

FINANCIAL STATEMENTS



QUIXOTE CENTER, INC.

**FOR THE YEAR ENDED JUNE 30, 2011
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2010**

QUIXOTE CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Quixote Center, Inc.
College Park, Maryland

We have audited the accompanying statement of financial position of the Quixote Center, Inc. (the Center) as of June 30, 2011, 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 2010 financial statements and, in our report dated April 5, 2011, 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, 2011, 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.

A handwritten signature in cursive script that reads "Gelman, Rosenberg & Freedman".

November 16, 2012

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QUIXOTE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

ASSETS		<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	113,826	\$ 567,241
Investments (Notes 2 and 8)		32,968	25,002
Accounts receivable		188	12,337
Prepaid expenses		<u>-</u>	<u>9,261</u>
Total current assets		<u>146,982</u>	<u>613,841</u>
PROPERTY AND EQUIPMENT			
Land		30,418	30,418
Buildings		258,388	258,388
Equipment		<u>89,844</u>	<u>89,844</u>
		378,650	378,650
Less: Accumulated depreciation		<u>(292,620)</u>	<u>(272,349)</u>
Net property and equipment		<u>86,030</u>	<u>106,301</u>
OTHER ASSETS - Deposits		<u>2,500</u>	<u>-</u>
TOTAL ASSETS	\$	<u>235,512</u>	\$ <u>720,142</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities (Note 7)	\$	45,636	\$ 49,811
Transfer of programs: Nicaragua-United States Friendship Office		-	302,455
Transfer of programs: Konbit Pou Ayiti, Inc.		<u>-</u>	<u>50,000</u>
Total current liabilities		<u>45,636</u>	<u>402,266</u>
NET ASSETS			
Unrestricted		(7,051)	(30,018)
Temporarily restricted (Note 3)		<u>196,927</u>	<u>347,894</u>
Total net assets		<u>189,876</u>	<u>317,876</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>235,512</u>	\$ <u>720,142</u>

See accompanying notes to financial statements.

QUIXOTE CENTER, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions and grants	\$ 135,228	\$ 37,717	\$ 172,945	\$ 1,090,061
Investment income (Note 2)	8,054	-	8,054	20,255
Publications and product sales	18	9,089	9,107	14,246
Rental income (Note 6)	6,380	-	6,380	9,200
Royalty income	-	-	-	2,755
Mailing list rentals	748	625	1,373	1,583
Miscellaneous income	258	-	258	52,278
Net assets released from donor restrictions (Note 4)	<u>198,398</u>	<u>(198,398)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>349,084</u>	<u>(150,967)</u>	<u>198,117</u>	<u>1,190,378</u>
EXPENSES				
Program Services:				
Quixote Center Programs	-	-	-	87,920
Nicaragua Cultural Alliance	-	-	-	16,916
Quest for Peace	76,582	-	76,582	263,281
Quest for Peace - ART	-	-	-	40,759
Quest for Peace - CFTA	-	-	-	4,281
Climate Conference	-	-	-	139,674
Criminal Justice	997	-	997	7,320
Books for Prisoners	6,935	-	6,935	13,157
Grassroots Investigation Project	4,058	-	4,058	2,915
Catholics Speak Out	36,748	-	36,748	60,698
Faith Matters	-	-	-	21,254
Haiti Reborn	<u>73,078</u>	<u>-</u>	<u>73,078</u>	<u>173,960</u>
Total program services	<u>198,398</u>	<u>-</u>	<u>198,398</u>	<u>832,135</u>
Supporting Services:				
General and Administrative	124,185	-	124,185	83,908
Fundraising	<u>3,534</u>	<u>-</u>	<u>3,534</u>	<u>17,623</u>
Total supporting services	<u>127,719</u>	<u>-</u>	<u>127,719</u>	<u>101,531</u>
Total expenses	<u>326,117</u>	<u>-</u>	<u>326,117</u>	<u>933,666</u>
Change in net assets before other item	22,967	(150,967)	(128,000)	256,712
OTHER ITEM				
Transfers of programs (Note 5)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(352,455)</u>
Change in net assets	22,967	(150,967)	(128,000)	(95,743)
Net assets at beginning of year	<u>(30,018)</u>	<u>347,894</u>	<u>317,876</u>	<u>413,619</u>
NET ASSETS AT END OF YEAR	<u>\$ (7,051)</u>	<u>\$ 196,927</u>	<u>\$ 189,876</u>	<u>\$ 317,876</u>

See accompanying notes to financial statements.

QUIXOTE CENTER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

2011

	Quest for Peace	Criminal Justice	Books for Prisoners	Grassroots Investigation Project	Catholics Speak Out	Haiti Reborn	Total Program Services
Salaries and fringe benefits (Notes 7)	\$ 44,302	\$ 43	\$ 68	\$ 56	\$ 4,083	\$ 9,466	\$ 58,018
Printing and production	-	-	-	-	6,280	-	6,280
Contributions and grants	500	-	-	-	-	37,922	38,422
Contracted services	9,406	367	578	577	9,416	9,760	30,104
Occupancy - utilities and taxes	5,138	200	316	261	5,143	5,331	16,389
Accounting and legal	4,975	194	306	253	4,980	5,163	15,871
Insurance	1,057	41	65	54	1,058	1,097	3,372
Depreciation	-	-	-	-	-	-	-
Telephone	1,877	73	115	349	1,879	1,947	6,240
Travel	6,693	-	-	687	-	100	7,480
Postage and delivery	1,240	25	5,401	596	1,112	663	9,037
Supplies	823	32	51	117	868	879	2,770
Subscriptions and publications	54	2	3	3	54	56	172
Meetings and conferences	-	-	-	-	-	151	151
Advertising and promotion	-	-	-	-	-	-	-
Equipment rent and maintenance	491	19	30	25	492	509	1,566
Miscellaneous expenses	26	1	2	1	26	34	90
Computer expenses	-	-	-	-	-	-	-
Publications	-	-	-	1,079	1,357	-	2,436
TOTAL	\$ 76,582	\$ 997	\$ 6,935	\$ 4,058	\$ 36,748	\$ 73,078	\$ 198,398

See accompanying notes to financial statements.

2010				
Supporting Services				
General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$ 41,421	\$ 1,103	\$ 42,524	\$ 100,542	\$ 377,760
3,375	651	4,026	10,306	21,456
-	-	-	38,422	311,439
4,045	-	4,045	34,149	14,735
2,652	-	2,652	19,041	19,799
15,800	-	15,800	31,671	24,895
233	-	233	3,605	5,092
20,271	-	20,271	20,271	20,487
494	-	494	6,734	5,141
1,504	-	1,504	8,984	34,041
4,133	1,742	5,875	14,912	45,498
216	-	216	2,986	4,673
34	-	34	206	3,133
569	-	569	720	1,548
60	-	60	60	12,378
1,796	-	1,796	3,362	10,910
27,526	38	27,564	27,654	10,474
56	-	56	56	9,347
-	-	-	2,436	860
\$ 124,185	\$ 3,534	\$ 127,719	\$ 326,117	\$ 933,666

See accompanying notes to financial statements.

QUIXOTE CENTER, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (128,000)	\$ (95,743)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	20,271	20,487
Net appreciation of investments	(7,966)	(20,100)
(Increase) decrease in:		
Accounts receivable	12,149	4,323
Prepaid expenses	9,261	(5,616)
Deposits	(2,500)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	(4,175)	38,708
Sabbatical escrow	-	(23,252)
Transfer of programs: Nicaragua-United States Friendship Office	(302,455)	302,455
Transfer of programs: Konbit Pou Ayiti, Inc.	<u>(50,000)</u>	<u>50,000</u>
Net cash (used) provided by operating activities	<u>(453,415)</u>	<u>271,262</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	<u>-</u>	<u>105,202</u>
Net cash provided by investing activities	<u>-</u>	<u>105,202</u>
Net (decrease) increase in cash and cash equivalents	(453,415)	376,464
Cash and cash equivalents at beginning of year	<u>567,241</u>	<u>190,777</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 113,826</u>	<u>\$ 567,241</u>

See accompanying notes to financial statements.

QUIXOTE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 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 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:

- **Quest for Peace** - Collection and shipment of humanitarian aid to the people of Nicaragua through a network of church organizations; provides educational resources and assists with development efforts in Nicaragua.
- **Criminal Justice** - 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 situation 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.

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, 2010, 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). The Center maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

QUIXOTE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Cash and cash equivalents (continued) -

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. Accounts receivable are expected to be received within a year.

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. For the year ended June 30, 2011, 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. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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.

QUIXOTE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Net asset classification (continued) -

- **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. Temporarily restricted 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. Such 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.

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.

QUIXOTE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

2. INVESTMENTS

Investments consisted of the following at June 30, 2011:

	<u>Market Value</u>
Mutual Funds	\$ <u>32,968</u>

Included in investment income are the following:

Interest and dividends	\$ 88
Net appreciation of investments	<u>7,966</u>
TOTAL INVESTMENT INCOME	\$ <u>8,054</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2011:

Quest for Peace	\$ 63,557
Criminal Justice	2,436
Books for Prisoners	9,841
Grassroots Investigation Project	3,277
Catholics Speak Out	52,825
Haiti Reborn	<u>64,991</u>
	\$ <u>196,927</u>

4. 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:

Quest for Peace	\$ 76,582
Criminal Justice	997
Books for Prisoners	6,935
Grassroots Investigation Program	4,058
Catholics Speak Out	36,748
Haiti Reborn	<u>73,078</u>
	\$ <u>198,398</u>

5. TRANSFER OF PROGRAMS

During the year ended June 30, 2012, the Center's two co-founders retired. The retirement 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.

QUIXOTE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

6. FAITH MATTERS

The Center charges Faith Matters, Inc. a monthly fee of \$950 for office space. At June 30, 2011, total rental fees of \$6,380 are included in rental income in the accompanying Statement of Activities and Change in Net Assets.

7. 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, 2011, the Center elected to contribute \$1,932 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, 2011 was \$37,000, and is included in accounts payable and accrued liabilities in the accompanying Statement of Financial Position.

8. 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.

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

QUIXOTE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

8. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Center's investments as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual Funds	\$ <u>32,968</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>32,968</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through November 16, 2012, the date the financial statements were issued.

On August 17, 2011, the Center entered into a three-year lease agreement, commencing on August 18, 2011 and expiring on August 31, 2014. The lease agreement calls for a refundable security deposit of \$2,500 and monthly rental payments of \$2,500. Additionally, the lease calls for a three percent annual increase in monthly rental payments. The minimum future lease payments are \$25,000 in 2012; \$30,750 in 2013; \$31,670 in 2014; and \$5,304 in 2015.

On October 26, 2011, the Center, with the approval of the Board of Directors, disposed of its land and buildings for a contract sales price of \$243,000.