

UNITY ON THE BAY, INC.

Financial Statements

December 31, 2010 and 2009

Robbins and Landino, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Unity on the Bay, Inc.

We have audited the accompanying statements of financial position of Unity on the Bay, Inc., as of December 31, 2010 and 2009, and the related statements of activities 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.

Except as explained in the following paragraph, 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.

The Organization's records were not sufficient to permit the application of adequate auditing procedures to determine the cost of property and equipment acquired prior to 2001 (see Note 1). The Organization included expenses in 2008 that, in our opinion, should be reported in 2009 to conform to accounting principles generally accepted in the United States of America. If accounted for properly, expenses would increase by \$33,268 for the year ended December 31, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient records regarding the cost of property and equipment acquired prior to 2001, and for the inclusion of expenses in 2008 that should have been reported in 2009, the financial statements referred to above presently fairly in all material respects the financial position of Unity on the Bay, Inc. as of December 31, 2010 and 2009, 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.

ROBBINS and LANDINO, P.A.
Certified Public Accountants

Robbins and Landino, P.A.

Fort Lauderdale, Florida
March 9, 2011

UNITY ON THE BAY, INC.

Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Cash	\$ 123,186	\$ 68,810
Prepaid Expenses	14,013	16,547
Inventory	34,144	39,722
Loans Receivable	1,000	2,533
Interest in Life Insurance Policy	35,135	35,563
Total Current Assets	207,478	163,175
Property and Equipment	241,968	240,406
Total Assets	\$ 449,446	\$ 403,581
 Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 48,734	\$ 38,976
Notes Payable	44,167	44,085
Total Current Liabilities	92,901	83,061
Long-Term Liabilities		
Notes Payable	41,597	55,767
Total Liabilities	134,498	138,828
Net Assets		
Unrestricted	303,680	229,383
Temporarily Restricted	11,268	35,370
Total Net Assets	314,948	264,753
Total Liabilities and Net Assets	\$ 449,446	\$ 403,581

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

UNITY ON THE BAY, INC.

Statements of Activities
For the Years Ended December 31, 2010 and 2009

	2010	2009
Unrestricted Net Assets		
Revenues		
Tithes and Offerings	\$ 1,276,915	\$ 1,231,507
Prosperity Classes	156,184	166,745
Other Classes and Training	84,075	97,840
Bookstore Sales	133,985	134,670
Special Events	43,001	94,365
Less: Special Events Expenses	(26,245)	(59,046)
Other Income	13,591	16,434
Investment Income	(131)	377
Net Assets Released from Restrictions	33,353	14,853
Total Revenues	1,714,728	1,697,745
Expenses		
Program Services		
Celebration/Worship/Music	553,136	587,620
Adult Education and Family Ministry	174,642	167,332
Tithes and Outreach	154,179	156,007
Bookstore	132,558	113,134
Communications and Marketing	85,562	104,896
Sacred Services	63,170	60,922
Small Groups	80,398	78,297
Prayer and Pastoral Care	77,557	95,620
Total Program Services	1,321,202	1,363,828
Development and Fundraising	15,283	11,885
General and Administrative	303,946	294,372
Total Expenses	1,640,431	1,670,085
Change in Unrestricted Net Assets	74,297	27,660
Temporarily Restricted Net Assets		
Contributions	9,251	25,636
Net Assets Released from Restrictions	(33,353)	(14,853)
Change in Temporarily Restricted Net Assets	(24,102)	10,783
Change in Net Assets	50,195	38,443
Net Assets, Beginning of Year	264,753	226,310
Net Assets, End of Year	\$ 314,948	\$ 264,753

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

UNITY ON THE BAY, INC.

Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Change in Net Assets	\$ 50,195	\$ 38,443
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation	44,275	44,784
Decrease in Value of Life Insurance Policy	428	4,265
Changes in Assets and Liabilities:		
(Increase) Decrease in Prepaid Expenses	2,534	(6,733)
(Increase) Decrease in Inventory	5,578	(10,841)
(Increase) Decrease in Loans Receivable	1,533	(1,708)
(Decrease) Increase in Accounts Payable	9,758	(59,714)
Net Cash Flows from Operating Activities	114,301	8,496
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(45,837)	(41,705)
Net Cash Flows from Investing Activities	(45,837)	(41,705)
Cash Flows from Financing Activities		
Principal Payments on Notes Payable	(14,088)	(8,040)
Net Cash Flows from Financing Activities	(14,088)	(8,040)
Net Change in Cash	54,376	(41,249)
Cash, Beginning of Year	68,810	110,059
Cash, End of Year	\$ 123,186	\$ 68,810
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest:	\$ 5,455	\$ 5,832

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization: Unity on the Bay, Inc.'s (the "Organization") vision is to be a prosperous expanding spiritual community of God's light, love and peace radiating the Unity message globally. Their mission is to pray, educate, serve and celebrate to inspire and transform ourselves, our community, and our world.

Date of Management's Review: In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 9, 2011, the date that the financial statements were issued.

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation: Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Includes amounts which have no external restrictions and which are available for support of current operations.

Temporarily Restricted – Includes amounts which have donor-restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or restrictions that expire by the passage of time.

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Time-restricted and purpose-restricted contributions are required to be reported as temporarily restricted support, unless the donor expressly stipulates otherwise. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers interest-bearing cash accounts with an original maturity of three months or less to be cash equivalents.

Inventories: Inventories of bookstore merchandise are recorded at the lower of cost or market, on a first-in, first-out basis.

UNITY ON THE BAY, INC.
Notes to Financial Statements
December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment: The cost of the building, land, and furniture and equipment acquired prior to 2001 is recorded at estimated values as determined by management in July of 2003. Building improvements made after 2001, and furniture and equipment acquired after 2001, have been recorded at cost. Depreciation is computed on the straight-line basis over the expected useful lives of the assets. Maintenance expenses are charged to expense as incurred.

Income Taxes: As a non-profit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from corporate income taxation on income related to its exempt function. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Use of Estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosures, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses: The cost of providing the various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Fair Value of Financial Instruments: Cash equivalents, prepaid expenses, loans receivable, accounts payable and accrued expenses are reflected in the financial statements at cost which approximates fair value because of their short-term nature.

2. PROPERTY AND EQUIPMENT

At December 31, 2010 and 2009, property and equipment consisted of:

	2010		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 40,000	\$	\$ 40,000
Building and Improvements	570,167	446,689	123,478
Furniture and Equipment	286,884	208,394	78,490
	<u>\$ 897,051</u>	<u>\$ 655,083</u>	<u>\$ 241,968</u>

UNITY ON THE BAY, INC.
Notes to Financial Statements
December 31, 2010 and 2009

2. PROPERTY AND EQUIPMENT (continued)

	<u>2009</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 40,000	\$	\$ 40,000
Building and Improvements	545,297	428,158	117,139
Furniture and Equipment	<u>283,070</u>	<u>199,803</u>	<u>83,267</u>
	<u>\$ 868,367</u>	<u>\$ 627,961</u>	<u>\$ 240,406</u>

In 2010, the Miami-Dade Property Appraisal's office assessed the value of the building and land at approximately \$6.6 million.

3. NOTES PAYABLE

At December 31, 2010 and 2009, notes payable consisted of:

	<u>2010</u>	<u>2009</u>
Unsecured line of credit payable to bank in the maximum amount of \$100,000, interest rate of prime plus 1%, with no stated maturity, estimated maturity 2011.	\$ 29,938	\$ 29,938
Mortgage note payable to bank, interest rate of 5.5%, payable in monthly installments of principal and interest, maturing September 2014, secured by building and land.	55,107	67,676
Note payable to finance company, interest rate of 18.3%, payable in monthly installments of \$150, maturing May 2011, secured by equipment.	<u>719</u>	<u>2,238</u>
	85,764	99,852
Less: Current Portion	<u>(44,167)</u>	<u>(44,085)</u>
Long-Term Portion	<u>\$ 41,597</u>	<u>\$ 55,767</u>

Future maturities of notes payable at December 31, 2010 are as follows:

For the Year Ending December 31,	2011	\$ 44,167
	2012	14,331
	2013	15,268
	2014	<u>11,998</u>
		<u>\$ 85,764</u>

UNITY ON THE BAY, INC.
Notes to Financial Statements
December 31, 2010 and 2009

4. RESTRICTIONS ON ASSETS

At December 31, 2010 and 2009, temporarily restricted net assets of \$11,268 and \$35,370, respectively, are available for program services:

During 2010 and 2009, net assets of \$33,353 and \$14,853, respectively, were released from donor restrictions by incurring expenses, satisfying program services.

5. LEASES

The Company leases its copier equipment under the terms of an operating lease. The lease expires in October 2013.

Minimum future lease payments under the arrangements existing at December 31, 2010 are:

For the Year Ending December 31,	2011	\$ 11,945
	2012	7,254
	2013	<u>6,090</u>
		<u>\$ 25,289</u>

Equipment rental and support expense was approximately \$16,500 for the year ended December 31, 2010.

6. FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820 ("ASC 820"), Fair Value Measurements, establishes a framework for measuring fair value. That framework provides 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 issues or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

6. FAIR VALUE MEASUREMENTS (continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Interest in Life Insurance Policy: Stated at the present value of the death benefit based upon life expectancy tables at 1.5%, less outstanding loans to the life insurance company.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2010:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Interest in Life Insurance Policy	\$ 35,135	\$ _____	\$ _____	\$ 35,135

UNITY ON THE BAY, INC.
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6. FAIR VALUE MEASUREMENTS (continued)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2009 and 2010:

	<u>Level 3 Assets</u> <u>Interest in</u> <u>Life Insurance</u> <u>Policy</u>
Balance, December 31, 2008	\$ 39,828
Unrealized loss relating to instruments still held at the reporting date	<u>(4,265)</u>
Balance, December 31, 2009	35,563
Unrealized loss relating to instruments still held at the reporting date	<u>(428)</u>
Balance, December 31, 2010	<u>\$ 35,135</u>

The investment income reported in the change in unrestricted net assets on the statement of activities includes the unrealized losses of \$428 and \$4,265 for the years ended December 31, 2010 and 2009, respectively.