

Financial Statements

UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Year Ended December 31, 2006
(With Comparative Totals for 2005)

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Combined Financial Statements
and Supplementary Information
Year Ended December 31, 2006
(With Comparative Totals for 2005)**

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**A.T. ALLEN
& COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS
A Registered Limited Liability Partnership

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INDEPENDENT AUDITORS' REPORT

To the Boards of Directors
of UNITED STATES BASEBALL FEDERATION, INC. and
BASEBALL AMERICA FOUNDATION, INC.

We have audited the accompanying combined statement of financial position of United States Baseball Federation, Inc. and Baseball America Foundation, Inc. (nonprofit organizations) as of December 31, 2006, and the related combined statements of activities, functional expenses, and cash flows for the year then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organizations' 2005 combined financial statements and, in our report dated February 24, 2006, we expressed an unqualified opinion on those financial 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of United States Baseball Federation, Inc. and Baseball America Foundation, Inc. as of December 31, 2006, 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.T. Allen & Company L.L.P.

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March 6, 2007

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**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Combined Statement of Financial Position
December 31, 2006
(With Comparative Totals for 2005)**

	2006	2005
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 197,534	\$ 390,416
Investments	1,138,771	1,021,734
Inventory	30,628	18,405
Accounts receivable	417,723	457,954
Prepaid expenses	10,206	24,381
Total current assets	1,794,862	1,912,890
Property and equipment, net	16,221	8,031
Cash value life insurance	145,122	132,461
Total assets	\$ 1,956,205	\$ 2,053,382
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 35,841	\$ 377,486
Deferred compensation - current	29,889	27,598
Total current liabilities	65,730	405,084
Deferred compensation - long-term	-	29,889
Total liabilities	65,730	434,973
<u>Net Assets</u>		
Unrestricted	1,890,475	1,618,409
Total liabilities and net assets	\$ 1,956,205	\$ 2,053,382

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.**
Combined Statement of Activities
Year Ended December 31, 2006
(With Comparative Totals for 2005)

	<u>2006</u>	<u>2005</u>
Revenues and other support:		
United States Olympic Committee funding	\$ -	\$ 292,188
Major League Baseball funding	1,410,373	460,000
Sponsorships and donations	164,306	548,242
Merchandise sales	192,240	166,671
Value in kind donations	734,398	466,665
Ticket sales and concession revenue	147,855	123,254
Card sale revenue	73,542	516,919
Interest	22,333	17,748
Dividends	17,011	16,357
Net realized and unrealized gains on investments	113,958	9,275
Increase in cash value life insurance	12,661	10,550
Junior Olympic tournament	193,100	197,049
Membership revenue	21,870	17,744
Memorabilia auction	20,061	13,688
World Baseball Classic	244,037	-
Tournament of Stars	82,711	-
Wake County - National Training Center	715,000	-
Other income	11,737	20,068
Total revenues and other support	<u>4,177,193</u>	<u>2,876,418</u>
Expenses:		
Program services	3,426,196	2,213,059
Management and general	354,326	339,183
	<u>3,780,522</u>	<u>2,552,242</u>
Direct cost of merchandise sales	119,697	82,852
Direct cost of card sales	4,908	280,723
Total expenses and direct costs	<u>3,905,127</u>	<u>2,915,817</u>
Change in net assets	272,066	(39,399)
Net assets at beginning of year	<u>1,618,409</u>	<u>1,657,808</u>
Net assets at end of year	<u>\$ 1,890,475</u>	<u>\$ 1,618,409</u>

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Combined Statement of Functional Expenses
Year Ended December 31, 2006
(With Comparative Totals for 2005)**

	Program Services	Management and General	Total	
			2006	2005
Salaries	\$ 370,795	\$ 158,912	\$ 529,707	\$ 495,288
Employee related expenses	82,049	35,164	117,213	107,975
Total salaries and related expenses	452,844	194,076	646,920	603,263
Accounting	-	6,000	6,000	6,000
Professional services	165,426	-	165,426	193,951
Bank service charges	5,000	29,205	34,205	27,936
Meeting/directors expense	-	31,743	31,743	26,417
Consulting	42,774	-	42,774	5,165
Promotions /shows	30,969	-	30,969	36,732
Interest expense	-	3,602	3,602	7,512
Office supplies	16,135	16,134	32,269	21,377
Postage and shipping	44,790	11,198	55,988	49,183
Rent	86,293	-	86,293	102,352
Printing	27,673	4,883	32,556	33,334
Program supplies	134,565	-	134,565	77,079
Honorarium/umpire fees	142,281	-	142,281	132,855
Telephone	19,672	8,431	28,103	22,712
Medical and safety	7,483	-	7,483	10,019
Insurance	82,199	13,131	95,330	89,466
Travel	663,041	23,195	686,236	617,438
Depreciation	-	5,356	5,356	2,705
BAF awards	8,300	-	8,300	-
Value in kind donations	734,398	-	734,398	465,166
National Training Center	715,000	-	715,000	-
Other	47,353	7,372	54,725	21,580
Total functional expenses	\$ 3,426,196	\$ 354,326	\$ 3,780,522	\$ 2,552,242

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.**
Combined Statement of Cash Flows
Year Ended December 31, 2006
(With Comparative Totals for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 272,066	\$ (39,399)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,356	2,705
Cash value life insurance	(12,661)	(10,550)
Net realized and unrealized gains on investments	(113,958)	(9,275)
(Increase) decrease in:		
Inventory	(12,223)	(1,452)
Accounts receivable	40,231	(213,186)
Prepaid expenses	14,175	(17,815)
Increase (decrease) in:		
Accounts payable	(341,645)	326,575
Deferred revenue	-	(3,100)
Deferred compensation	(27,598)	(25,484)
Net cash provided (used) by operating activities	<u>(176,257)</u>	<u>9,019</u>
Cash flows from investing activities:		
Purchase of property and equipment	(13,546)	(7,889)
Purchase of investments	(319,342)	(350,361)
Proceeds from sale of investments	<u>316,263</u>	<u>396,826</u>
Net cash provided (used) by investing activities	<u>(16,625)</u>	<u>38,576</u>
Cash flows from financing activities:		
New borrowings	-	100,000
Debt reduction	<u>-</u>	<u>(100,000)</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(192,882)	47,595
Cash and cash equivalents at beginning of year	<u>390,416</u>	<u>342,821</u>
Cash and cash equivalents at end of year	<u>\$ 197,534</u>	<u>\$ 390,416</u>
Supplemental data:		
Interest paid	<u>\$ 3,602</u>	<u>\$ 7,512</u>

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
December 31, 2006**

1. NATURE OF ORGANIZATION

United States Baseball Federation, Inc. (Federation) was incorporated in the state of Michigan in 1965 and acts as the national governing body for the sport of baseball in compliance with the Amateur Sports Act of 1978 and the Constitution and Bylaws of the United States Olympic Committee. The Federation is supported primarily through sponsorships, donations, ticket and merchandise sales, Junior Olympic tournaments, and Major League Baseball.

Baseball America Foundation, Inc. (Foundation) was established in 1985 in the state of New Jersey for the purpose of managing and administering the funds given by the Los Angeles Olympic Organizing Committee to the United States Baseball Federation.

The Federation and Foundation are collectively referred to herein as "USA Baseball" (USAB).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The combined financial statements of USAB have been prepared on the accrual basis.

Financial Statement Presentation

The combined statements include the accounts of United States Baseball Federation, Inc. and Baseball America Foundation, Inc. All significant interagency accounts and transactions have been eliminated in combination.

Summarized Financial Information for 2005

The financial statements included 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the USAB's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Use of Estimates

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.**
Notes to Combined Financial Statements
December 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to USAB that is, in substance, unconditional.

Recognition of Donor Restrictions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at date of donation. Depreciation is provided using straight-line over their estimated useful lives.

Cash and Cash Equivalents

Cash equivalents includes all cash balances and highly liquid investments with an original maturity of three months or less.

Income Tax Status

USAB is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to their tax-exempt purpose is subject to taxation as unrelated business income. In addition, USAB qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) for the Federation and Section 509(a)(1) for the Foundation.

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
December 31, 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Goods, Services, and Facilities

Donated goods and space are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Inventory

Inventory of goods for resale are stated at cost.

Functional Expenses

The cost of providing the program services has been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the program services and supporting services benefited.

Accounts Receivable

Accounts receivable result primarily from the accrual of sponsorships and merchandise sales. A provision for doubtful accounts has not been established as management considers all accounts receivable at year end to be collectible.

3. CONCENTRATION OF CREDIT RISKS

USAB maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006 USAB had uninsured cash balances above insured amounts.

4. LINE OF CREDIT

The Federation has available for its use a \$100,000 unsecured line of credit. Interest on advances is payable at bank prime plus 1% and is due and payable monthly. The principal and any accrued, unpaid interest is due and payable on April 25, 2007, the expiration date of the line of credit. At December 31, 2006, no amounts were borrowed and outstanding under the line of credit.

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
December 31, 2006**

5. INVESTMENTS

Investments are summarized as follows at December 31:

	2006		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Bonds	\$ 281,775	\$ 275,763	\$ (6,012)
Stocks	699,875	863,008	163,133
	\$ 981,650	\$ 1,138,771	\$ 157,121
	2005		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Bonds	\$ 269,803	\$ 261,958	\$ (7,845)
Stocks	669,872	759,776	89,904
	\$ 939,675	\$ 1,021,734	\$ 82,059

The following schedule summarizes the investment return for the year ended December 31:

	2006	2005
Interest	\$ 13,211	\$ 13,386
Dividends	17,011	16,357
Net realized and unrealized gains	113,958	9,275
Total investment return	\$ 144,180	\$ 39,018

6. RETIREMENT PLAN

In January 2000, the Federation adopted a 401(k) salary reduction plan. Employees who have attained the age of 21 and who have performed six months of service are eligible to participate. The Federation may make discretionary contributions to the plan. Employees become fully vested in their employer contributions after five years of service. The Federation made contributions of \$0 to the plan during 2006 and 2005.

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
December 31, 2006**

7. DEFERRED COMPENSATION

In December 1997, the Federation agreed to pay a former employee compensation totaling \$31,200 annually for ten years beginning January 1998. During 2006 and 2005, payments to this employee totaled \$31,200 and \$31,200, respectively, of which \$3,602 and \$5,717, respectively, was recognized as interest expense. The future minimum payments under this obligation are as follows:

<u>Year Ending December 31:</u>	
2007	\$ 31,200
Amount representing interest	<u>(1,311)</u>
Present value of future minimum payments	29,889
Current portion	<u>29,889</u>
Long-term portion	<u>\$ -</u>

8. OPERATING LEASES

The Federation leases a copier under a lease that expires in 2010. Rental expense under this lease amounted to \$1,526 and \$0 in 2006 and 2005, respectively.

Future minimum lease payments relating to the copier lease are as follows:

<u>Year Ending December 31:</u>	
2007	\$ 4,579
2008	4,579
2009	4,579
2010	<u>3,053</u>
	<u>\$ 16,790</u>

The Federation leased its office space in Research Triangle Park, North Carolina under a month to month operating lease. Total rent expense was \$0 and \$1,000 in 2006 and 2005, respectively.

USAB moved to new office facilities at the Durham Bulls Athletic Park in Durham, North Carolina in February 2005 and signed a ten year lease agreement. Base rent consists of a seat surcharge for each ticket sold for USAB baseball games and other special events staged by USAB. Four percent of gross revenue derived from concession sales is also included in the base rent. The fair value of these facilities was \$198,967 and \$182,387 in 2006 and 2005, respectively, and has been included in revenue and expenses for the year.

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
December 31, 2006**

8. OPERATING LEASES (continued)

USAB moved to North Carolina in 2003 and agreed to buyout its previous lease for facilities at Hi Corbett Field from the City of Tucson, Arizona. The amount of the agreed buyout was \$50,000. Interest was payable at 4% on the outstanding balance. The facilities are available for use by the Federation during the buyout period. Total rent expense in 2006 and 2005 was \$0 and \$15,000, respectively, pertaining to this buyout.

9. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 167,391	\$ 153,845
less accumulated depreciation	<u>151,170</u>	<u>145,814</u>
	<u>\$ 16,221</u>	<u>\$ 8,031</u>

Depreciation expense amounted to \$5,356 and \$2,705 in 2006 and 2005, respectively.

10. UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised of the following:

	<u>2006</u>	<u>2005</u>
Unrestricted	\$ 777,475	\$ 568,409
Board designated:		
Foundation	1,050,000	1,050,000
National Training Center	<u>63,000</u>	<u>-</u>
	<u>\$ 1,890,475</u>	<u>\$ 1,618,409</u>

11. MAJOR LEAGUE BASEBALL AGREEMENT

The Federation granted exclusively to Major League Baseball Properties, Inc and MLB Advanced Media, LLC (collectively MLB), the rights, to use, license and sublicense, on a worldwide, non-royalty bearing basis all commercial and editorial rights and interests and other rights to generate revenue for the term beginning January 2006 and concluding December 2016. The Federation will receive funding for its operations from the Office Of The Commissioner Of Baseball (BOC), with the minimum amounts of \$1,410,373 for 2006, \$1,200,000 for each year 2007 and 2008, \$1,250,000 for each year 2009-2012, and \$1,300,000 for each year 2013-2016. There is also revenue sharing between the entities in this agreement. MLB and BOC may terminate this agreement effective December 31, 2009 or December 31, 2013.

SUPPLEMENTARY INFORMATION



**A.T. ALLEN
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CERTIFIED PUBLIC ACCOUNTANTS
A Registered Limited Liability Partnership

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Boards of Directors
of UNITED STATES BASEBALL FEDERATION, INC. and
BASEBALL AMERICA FOUNDATION, INC.

Our report on our audit of the basic combined financial statements of UNITED STATES BASEBALL FEDERATION, INC. AND BASEBALL AMERICA FOUNDATION, INC. for 2006 appears on page three. That audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying supplementary information on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

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March 6, 2007

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**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.**
Details of Combination - Assets, Liabilities, and Net Assets
December 31, 2006

	<u>Federation</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 137,292	\$ 60,242	\$ -	\$ 197,534
Investments	-	1,138,771	-	1,138,771
Inventory	30,628	-	-	30,628
Accounts receivable	417,723	118,515	(118,515)	417,723
Prepaid expenses	10,206	-	-	10,206
Total current assets	595,849	1,317,528	(118,515)	1,794,862
Property and equipment, net	16,221	-	-	16,221
Cash value life insurance	145,122	-	-	145,122
Total assets	<u>\$ 757,192</u>	<u>\$ 1,317,528</u>	<u>\$ (118,515)</u>	<u>\$ 1,956,205</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	\$ 154,356	\$ -	\$ (118,515)	\$ 35,841
Deferred compensation - current	29,889	-	-	29,889
Total current liabilities	184,245	-	(118,515)	65,730
<u>Net Assets</u>				
Unrestricted	572,947	1,317,528	-	1,890,475
Total liabilities and net assets	<u>\$ 757,192</u>	<u>\$ 1,317,528</u>	<u>\$ (118,515)</u>	<u>\$ 1,956,205</u>

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.**
Details of Combination - Revenues, Expenses, and Changes in Net Assets
Year Ended December 31, 2006

	<u>Federation</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Revenues and other support:				
Major League Baseball funding	\$ 1,410,373	\$ -	\$ -	\$ 1,410,373
Sponsorships and donations	164,306	-	-	164,306
Merchandise sales	192,240	-	-	192,240
Value in kind donations	734,398	-	-	734,398
Ticket sales and concession revenue	147,855	-	-	147,855
Card sale revenue	73,542	-	-	73,542
Interest	9,122	13,211	-	22,333
Dividends	-	17,011	-	17,011
Net realized and unrealized gains on investments	-	113,958	-	113,958
Increase in cash value life insurance	12,661	-	-	12,661
Junior Olympic tournament	193,100	-	-	193,100
Membership revenue	21,870	-	-	21,870
Memorabilia auction	20,061	-	-	20,061
World Baseball Classic	244,037	-	-	244,037
Tournament of Stars	82,711	-	-	82,711
Wake County - National Training Center	715,000	-	-	715,000
Other income	11,737	63,000	(63,000)	11,737
Total revenues and other support	4,033,013	207,180	(63,000)	4,177,193
Expenses:				
Program services	3,417,896	8,300	-	3,426,196
Management and general	396,908	20,418	(63,000)	354,326
	3,814,804	28,718	(63,000)	3,780,522
Direct cost of merchandise sales	119,697	-	-	119,697
Direct cost of card sales	4,908	-	-	4,908
Total expenses and direct costs	3,939,409	28,718	(63,000)	3,905,127
Change in net assets	93,604	178,462	-	272,066
Net assets at beginning of year	479,343	1,139,066	-	1,618,409
Net assets at end of year	\$ 572,947	\$ 1,317,528	\$ -	\$ 1,890,475

