costs, overseeing the distribution of the supplies, and maintaining the proper records of shipments in order to comply with various United States and international requirements. The Center has also used public awareness advertisements in newspapers in an effort to educate a broad section of the United States population on social justice issues.

The Center's major program activities are:

- **Quixote Center Programs** - Promotion of public awareness regarding social justice issues which are not included under the Center's primary programs and providing staffing for the Nicaraguan Cultural Alliance (a not-for-profit corporation).
- **Quest for Peace** - Collection and shipment of humanitarian aid to the people of Nicaragua through a network of church organizations; provide educational resources; assist with development efforts in Nicaragua. *Alliance for Responsible Trade* (ART) is a national network of labor, family-farm, religious, women's, environmental, development and research organization that promotes equitable and sustainable trade and development. ART is the representative coalition to the Hemispheric Social Alliance, a hemispheric-wide organization of coalitions which are challenging the dominant models of power. International Monetary Fund (IMF) program focused on contracting with Nicaraguan economists to research and write studies which show how IMF and World Bank policies impact life in Nicaragua.
- **Justice Matters** - A grassroots campaign for human rights. Its mission is to educate the public about racial, economic and political biases deeply embedded in the United States legal/penal system and to organize pressure for meaningful change. *Books for Prisoners* is a volunteer-run network that collects books to send to prisoners and works to educate the public about the epidemic of prison illiteracy. *Grassroots Investigation Project* (GRIP) trains volunteer activists and family members to investigate cases when lawyers have limited resources.
- **Haiti Reborn** - Provides assistance with literacy and reforestation projects in Haiti, assists with observations of elections and disseminates educational resources which document the events and situations in Haiti.
- **Catholics Speak Out** - A network of United States Catholics committed to working for justice in the Church and the transformation of Church structures.

**QUIXOTE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Cash and cash equivalents -

The Center considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Center maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment are stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, ranging generally from five to twenty years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

The Center is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Center is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes.

## QUIXOTE CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Uncertain tax positions (continued) -

For the year ended June 30, 2010, the Center has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Center and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

##### Use of 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 that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Risks and uncertainties -

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

**QUIXOTE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Fair value measurements -

The Center adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

**2. INVESTMENTS**

Investments consisted of the following at June 30, 2010:

	<u>Market Value</u>
<b>Mutual Funds</b>	<b>\$ <u>25,002</u></b>

Included in investment income are the following:

Interest and dividends	\$ 155
Net appreciation of investments	<u>20,100</u>
<b>TOTAL INVESTMENT INCOME</b>	<b>\$ <u>20,255</u></b>

**3. CLARIFICATION OF NET ASSETS**

During the fiscal year ended June 30, 2010, management of the Center clarified releases from restrictions related to the Justice Matters Program and allocation of management and general expenses to programs.

Accordingly, unrestricted net assets and the temporarily restricted net assets at June 30, 2009 have been retroactively restated by \$32,210 to account for this clarification.

	<u>As Restated</u>	<u>As Previously Stated</u>
<b>Unrestricted Net Assets</b>	<b>\$ <u>4,389</u></b>	<b>\$ <u>36,599</u></b>
<b>Temporarily Restricted Net Assets</b>	<b>\$ <u>409,230</u></b>	<b>\$ <u>377,020</u></b>

**QUIXOTE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2010:

Quest for Peace	\$ 123,497
Criminal Justice	2,671
Books for Prisoners	12,496
Grassroots Investigation Project	7,085
Catholics Speak Out	77,654
Haiti Reborn	<u>124,491</u>
	<b><u>\$ 347,894</u></b>

**5. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Quixote Center Programs	\$ 9,369
Nicaragua Cultural Alliance	16,916
Quest for Peace	263,281
Quest for Peace - ART	40,759
Quest for Peace - CFTA	4,281
Climate Conference	139,674
Criminal Justice	7,320
Books for Prisoners	13,157
Grassroots Investigation Program	2,915
Catholics Speak Out	60,698
Faith Matters	21,253
Haiti Reborn	<u>173,960</u>
	<b><u>\$ 753,583</u></b>

**6. SABBATICAL ESCROW**

All full-time employees of the Center who have completed three years of service are eligible for a six-week sabbatical leave of absence at full salary. After the initial three-year period, employees earn an additional one-half month of sabbatical leave for each additional year of employment. The conditions of the sabbatical leave include the employee's submitting a written plan of the work to be performed while on leave, a description of how the sabbatical proposal will enhance the employee's work at the Center, a commitment to return to work at the Center for at least one-year following the sabbatical and approval of the plan by staff. For the year ended June 30, 2010, there was no sabbatical contribution expense.

During the year ended June 30, 2010, the Center wrote-off sabbatical accruals in the amount of \$23,252 due to forfeitures by employees who are no longer employed by the Center. These write-offs are included in salaries and employee benefits expenses in the accompanying Statement of Functional Expenses.

## QUIXOTE CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

#### 7. FAITH MATTERS

The Center provides staffing for Faith Matters, Inc., which produces and airs a radio program. The Center also provides accounting, computer and other administrative personnel to Faith Matters, Inc. Faith Matters, Inc. reimbursed the Center \$13,229 for expenses incurred under these arrangements, which is included in miscellaneous income in the accompanying Statement of Activities and Change in Net Assets.

The Center charges Faith Matters, Inc. a monthly fee of \$950 for office space. At June 30, 2010, total rental fees of \$7,600 are included in rental income in the accompanying Statement of Activities and Change in Net Assets. Additionally, the Center owed Faith Matters, Inc. \$175 for contributions received through the Center's credit card account. The balance is included in accounts payable and accrued liabilities in the accompanying Statement of Financial Position.

#### 8. RETIREMENT PLAN

The Center established a tax-deferred annuity retirement plan on January 1, 1991. The plan is intended to be a qualified plan under Internal Revenue Code Section 403(b). All employees are eligible to participate in the plan provided they meet the following requirements: age 18 and three months of service, with a minimum of 250 hours of service. For continued eligibility, each employee must work at least 1,000 hours during a plan year.

The plan is funded by voluntary employee salary reduction agreements. At the beginning of each plan year, the Center makes a determination as to whether or not an employer contribution will be made for eligible employees. During the year ended June 30, 2010, the Center elected to contribute \$17,393 to the plan.

The Retirement Medical Benefit Policy inaugurated by the Board in 2008, entitles retired, full-time staff aged 65 or older with at least 20 years of service up to \$2,400 per year, adjusted for inflation, for otherwise uncovered medical expenses, including insurance. There is currently one retiree who meets those qualifications. There are two ways the Center can pay this benefit to this retiree: on an on-going basis (as currently done through monthly reimbursements) or as a lump-sum payout. The estimated cost of a lump-sum payout at June 30, 2010 was \$39,000 and is included in accounts payable and accrued expenses in the accompanying Statement of Financial Position.

#### 9. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Center has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Center has the ability to access.

QUIXOTE CENTER, INC.

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9. FAIR VALUE MEASUREMENTS

**Level 2.** These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Category:</b>				
<b>Mutual Funds</b>	<u>\$ 25,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,002</u>

10. TRANSFER OF PROGRAMS

The recent retirement of two co-founders of the Center has led the Center to refocus its program activities to a few of its original programs. As a result, 100% of the Center's Latin American Programs: Quest for Peace - ART; Quest for Peace - CFTA and Climate Conference as well as 55% of the Quest for Peace programs, with the related staff and funding, were transferred to Nicaragua-United States Friendship Office, Inc. The total transferred to Nicaragua-United States Friendship Office, Inc. was \$302,455. Similarly, the Center's Haiti the Reborn Program, with the related staff and funding, was transferred to Konbit Pou Ayiti, Inc., (KONPAY). The total transferred to KONPAY was \$50,000. Subsequent to year-end, KONPAY terminated the contract for the transfer of the Haiti Reborn Program and agreed to refund the Center approximately \$5,300, net of expenses incurred through December 31, 2010.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through April 5, 2011, the date the financial statements were issued.