

2011
AUDIT

048820

2011-12-31

Interise, Inc.
Financial Statements
December 31, 2011 and 2010

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**Interise, Inc.
Financial Statements
December 31, 2011 and 2010**

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2011
Audit
048820**Independent Auditor's Report**

To the Board of Directors of
Interise, Inc.

We have audited the accompanying statements of financial position of Interise, Inc., (a Massachusetts non-profit corporation) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interise, Inc. as of December 31, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2012 on our consideration of Interise, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anstiss & Co., P.C.

Anstiss & Co., P. C.
Lowell, MA
July 19, 2012

Interise, Inc.
Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash	\$ 573,402	\$ 337,278
Accounts receivable	317,390	94,862
Prepaid expenses	1,235	4,184
Total current assets	892,027	436,324
Deposits	398	398
Total assets	\$ 892,425	\$ 436,722
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 61,872	\$ 9,758
Accrued expenses	19,802	34,142
Payroll liabilities	4,614	1,833
Deferred revenue	86,298	3,000
Total current liabilities	86,288	45,733
Total liabilities	172,586	48,733
Net assets		
Unrestricted net assets		
Undesignated net assets	454,839	147,989
Board-designated net assets (Note 4)	90,000	60,000
Total unrestricted net assets	544,839	207,989
Temporarily restricted net assets (Note 5)	175,000	180,000
Total net assets	719,839	387,989
Total liabilities and net assets	\$ 892,425	\$ 436,722

See accompanying auditor's report and notes.

Interise, Inc.
Statements of Activities
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>			<u>2010</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue						
Contract revenue (Note 6)	\$ 1,418,275	\$ -	\$ 1,418,275	\$ 987,651	\$ -	\$ 987,651
Grants and contributions (Note 7)	78,020	483,000	561,020	101,941	388,000	489,941
Educational materials	128,637	-	128,637	54,819	-	54,819
Tuition	82,690	-	82,690	35,475	-	35,475
Interest income	1,165	-	1,165	250	-	250
Net assets released from restriction	488,000	(488,000)	-	208,000	(208,000)	-
Total Support and Revenue	<u>2,196,787</u>	<u>(5,000)</u>	<u>2,191,787</u>	<u>1,388,136</u>	<u>180,000</u>	<u>1,568,136</u>
Expenses						
Program	1,548,247	-	1,548,247	1,193,995	-	1,193,995
General and administrative	217,134	-	217,134	148,891	-	148,891
Fundraising	94,556	-	94,556	30,596	-	30,596
Total Expenses	<u>1,859,937</u>	<u>-</u>	<u>1,859,937</u>	<u>1,373,482</u>	<u>-</u>	<u>1,373,482</u>
Change in Net Assets	336,850	(5,000)	331,850	14,654	180,000	194,654
Net assets - Beginning of Year	<u>207,989</u>	<u>180,000</u>	<u>387,989</u>	<u>193,335</u>	<u>-</u>	<u>193,335</u>
Net assets - End of Year	<u>\$ 544,839</u>	<u>\$ 175,000</u>	<u>\$ 719,839</u>	<u>\$ 207,989</u>	<u>\$ 180,000</u>	<u>\$ 387,989</u>

See accompanying auditor's report and notes.

Interise, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program, curriculum and travel				
Instructors	\$ 377,843	\$ -	\$ -	\$ 377,843
Travel	139,876	-	-	139,876
Curriculum	110,960	-	3,974	114,934
Other expenses	21,143	-	-	21,143
Program management	8,000	12,800	-	20,800
Recruitment	10,158	-	-	10,158
Evaluation and research	7,469	-	-	7,469
Printing	6,332	-	-	6,332
Program supplies	4,941	-	-	4,941
Events	3,922	-	-	3,922
Facility rentals	3,150	-	-	3,150
Memberships	2,204	-	-	2,204
Awards and gifts	776	-	-	776
Total program, curriculum and travel	<u>696,774</u>	<u>12,800</u>	<u>3,974</u>	<u>713,548</u>
Compensation and related expenses	<u>683,843</u>	<u>110,810</u>	<u>58,809</u>	<u>853,462</u>
Operating expenses				
Contracted services (Note 7)	92,991	78,080	23,238	194,309
Rent (Note 9)	38,372	6,275	3,620	48,267
Telecommunications	12,407	2,029	1,170	15,606
Technology	8,815	1,441	832	11,088
Office supplies and equipment	5,406	384	510	6,300
Other charges and fees	3,122	391	1,912	5,425
Employee retention	3,287	538	310	4,135
Insurance	1,039	2,458	-	3,497
Board development	-	1,614	-	1,614
Postage and delivery	1,146	197	114	1,457
Repairs and maintenance	714	117	67	898
Bank charges and fees	331	-	-	331
Bad debt expense	-	-	-	-
Total operating expenses	<u>167,630</u>	<u>93,524</u>	<u>31,773</u>	<u>292,927</u>
Total expenses	<u>\$ 1,548,247</u>	<u>\$ 217,134</u>	<u>\$ 94,556</u>	<u>\$ 1,859,937</u>

See accompanying auditor's report and notes.

Interise, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program, curriculum and travel				
Instructors	\$ 287,497	\$ -	\$ -	\$ 287,497
Travel	80,513	-	422	80,935
Curriculum	67,136	-	-	67,136
Other expenses	5,656	-	-	5,656
Program management	1,068	11,537	-	12,605
Recruitment	5,841	-	-	5,841
Evaluation and research	11,458	-	-	11,458
Printing	111	-	2,595	2,706
Program supplies	1,780	-	-	1,780
Events	17,669	-	-	17,669
Facility rentals	2,789	-	-	2,789
Memberships	2,031	-	-	2,031
Awards and gifts	1,674	-	45	1,719
Total program, curriculum and travel	<u>485,223</u>	<u>11,537</u>	<u>3,062</u>	<u>499,822</u>
Compensation and related expenses	<u>602,183</u>	<u>75,162</u>	<u>25,056</u>	<u>702,401</u>
Operating expenses				
Contracted services (Note 7)	39,690	40,309	102	80,101
Rent (Note 9)	36,221	6,392	1,484	44,097
Telecommunications	10,504	1,925	447	12,876
Technology	1,257	2,156	53	3,466
Office supplies and equipment	5,835	1,069	248	7,152
Other charges and fees	3,020	815	-	3,835
Employee retention	133	2,721	-	2,854
Insurance	-	3,518	-	3,518
Board development	-	1,538	-	1,538
Postage and delivery	1,553	285	66	1,904
Repairs and maintenance	1,835	336	78	2,249
Bank charges and fees	161	1,128	-	1,289
Bad debt expense	6,380	-	-	6,380
Total operating expenses	<u>106,589</u>	<u>62,192</u>	<u>2,478</u>	<u>171,259</u>
Total expenses	<u>\$ 1,193,995</u>	<u>\$ 148,891</u>	<u>\$ 30,596</u>	<u>\$ 1,373,482</u>

See accompanying auditor's report and notes.

Interise, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 331,850	\$ 194,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	-	6,380
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(222,528)	70,409
Decrease (increase) in prepaid expenses	2,949	(1,139)
(Increase) in deposits	-	(398)
Increase (decrease) in accounts payable	52,114	(8,687)
(Decrease) increase in accrued expenses	(14,340)	17,815
Increase (decrease) in payroll liabilities	2,781	(1,555)
Increase (decrease) in deferred revenue	83,298	(19,862)
Net cash provided by operating activities	236,124	257,617
Net increase in cash and cash equivalents	236,124	257,617
Cash and cash equivalents at Beginning of Year	337,278	79,661
Cash and cash equivalents at End of Year	\$ 573,402	\$ 337,278
 Supplemental cash flow information:		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

See accompanying auditor's report and notes.

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Interise, Inc.
Notes to Financial Statements
December 31, 2011 and 2010

Note 1 - Organization

Interise, Inc. ("Interise") is a non-profit organization that stimulates economic revitalization in lower income urban communities by providing a diverse group of small business owners with entrepreneurial education, new networks, and access to markets, which creates jobs, grows businesses, and develops community leaders.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual method, income and expenses are recognized when earned or accrued.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification ("ASC") 958-205, "*Presentation of Financial Statements*." Under ASC 958-205, Interise is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Interise is required to present a statement of cash flows.

Concentration of Credit Risk

Interise places its cash and equivalents with high quality financial institutions. At times, such amounts may exceed Federal Deposit Insurance Commission ("FDIC") insurance limits. Management routinely assesses the financial strength of the institutions and believes credit risk to be minimal.

Cash and Cash Equivalents

For the purpose of reporting cash flows, Interise considers demand deposits, money market accounts and all other investments with an original maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Revenue is accounted for at established rates on the accrual basis, less an allowance for contractual, charitable, and other arrangements for services provided at less than established rates. Interise's policy is to not accrue interest on trade receivables. Interise records its accounts receivable at the outstanding principal amount less an allowance for doubtful accounts. On a periodic basis, Interise evaluates its accounts receivable and establishes an allowance for doubtful accounts based on the history of past write-offs, collections, and current credit conditions. As of December 31, 2011 and 2010, there was no allowance for doubtful accounts as management considered all amounts to be fully collectible.

Interise, Inc.
Notes to Financial Statements
December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Fixed Assets

Interise capitalizes major purchases of fixed assets (with a cost of \$1,000 or more), which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance, and repairs are charged to expense as incurred.

Capitalized assets are recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets capitalized.

Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Interise and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets comprise those assets upon which donors have placed no restrictions on expenditure of the principal or income subject to the approval of Interise's Board of Directors.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met, either by actions of Interise and/or the passage of time are classified as temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets comprise those assets contributed to Interise that are to remain in perpetuity as permanent assets of Interise. Generally, all income and unrealized and realized net gains on investments related to these net assets are classified as temporarily restricted and released to unrestricted net assets as Interise appropriates its annual spending amount. As of December 31, 2011 and 2010, Interise had no permanently restricted net assets.

Revenue Recognition

Contracts are recognized as revenue upon performance of reimbursable activities. In some cases, the contracts have been restricted by the funding source as being only available for use in specific programs. The funds received under government contracts are normally expended as received and are recorded together with other unrestricted contracts. Other funds received are recorded as deferred revenue until expended.

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Interise, Inc.
Notes to Financial Statements
December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Interise follows ASC 958-605, "Revenue Recognition." In accordance with ASC 958-605, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and increase those net asset classes.

Expense Allocation

Expenses are allocated among program and supporting services directly or based on time records and utilization estimates made by Interise's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of Interise.

Income Taxes and Uncertain Tax Positions

Interise has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements.

ASC 740-10, "Income Taxes," requires Interise to evaluate and disclose tax positions that could have an effect on Interise's financial statements. Interise reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Substantially all of Interise's income, expenditures and activities relate to its exempt purpose, therefore, management has determined that Interise is not subject to unrelated business income taxes and will continue to qualify as a tax-exempt not-for-profit entity.

Use of Estimates

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

Reclassifications

During 2011 certain amounts from the prior year financial statements were reclassified to conform to the current year's presentation.

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Interise, Inc.
Notes to Financial Statements
December 31, 2011 and 2010

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Note 3 - Concentrations

Interise derives a substantial portion of its revenue from one agency. During the year ended December 31, 2011, revenue from the agency aggregated \$1,300,775, or 59% of total revenue. During the year ended December 31, 2010, revenue from the agency aggregated \$931,716, or 60% of total revenue. As of December 31, 2011, amounts due from the agency included in accounts receivable were 251,315, or 79% of total accounts receivable. As of December 31, 2010, amounts due from the agency included in accounts receivable were 71,133, or 75% of total accounts receivable.

Note 4 – Board-Designated Net Assets

Board-designated net assets consist of funds designated by the Board of Directors for use as an operating reserve. Board designated net assets totaled \$90,000 and \$60,000 for the years ended December 31, 2011 and 2010, respectively.

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of funds restricted for the following purposes as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
To support national expansion	\$ 100,000	\$ 100,000
To support activities for women, minorities and immigrants	75,000	-
To support activities in Boston, MA	-	60,000
To support activities in Lowell, MA	-	20,000
Total temporarily restricted net assets	<u>\$ 175,000</u>	<u>\$ 180,000</u>

Note 6 – Contract Revenue

Included in contract revenue is the following funding from public sources:

	<u>2011</u>	<u>2010</u>
Small Business Administration	\$ 1,300,775	\$ 931,716
Commonwealth of Massachusetts	73,500	35,935
University of Massachusetts-Lowell	44,000	-
City of Boston	-	20,000
Total contract revenue	<u>\$ 1,418,275</u>	<u>\$ 987,651</u>

Interise receives funding from these contracts to assist in administering its programs. These contracts are subject to possible audit by the appropriate agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of Interise as of December 31, 2011 and 2010 or on the change in its net assets for the years then ended.

Interise, Inc.
Notes to Financial Statements
December 31, 2011 and 2010

Note 7 – In-Kind Contributions

Grants and contributions include in-kind services provided by a law firm consulting on licensing contracts. The estimated fair values of these services have been recorded as in-kind contributions and an equal expense amount has been recorded as contract services. During the years ended December 31, 2011 and 2010, in-kind consulting services provided were \$36,919 and \$28,341, respectively.

Note 8 – Retirement Plan

The Organization maintains a pretax 403(b) salary reduction plan available to all eligible employees. The plan qualifies as a tax sheltered annuity plan under Section 403(b) of the Internal Revenue Code. The Organization is not required to make any contributions to the plan nor is it responsible for the account balances of plan participants. There were no administration fees paid during the years ended December 31, 2011 and 2010.

Note 9 - Leases

Interise leases various facilities in Massachusetts under operating leases. Rent expense under all leases amounted to \$48,267 and \$44,097 for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011, Interise had minimum lease commitments for the year ending December 31, 2012 of \$15,333.

Note 10 – Related Party Transactions

During the years ended December 31, 2011 and 2010, Interise purchased computer equipment and repair services in the amounts of \$188 and \$2,614 from a technology service provider owned by a member of the Board of Directors. For the purchases made during the year ended December 31, 2010, Interise obtained bids from three vendors prior to making the purchases, and the purchases were approved by the Board of Directors. No amounts were due to related parties as of December 31, 2011. As of December 31, 2010, \$75 was payable to related parties.

Note 11 – Subsequent Events

ASC 855-10, "Subsequent Events," defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, Interise's management has evaluated events subsequent from December 31, 2011 through July 19, 2012, which is the date the financial statements were available to be issued. There has been no material event noted during this period that would either impact the results reflected in this report or Interise's results going forward.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Interise, Inc.

We have audited the financial statements of Interise, Inc. (a non-profit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated July 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Interise, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interise, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Interise, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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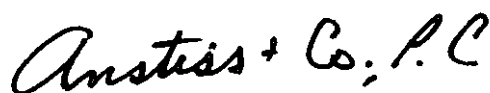
Internal Control Over Compliance

Management of Interise, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Interise, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interise, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Audit Committee, Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anstiss & Co., P.C.
Lowell, MA
July 19, 2012

Interise, Inc.
Schedule of Expenditures of Federal Awards
December 31, 2011

	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
Small Business Administration			
* 7(j) Technical Assistance	59.007	SBAHQ-10-C-0050	\$ 749,239
		SBAHQ-10-C-0049	551,536
			\$ 1,300,775
<u>Total Federal Award Expenditures</u>			\$ 1,300,775

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Interise, Inc. under programs of the federal government for the year ended December 31, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Interise, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Interise, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are

* Major program.