



# Atlanta University Center Consortium

Financial Statements  
Year Ended June 30, 2012

# Atlanta University Center Consortium

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Financial Statements  
Year Ended June 30, 2012

# Atlanta University Center Consortium

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## Independent Auditor's Report

The Board of Trustees  
Atlanta University Center Consortium

We have audited the accompanying financial statements of Atlanta University Center Consortium, Inc. (the "Consortium") as of June 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Consortium'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.

As described in Note 1 to the accompanying financial statements, the Consortium has restated its net assets as of June 30, 2011 to correct certain misstatements related to the classification of net assets in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consortium at June 30, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

January 30, 2013

## Financial Statements

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# Atlanta University Center Consortium

## Statement of Financial Position

<i>June 30,</i>	2012
<b>Assets</b>	
Cash and cash equivalents	\$ 564,147
Investments	1,363,062
Accounts receivable, net of allowance for doubtful accounts	112,473
Property and equipment, net of accumulated depreciation	39,790
<b>Total Assets</b>	<b>\$ 2,079,472</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable, accrued expenses and other liabilities	\$ 57,447
Capital lease obligations	28,163
<b>Total Liabilities</b>	<b>85,610</b>
<b>Net Assets</b>	
Unrestricted	789,761
Temporarily restricted	954,101
Permanently restricted	250,000
<b>Total Net Assets</b>	<b>1,993,862</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,079,472</b>

*See accompanying notes to financial statements.*

# Atlanta University Center Consortium

## Statement of Activities

<i>Year ended June 30,</i>	2012			Total
	Unrestricted	Restricted		
		Temporarily	Permanently	
<b>Revenues and Other Support</b>				
Affiliated institutional support	\$ 716,018	\$ -	\$ -	\$ 716,018
Private gifts and grants	4,000	287,509	-	291,509
Sponsorship income	25,450	-	-	25,450
Registration fees	183,825	-	-	183,825
Investment income	10,163	10,690	-	20,853
Other income	23,775	-	-	23,775
<b>Total</b>	<b>963,231</b>	<b>298,199</b>	<b>-</b>	<b>1,261,430</b>
<b>Net Assets Released from Restrictions</b>	<b>311,249</b>	<b>(311,249)</b>	<b>-</b>	<b>-</b>
<b>Total Revenues and Other Support</b>	<b>1,274,480</b>	<b>(13,050)</b>	<b>-</b>	<b>1,261,430</b>
<b>Expenses</b>				
Program Services:				
Dual Degree Engineering Program	620,653	-	-	620,653
Civic Engagement and Community Learning Program	83,958	-	-	83,958
Career Planning Program	212,070	-	-	212,070
<b>Total program services</b>	<b>916,681</b>	<b>-</b>	<b>-</b>	<b>916,681</b>
Administrative Services:				
Operating expenses	207,646	-	-	207,646
<b>Total Expenses</b>	<b>1,124,327</b>	<b>-</b>	<b>-</b>	<b>1,124,327</b>
<b>Change in Net Assets</b>	<b>150,153</b>	<b>(13,050)</b>	<b>-</b>	<b>137,103</b>
<b>Net Assets, beginning of year (as restated)</b>	<b>639,608</b>	<b>967,151</b>	<b>250,000</b>	<b>1,856,759</b>
<b>Net Assets, end of year</b>	<b>\$ 789,761</b>	<b>\$ 954,101</b>	<b>\$ 250,000</b>	<b>\$ 1,993,862</b>

*See accompanying notes to financial statements.*

# Atlanta University Center Consortium

## Statement of Functional Expenses

	Year ended June 30, 2012					
	Program Services				Administrative Services	
	Dual Degree Engineering Program	Civic & Community Learning Program	Career Planning Program	Total Program Expenses	Operating Expenses	Total Expenses
<b>Expenses</b>						
Personnel costs	\$ 278,022	\$ 68,266	\$ 107,433	\$ 453,721	\$ 131,492	\$ 585,213
Scholarships	227,173	-	-	227,173	-	227,173
Professional fees	36,310	6,753	5,987	49,050	43,482	92,532
Professional dues memberships	1,119	180	115	1,414	732	2,146
Advertising	375	183	657	1,215	830	2,045
Event management fees	-	-	14,254	14,254	-	14,254
Registration fees	-	-	-	-	1,150	1,150
Postage and supplies	12,099	807	7,140	20,046	3,357	23,403
Occupancy	26,360	5,714	9,505	41,579	16,671	58,250
Licenses and permits	-	-	3,500	3,500	125	3,625
Venue rental	-	-	11,278	11,278	-	11,278
Equipment rental	13,331	547	24,666	38,544	1,485	40,029
Printing and publications	424	-	1,196	1,620	289	1,909
Travel	830	24	2,536	3,390	3,803	7,193
Professional meeting expense	2,405	-	520	2,925	308	3,233
Food and refreshments	14,992	823	18,394	34,209	2,188	36,397
Gifts and prizes	2,242	14	103	2,359	221	2,580
Entertainment	-	-	51	51	51	102
Bank, credit card, and payroll fees	4,971	647	4,735	10,353	1,462	11,815
<b>Total Expenses</b>	<b>\$ 620,653</b>	<b>\$ 83,958</b>	<b>\$ 212,070</b>	<b>\$ 916,681</b>	<b>\$ 207,646</b>	<b>\$ 1,124,327</b>

*See accompanying notes to financial statements.*



# Atlanta University Center Consortium

## Statement of Cash Flows

<i>Year ended June 30,</i>	2012
<b>Operating Activities</b>	
Change in net assets	\$ 137,103
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Investment income	(20,853)
Depreciation expense	5,515
Change in:	
Accounts receivable	(104,685)
Other assets	571
Accounts payable and accrued expenses	(5,966)
<b>Net Cash Provided by Operating Activities</b>	<b>11,685</b>
<b>Investing Activities</b>	
Sale and maturities of investments	156,454
Purchases of investments	(156,454)
Purchase of property and equipment	(11,225)
<b>Net Cash Used in Investing Activities</b>	<b>(11,225)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>460</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>563,687</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 564,147</b>
<b>Supplemental Disclosures</b>	
Capital lease additions	\$ 28,163

*See accompanying notes to financial statements.*

# Atlanta University Center Consortium

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Description of the Organization*

The Atlanta University Center, Inc. (the "Center") became affiliated in 1929 as the world's largest consortium of African American private institutions of higher education. Over the years, several reorganizations occurred with the most recent taking place in February 2004. At that time, the Atlanta University Center Consortium, Inc. (the "Consortium"), a Georgia nonprofit corporation, was formed to manage and coordinate collaborated efforts and administer shared programs and services for its member institutions. The members of the Consortium are Clark Atlanta University, Morehouse College, Morehouse School of Medicine and Spelman College (collectively, the "Affiliated Institutions").

The shared programs and services include:

*Dual Degree Engineering Program* - Provides scholarship support and extensive student services designed to promote successful completion of the program and prepare students for success in the workplace.

*Civic Engagement and Community Learning Program* - Seeks to promote collaboration and involvement among member institutions, residents and other stakeholders in enhancing the quality of life within the neighboring community.

*Career Planning Program* - A centralized effort providing the student body of member institutions with access to accurate and current information and resources to facilitate their education, career and job search.

#### *Basis of Accounting*

The financial statements of the Consortium have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Consortium made an adjustment to its previously presented June 30, 2011 net asset classification and balances in order to present the net asset balances in accordance with applicable accounting standards and donor requirements. The adjustment affected previously presented unrestricted, temporarily restricted, and permanently restricted net asset balances and classifications. The cumulative adjustments included in the restatement of the previously issued financial statements for the year ended June 30, 2011, are set forth below:

Net Asset Classification	As Previously Reported	Restatement Adjustments	As Restated
Unrestricted net assets	\$ 912,806	\$ (273,198)	\$ 639,608
Temporarily restricted net assets	\$ 693,953	\$ 273,198	\$ 967,151

# Atlanta University Center Consortium

## Notes to Financial Statements

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### *Basis of Presentation*

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

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations and are fully available at the discretion of management and the Board of Trustees.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Consortium and/or the passage of time. At such time, these assets will be reclassified as unrestricted net assets. Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Consortium. Generally, the donors of these assets permit the University to use all, or part of, the return on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions and nature of fund-raising activity.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### *Income Tax Status*

The Consortium is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

# Atlanta University Center Consortium

## Notes to Financial Statements

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Management evaluates any uncertain tax positions or unrecognized tax benefits or liabilities that may exist. Management does not believe that any material uncertain tax positions or unrecognized tax benefits or liabilities exist for the year ended June 30, 2012.

### *Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid instruments with original maturities of three months or less from the date of purchase. The Consortium maintains cash balances with various financial institutions, which at times may exceed the Federal Deposit Insurance Corporation limits. The Consortium's non-interest bearing cash balances were fully insured at June 30, 2012 due to a temporary federal program in effect from December 31, 2011 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Consortium's non-interest bearing cash balances may again exceed federally insured limits.

### *Accounts Receivable*

Accounts receivables are recorded at the amounts due and do not bear interest. The allowance for doubtful accounts is the Consortium's best estimate of the amount of probable credit losses in the Consortium's existing accounts receivable. The Consortium determines the allowance based on the composition of the receivable balances, historical collections, and loss experience. Account balances are charged-off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The Consortium's accounts receivable at June 30, 2012 consisted of amounts due from certain Affiliated Institutions and were subsequently collected in full. As a result, the Consortium's allowance for doubtful accounts at June 30, 2012 was \$0.

### *Investments and Investment Income*

Investments in marketable securities are carried at fair value as determined by quoted market prices. The Consortium's investments at June 30, 2012 consisted entirely certificates of deposits and related interest income earned. The investment income for the year ended June 30, 2012 consisted of interest income earned on the certificate of deposits during this period.

### *Property and Equipment*

The Consortium capitalizes individual assets of \$500 or greater. Contributed property and equipment is recorded at fair value at the date of restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Property and equipment purchased are stated at cost less accumulated depreciation.

Depreciation is computed on a straight-line method over the estimated useful lives as follows:

Furniture and fixtures	5 years
Equipment	3-5 years
Equipment under capital lease	3 years

# Atlanta University Center Consortium

## Notes to Financial Statements

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The carrying value of property and equipment is evaluated on an on-going basis, based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimated fair values.

### *Functional Expenses*

The expenses of the Consortium's programs and supporting services have been grouped and reported on a functional basis as disclosed in the statement of functional expenses. Expenses are charged to each program based on direct expenses incurred.

### *Revenues*

The Consortium receives contributions from the Affiliated Institutions for support of operations and program services. These funds are recorded as unrestricted affiliated institutional support in the accompanying statement of activities.

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

### *Recent Accounting Pronouncements*

There were no accounting pronouncements that became effective during the year ended June 30, 2012 that had a material impact to the financial statements of the Consortium.

## 2. Fair Value Measurements

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820"), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value.

ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

*Level 1* - inputs utilize quoted prices in active markets for identical assets or liabilities.

*Level 2* - inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability;

# Atlanta University Center Consortium

## Notes to Financial Statements

- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

*Level 3* - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The following table represents the Consortium's financial instruments carried at fair value at June 30, 2012:

Description	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Certificates of deposits	\$ -	\$ 1,363,062	\$ -	\$ 1,363,062
<b>Total investments</b>	<b>\$ -</b>	<b>\$ 1,363,062</b>	<b>\$ -</b>	<b>\$ 1,363,062</b>

The carrying amounts of cash and cash equivalents approximate fair value due to the relative terms and short maturity of these financial instruments. For investments in certificates of deposits fair value is based quoted prices for similar assets in markets that are not active.

### 3. Investments

Investments at June 30, 2012 consisted of the following:

Description	Cost	Fair Value
Certificates of deposits	\$ 1,363,062	\$ 1,363,062
<b>Total investments</b>	<b>\$ 1,363,062</b>	<b>\$ 1,363,062</b>

### 4. Property and Equipment, Net

Property and equipment, net is comprised of the following at:

<i>June 30,</i>	2012
Furniture and fixtures	\$ 19,108
Equipment	17,472
Equipment under capital lease	28,163
Total property and equipment	64,743
Less accumulated depreciation	(24,953)
<b>Property and equipment, net</b>	<b>\$ 39,790</b>

Depreciation expense recognized during the year ended June 30, 2012 was \$5,515.

# Atlanta University Center Consortium

## Notes to Financial Statements

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### 5. Capital Lease Obligations

In January 2012, the Consortium executed a lease agreement for certain computer equipment. Based on the terms of the agreement, the lease qualified as a capital lease. The Consortium's future capital lease obligations are as follows:

<i>June 30,</i>	<i>2012</i>
Capital lease obligation for computer equipment, due in annual installments, expiring in January 2015, with an implicit interest rate of 8.58%	\$ 32,043
Total capital lease obligations	32,043
Less amount representing interest	(3,880)
Present value of future minimum payments	\$ 28,163

The minimum future lease payments at June 30, 2012 for the above capital lease are as follows:

<i>Year ending June 30,</i>	
2013	\$ 10,681
2014	10,681
2015	10,681
Total minimum lease payments	32,043
Less amount representing interest	(3,880)
Present value of minimum lease payments	\$ 28,163

### 6. Operating Leases

In November 2008, the Consortium entered into a 3 year lease agreement with Clark Atlanta University to rent office space for \$3,100 per month. This agreement expired and was renewed during 2012, extending the lease through June 30, 2013. Lease payments under this agreement for the year ended June 30, 2012 totaled \$37,200.

In July 2011, the Consortium entered into a 3 year lease agreement which expires on June 30, 2014, with Spelman College to rent office space for \$7,163 per year. Lease payments under this agreement for the year ended June 30, 2012 totaled \$7,163.

# Atlanta University Center Consortium

## Notes to Financial Statements

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The minimum operating lease payments at June 30, 2012 for the above leases are as follows:

*Year ending June 30,*

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2013	\$	44,363
2014		7,163
Total	\$	51,526

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### 7. Net Assets

Temporarily restricted net assets are available for the following purpose:

*June 30,* 2012

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Contributions and other unexpended revenues available for:

Private sponsored programs	\$	954,101
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Permanently restricted net assets consist of the following:

*June 30,* 2012

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Endowment funds	\$	250,000
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Earnings on permanently restricted net assets are available for the Consortium's private sponsored programs. There were no changes to the endowment funds balance during the year ended June 30, 2012.

Temporarily restricted and permanently restricted net assets consisted of the following:

*June 30,* 2012

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Temporarily restricted net assets:

Cash and cash equivalents	\$	372,829
Investments		581,272

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Total temporarily restricted net assets	\$	954,101
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*June 30,* 2012

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Permanently restricted net assets:

Investments	\$	250,000
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Total permanently restricted net assets	\$	250,000
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# Atlanta University Center Consortium

## Notes to Financial Statements

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### 8. Endowment

The State of Georgia has enacted the State Prudent Management of Institutional Funds Act ("SPMIFA"). The Council of Presidents of the Consortium has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

In accordance with SPMIFA, the Consortium considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Consortium and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Consortium.
- The investment policies of the Consortium.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Consortium to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no such deficiencies at June 30, 2012. Additionally, there was no change to endowed net assets during the year ended June 30, 2012.

The Consortium has adopted investment and spending policies for endowment assets that attempt to maximize return within reasonable and prudent levels of risk. The Consortium seeks preservation of capital with a consistent, positive return on assets overtime. The overall investment strategy is to maintain a diversified, liquid portfolio as to quality, issuers and maturity. Flexibility must be maintained so those funds are available to meet anticipated cash needs, as determined by the cash flow forecast. Average maturity of the portfolio will be kept short to provide liquidity.

Individual investments will be selected to achieve the following objectives in priority order:

- Safety of principal
- Liquidity for operating needs
- Maximization of yield
- Diversification of risk

To satisfy its rate-of-return objectives, the Consortium relies on the following:

- Investment objectives that will use a total return approach while exercising the degree of prudence and fiduciary care required for endowment funds.
- An asset allocation based on the funds anticipated cash flow needs for the next year and the anticipated additions to and withdrawals from the fund for the current year.

The Consortium's policy is to appropriate all investment income earned on its investments. This policy is reviewed by the Council of Presidents quarterly or whenever significant change is

# Atlanta University Center Consortium

## Notes to Financial Statements

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anticipated in the Consortium's cash requirements. During fiscal years 2012, the Consortium did not withdrawal any amounts for spending in accordance with the donor restrictions.

### 9. Employee Benefit Plan

The Consortium offers its employees a deferred compensation plan qualified under Internal Revenue Code 403(b). The plan, available to all full-time Consortium employees, permits them to defer a portion of their gross salaries up to the maximum amount allowed by the Internal Revenue Code. The plan is managed by Teacher Insurance Annuity Association. The Consortium contributes to the plan by matching 100% of each employee's contribution, up to 7% of each employees total annual salary. Matching contributions for the year ended June 30, 2012 totaled \$20,676.

### 10. Related Party Transactions

The Affiliated Institutions receive multiple services and benefits. Each member contributes funds based upon an agreed budget amount for support of the Consortium.

The following table summarizes related party revenues recognized by the Consortium:

<i>Year ended June 30,</i>		<b>2012</b>
Clark Atlanta University	\$	162,700
Morehouse College		287,191
Morehouse School of Medicine		94,831
Spelman College		171,296
<b>Total related party revenue</b>	<b>\$</b>	<b>716,018</b>

The following table summarizes related party receivables due to the Consortium at:

<i>June 30,</i>		<b>2012</b>
Clark Atlanta University	\$	40,675
Morehouse College		71,798
<b>Total related party revenue</b>	<b>\$</b>	<b>112,473</b>

Additionally, as discussed in the operating leases note to the financial statements above, Clark Atlanta University and Spelman College rented office space to the Consortium during the year ended June 30, 2012.

### 11. Commitments and Contingencies

The Consortium has received grants for special purposes, which are subject to review and audit by the grantor agencies. Such audits could result in claims against the resources of the Consortium. Since the Consortium does not expect claims to arise as a result of such audits, no provision for liabilities has been provided in the financial statements.

# Atlanta University Center Consortium

## Notes to Financial Statements

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### 12. Subsequent Events

The Consortium has evaluated subsequent events from June 30, 2012 (the date of the statement of financial position presented) through January 30, 2013 (the date of the audit report and the date the financial statements were available to be issued). During this period, no material recognizable events were identified.