

**UNITED STATES ROWING ASSOCIATION**

Financial Statements

December 31, 2008

(With Comparative Totals for December 31, 2007)

**UNITED STATES ROWING ASSOCIATION**

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(With Comparative Totals for December 31, 2007)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
United States Rowing Association

We have audited the accompanying statement of financial position of United States Rowing Association (the "Association") as of December 31, 2008, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2007 financial statements and, in our report dated April 5, 2008, 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Rowing Association as of December 31, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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*Mercadlen, P.C.*  
*Certified Public Accountants*

April 27, 2009

**UNITED STATES ROWING ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2008

(With Comparative Totals for December 31, 2007)

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 406,401	\$ 210,219
Investments - restricted	142,349	256,879
Accounts receivable	59,556	132,242
Prepaid expenses and deposits	49,811	58,755
Merchandise inventory	106,347	99,658
Property and equipment, net	181,921	201,391
Total Assets	\$ 946,385	\$ 959,144
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and other liabilities	\$ 256,077	\$ 239,177
Due to Casitas Fund	95,000	-
Notes payable	41,910	77,734
Deferred revenue	492,265	467,428
Total Liabilities	885,252	784,339
Net (Deficit) Assets		
Unrestricted	(196,647)	(198,304)
Temporarily restricted	13,169	116,230
Permanently restricted	244,611	256,879
Total Net Assets	61,133	174,805
Total Liabilities and Net Assets	\$ 946,385	\$ 959,144

## UNITED STATES ROWING ASSOCIATION

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	Year Ended December 31,				2007*
	2008				
	Unrestricted	Temporarily Restricted	Endowment	Total	
Revenue, gains and other support					
Contributions and grants	\$ 979,028	\$ -	\$ -	\$ 979,028	\$ 584,951
United States Olympic Committee	1,232,620	-	-	1,232,620	963,000
Membership dues	1,584,764	-	-	1,584,764	1,578,728
Advertising	11,223	-	-	11,223	11,257
Sponsorship	436,304	-	-	436,304	362,243
National team events	409,323	-	-	409,323	400,321
Interest and dividends	8,353	-	-	8,353	26,617
Regattas/conferences	607,580	-	-	607,580	516,393
Merchandise	449,306	-	-	449,306	437,730
Miscellaneous	29,225	-	-	29,225	14,348
Net assets released from restrictions	2,688	(2,688)	-	-	-
Total revenue, gains and other support	5,750,414	(2,688)	-	5,747,726	4,895,588
Expenses					
Program expenses					
National team training and competition	3,203,463	-	-	3,203,463	2,415,206
Public awareness	254,443	-	-	254,443	226,404
Events	1,830,676	-	-	1,830,676	1,692,002
Management and general expenses	159,869	-	-	159,869	170,854
Fundraising expenses	32,835	-	-	32,835	53,923
Merchandise expenses	267,471	-	-	267,471	326,280
Total expenses	5,748,757	-	-	5,748,757	4,884,669
Increase (decrease) in net assets before net investment return (loss)	1,657	(2,688)	-	(1,031)	10,919
Net investment return (loss)	-	(112,641)	-	(112,641)	(340)
Increase (decrease) in net assets	1,657	(115,329)	-	(113,672)	10,579
Net (deficit) assets, beginning of year	(198,304)	116,230	256,879	174,805	164,226
Transfer of net assets	-	12,268	(12,268)	-	-
Net (deficit) assets, end of year	\$ (196,647)	\$ 13,169	\$ 244,611	\$ 61,133	\$ 174,805

\*Reclassified

# UNITED STATES ROWING ASSOCIATION

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	Year Ended December 31.	
	2008	2007
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (113,672)	\$ 10,579
Adjustments		
Depreciation	70,863	46,256
Unrealized loss on investments	115,884	7,160
(Decrease) increase in cash from		
Accounts receivable	72,686	(73,879)
Prepaid expenses and deposits	8,944	6,531
Merchandise inventory	(6,689)	(18,752)
Accounts payable and other liabilities	16,900	8,180
Deferred revenue	24,837	137,368
Net cash provided by operating activities	189,753	123,443
Cash Flows from Investing Activities		
Purchases of property and equipment	(51,393)	(60,516)
Reinvested dividends	(1,354)	(4,294)
Net cash used in investing activities	(52,747)	(64,810)
Cash Flows from Financing Activities		
Loan from related party	95,000	-
Payments against notes payable	(35,824)	(20,321)
Net cash provided by (used in) financing activities	59,176	(20,321)
Net increase in cash	196,182	38,312
Cash, beginning of year	210,219	171,907
Cash, end of year	\$ 406,401	\$ 210,219
Supplemental Schedule of Noncash Financing Activities		
Vehicle purchased through installment note payable	\$ -	\$ 54,425

# UNITED STATES ROWING ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

### A. NATURE OF ORGANIZATION

The United States Rowing Association (the "Association") is the designated National Governing Body for the Olympic sport of rowing. The Association was so designated by the United States Olympic Committee (the "USOC") and is a Group A member of the USOC. The Association is also the United States representative to the Federation Internationale des Societes d'Aviron ("FISA"), an organization whose purpose is to promote the development of the sport of rowing throughout the world. In addition to organizing the United States Olympic Rowing Team and other national teams, the Association supports and promotes the sport through athlete and coach development, event sanctioning, education and safety.

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

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

#### **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association 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. During 2008, the Association adopted the provisions of Financial Accounting Standards Board Staff Position ("FSP") FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. The guidance under FAS 117-1 is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations.

#### **Revenue Recognition**

Dues revenue is recognized ratably over the membership period. Program service fees and event sponsorships are recognized upon completion of the respective event. National sponsorships are recognized ratably over the sponsorship period. Contributions and grants are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional.

#### **In-Kind Contributions**

The Association records the value of in-kind goods and services as revenue and expense when the in-kind contribution is both budget-relieving and relates to events and programs under the Association's control. Revenue recognized in 2008 and 2007 of \$296,806 and \$197,243, respectively, represents an objective estimate of the goods and services provided.

# UNITED STATES ROWING ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

National sponsors of the Association contribute cash and in-kind goods and services to various rowing events and programs in the United States. The Association directs sponsor support to outside programs and events, but it does not maintain control over the events and programs selected, and the support does not reduce Association budgeted expenses. Furthermore, the Association does not contribute funds to these outside events and programs, and the sponsor support is not passed through the Association. For these reasons, the value of sponsorship cash and in-kind contributions for these events and programs is not reflected in the accompanying financial statements.

#### **Donated Services**

The Association receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities, because the criteria for recognition under SFAS No. 116 have not been satisfied.

#### **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.

#### **Website Development**

The Association accounts for its Website development costs in accordance with Emerging Issues Task Force Issue No. 00-2, *Accounting for Web Site Development Costs*. All costs incurred in the planning stage of developing a Website are expensed as incurred, as are internal and external training costs and maintenance costs. Fees charged by Internet service providers in return for hosting a Website on their servers are expensed over the periods of benefit.

#### **Cash Equivalents**

Cash equivalents includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

#### **Investments - restricted**

Investments are recorded at fair value. Realized gains and losses are calculated as the difference between net cash received upon sale and the historical cost of the specific investment. Unrealized gains and losses are calculated as the difference between fair value and historical cost of investments held at year end.

#### **Accounts Receivable**

The Association considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to change in net assets when that determination is made.

#### **Merchandise Inventory**

Merchandise inventory is stated at the lower of cost or market determined on a first-in, first-out basis. Inventory consists primarily of sports apparel.



# UNITED STATES ROWING ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property and Equipment

Property and equipment are recorded at cost at date of acquisition or fair value at date of donation in the case of in-kind gifts. Depreciation is provided by the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

Office equipment	3-5 years
Rowing equipment	3-10 years

#### Net Assets

Net assets are allocated to and accounted for in individual classifications based upon the purposes for which they are intended. Unrestricted net assets have no donor-imposed restrictions placed upon them. Temporarily restricted net assets include assets whose use by the Association is limited by donor-imposed stipulations for a specific purpose or time period. Permanently restricted net assets (Endowment Fund) have been restricted by donors to be maintained by the Association in perpetuity.

#### Income Taxes

The Association received a determination letter in September of 1974 from the Internal Revenue Service concluding that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income generated from activities unrelated to the Association's tax-exempt status is subject to Federal tax.

#### Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

#### Reclassification

Certain amounts on the statement of activities and changes in net assets have been reclassified, with no effect on change in net assets, to be consistent with the classifications adopted for the year ended December 31, 2008.

### C. CONCENTRATION OF RISK AND UNCERTAINTIES

The Association derived approximately 28% and 32% of its revenue, gains and other support through membership dues for the years ended December 31, 2008 and 2007, respectively. The Association also derived 22% and 20% of its revenue, gains and other support from the United States Olympic Committee and 12% and 8% from the National Rowing Foundation for the years ended December 31, 2008 and 2007, respectively.

**UNITED STATES ROWING ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**C. CONCENTRATION OF RISK AND UNCERTAINTIES (CONTINUED)**

The Association maintains cash and investment balances which may exceed Federal and other insurance limits. It historically has not experienced any credit-related losses. The risk is managed by maintaining all deposits in high-quality financial institutions. The investments are primarily financial instruments which are monetary in nature. Accordingly, interest rates have a more significant impact on performance than do the effects of general levels of inflation. Interest rates generally do not move in the same direction or with the same magnitude as prices of goods and services as measured by the consumer price index. The investments are subject to risk conditions of the investments' objectives, stock market performance, interest rates, economic conditions, and world affairs.

**D. INVESTMENTS**

Investments consist of:

	<u>December 31, 2008</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation)</u>
Mutual funds	<u>\$ 238,173</u>	<u>\$ 142,349</u>	<u>\$ (95,824)</u>

  

	<u>December 31, 2007</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Mutual funds	<u>\$ 236,793</u>	<u>\$ 256,879</u>	<u>\$ 20,086</u>

Investment return consists of:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 11,596	\$ 30,354
Net unrealized loss	(115,884)	(7,160)
Net realized gain	-	3,083
Total investment return	<u>\$ (104,288)</u>	<u>\$ 26,277</u>

**UNITED STATES ROWING ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**E. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Office equipment	\$ 143,021	\$ 99,394
Rowing equipment	<u>230,839</u>	<u>223,073</u>
Subtotal	373,860	322,467
Less accumulated depreciation	<u>191,939</u>	<u>121,076</u>
Total	<u>\$ 181,921</u>	<u>\$ 201,391</u>

Depreciation expense charged to operations was \$70,863 and \$46,256 for the years ended December 31, 2008 and 2007, respectively.

**F. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Women's Endowment Fund	\$ 13,169	\$ 113,542
Judge Referee	<u>-</u>	<u>2,688</u>
Total	<u>\$ 13,169</u>	<u>\$ 116,230</u>

Net assets were released from donor restrictions as follows:

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Purpose restriction accomplished		
Expense incurred to satisfy donor restrictions	<u>\$ 2,688</u>	<u>\$ -</u>

**G. ENDOWMENT POLICY**

*Endowment Description and Interpretation of Relevant Law*

In 1992, the Association received a bequest to establish a nonexpendable endowment fund. Earnings, such as interest and dividends from the endowment are expendable but restricted to use in the US Women's Open Weight and Lightweight programs. The last document which governs the restriction is the donor's last will and testament which refers to use of income for specific purposes, but "income" is not specifically defined by the donor. Management has interpreted the restriction to apply to interest and dividends as well as realized and unrealized gains to accumulate on a temporary basis. This means that all investment returns of the invested funds are charged to temporarily restricted for use in the designated programs.

## UNITED STATES ROWING ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

#### G. ENDOWMENT POLICY (CONTINUED)

##### *Endowment Description & Interpretation of Relevant Law*

The endowment consists of \$244,611. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Absent specific donor intent, the Board of Directors of the Association has interpreted the Uniform Management of Institutional Funds Act to require standard care that is reasonable and prudent over its endowed funds. The Association currently classifies permanently restricted net assets at the original value of gifts donated to the permanent endowment. The remaining portion of the endowment funds is classified as temporarily restricted net assets if donor-restricted in purpose or unrestricted net assets if no specific purpose has been designated.

##### *Endowment Spending Policy*

During the year ended December 31, 2005, the Association approved an Endowment Spending Policy. The purpose of this endowment spending policy is to establish a prudent and consistent approach to the distribution of endowment earnings that provides for the accumulation of principal to a goal of \$500,000 to be used specifically for the US Women's Open Weight and Lightweight National Teams. The board of directors has elected to spend only a portion of available interest and dividends income, which in any given year is calculated as three and one half (3 1/2 %) percent of the previous year's income and dividends. These funds are expended according to donor restrictions and are classified as net assets released from restrictions on the accompanying statement of activities.

For the years ended December 31, 2008 and 2007, there was no amount appropriated or spent on the women's programs from the Women's Endowment Fund.

##### *Endowment Investment Policies*

The Association has not adopted a formal written investment policy detailing its investment strategy. The endowment funds were invested in large value and large blend mutual funds at December 31, 2008. There are no restrictions and the endowment funds can be invested in various investment vehicles including any combination of common stocks, securities convertible to common stock, preferred stocks, fixed income securities, and mutual funds.

To satisfy its long-term objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets diversified mutual funds to achieve its long-term return objectives within prudent risk constraints.

**UNITED STATES ROWING ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

**G. ENDOWMENT POLICY (CONTINUED)**

Under the provisions of the Uniform Management of Institutional Funds Act and the Statement of Financial Accounting Standards No. 124, losses in the market value of donor-restricted endowment funds are required to be offset by reductions in temporarily restricted net assets or unrestricted net assets, or both. The permanently restricted net assets of such endowment funds should always equal their historic dollar value. An endowment fund that has become "underwater" will therefore result in decreases in temporarily restricted or unrestricted net assets, despite the absence of any legal obligation to restore the endowment fund for such losses. Unrestricted net assets that have been reduced because of this requirement will be restored from future gains for that reduction.

*Changes in Endowment Net Assets for the Year Ended December 31, 2008*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 116,230	\$ 256,879	\$ 373,109
Investment return:				
Investment income	-	1,355	-	1,355
Net depreciation (realized and unrealized)	-	(115,884)	-	(115,884)
Total investment return	-	(114,529)	-	(114,529)
Reclassification	-	12,268	(12,268)	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 13,969</u>	<u>\$ 244,611</u>	<u>\$ 258,580</u>

**H. SUPPORTING ORGANIZATIONS**

**United States Olympic Committee (USOC)**

The USOC provides support for sport development, international competition and team preparation.

Support from the USOC consists of:

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Performance pool funding	<u>\$ 1,232,620</u>	<u>\$ 963,000</u>

## UNITED STATES ROWING ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

#### H. SUPPORTING ORGANIZATIONS (CONTINUED)

##### Casitas Fund

The Casitas Fund (the "Fund") is a nonprofit organization incorporated in 1985 whose purpose is to act for the exclusive benefit of the Association. Pursuant to the terms of an agreement entered into for the 1984 Olympic Games, the Los Angeles Olympic Organizing Committee (the "LAOOC") gave the USOC 20% of its net liquid assets to divide evenly among the United States National Governing Bodies.

The Association receives periodic discretionary amounts from the Fund. In 2007, the Association received approximately 5% of the Fund's beginning net assets, which amounted to \$89,140. In 2008 the Association received approximately 5% of the Fund's beginning net assets, which amounted to \$89,791. During 2008, the Association received a loan from the Fund in the amount of \$95,000 which was related to the Olympics. The loan will be repaid in 2009 net of the Association's 2009 contribution from the Fund of approximately \$60,000.

An unaudited summary of net assets, which includes investments (at fair value) owned by the Fund, is as follows:

	December 31,	
	2008	2007
Investments		
Common stocks	\$ 921,533	\$ 1,606,086
Cash and cash equivalents	5,826	189,446
Net Investments	927,359	1,795,532
Due from United States Rowing Association	95,000	-
Balance at end of year	\$ 1,022,359	\$ 1,795,532

An unaudited summary of changes in net assets is as follows:

	December 31,	
	2008	2007
Changes in net assets		
Balance at beginning of year	\$ 1,795,532	\$ 1,788,191
Investment income	14,185	47,512
Grant to the Association	(89,791)	(89,140)
Unrealized (loss) gain in fair value of investments	(697,567)	48,969
Balance at end of year	\$ 1,022,359	\$ 1,795,532

#### I. RETIREMENT PLAN

In 1991, the Association established a defined contribution retirement plan (the "Plan") for all eligible employees. The Association's annual contribution is equal to 5% of each participant's annual salary, as defined by the Plan. The participant's interest in the Association's contributions vests pro-rata over five years. Total retirement plan expense was \$55,014 and \$52,250 for 2008 and 2007, respectively. Effective January 1, 2009, the Association amended its Plan and all eligible employees are entitled to receive a contribution of 3% of their salary vesting immediately. The Association will match an additional 50% of the first 4% an employee defers which vests over two years.

## UNITED STATES ROWING ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

#### J. COMMITMENTS AND CONTINGENCIES

The Association has entered into seven different employment agreements with its head and assistant coaches for various terms expiring through October 2012, with options to renew.

The Association has a wrongful death claim that is being settled by the Association's insurance company. The anticipated settlement amount will be fully covered under the insurance policy.

#### K. NOTES PAYABLE

A summary of the Association's notes payable consists of the following at December 31, 2008:

	December 31,	
	2008	2007
Note payable, GMC truck, payable in monthly installments of \$1,283, which includes interest at 4.9%, due in 2009, secured by the vehicle.	\$ 11,094	\$ 28,232
Note payable, GMC truck, payable in monthly installments of \$1,409, which includes interest at 3.9%, due in 2010, secured by the vehicle.	30,816	46,318
Note payable, trailer, payable in monthly installments of \$586, which includes interest at 8.5%, due in 2008, secured by the trailer. The note was paid in full in 2008.	-	3,184
	41,910	77,734
Less current maturities	28,005	39,336
Long-term portion	\$ 13,905	\$ 38,398

#### L. OPERATING LEASE COMMITMENTS

The Association has a lease for office space in New Jersey through May 31, 2013. Rental expenses for the lease consisted of \$75,016 and \$62,574 for the years ended December 31, 2008 and 2007, respectively.

Future minimum lease payments under the rental space and equipment leases are as follows:

Year ending December 31	
2009	\$ 89,835
2010	91,474
2011	93,721
2012	89,669
2013	36,982
Total	\$ 401,681