

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

BALANCE SHEET AS OF DECEMBER 31, 2012

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2012

AND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

ENCOUNTER FOR CULTURE AND EDUCATION, INC. Balance Sheet

As of December 31, 2012

	Total
ASSETS	
Current Assets	
Bank Accounts	
1105200 CHASE Checking	167,408
1105250 CHASE Payroll	5,443
1105260 CHASE Savings 1106100 US Bank	1,001 32,880
1116100 OS Bank	1,000
Total Bank Accounts	\$207,732
Accounts Receivable	¥= V 1,1.V=
1301202 Perseus	538,905
1301300 Estimated Return Reserve	(161,671)
1301400 Bad Debt Reserves	(2,000)
Total Accounts Receivable	\$375,233
Other current assets	
1498000 Contribution Receivable	1,000,000
1509100 Inventory	652,954
1509300 Prepaid Royalties	4 0 4 0 0 0 0
1509310 Author Advances	1,816,220
1509320 Expensed Royalties	(1,482,464)
Total 1509300 Prepaid Royalties	333,756
Total Other current assets	\$1,986,710
Total Current Assets	\$2,569,675
Other Assets	
1509400 Prepaid Insurance	9,397
1604000 Deposits	11,709
-	
Total Other Assets	\$21,106
Total Other Assets TOTAL ASSETS	\$21,106 \$2,590,781
9	
TOTAL ASSETS LIABILITIES AND EQUITY Liabilities	
TOTAL ASSETS LIABILITIES AND EQUITY Liabilities Current Liabilities Accounts Payable	\$2,590,781
TOTAL ASSETS LIABILITIES AND EQUITY Liabilities Current Liabilities Accounts Payable 2101100 Accounts Payable	\$2,590,781 196,632
TOTAL ASSETS LIABILITIES AND EQUITY Liabilities Current Liabilities Accounts Payable 2101100 Accounts Payable Total Accounts Payable	\$2,590,781 196,632
TOTAL ASSETS LIABILITIES AND EQUITY Liabilities Current Liabilities Accounts Payable 2101100 Accounts Payable Total Accounts Payable Credit Cards	\$2,590,781 196,632 \$196,632
TOTAL ASSETS LIABILITIES AND EQUITY Liabilities Current Liabilities Accounts Payable 2101100 Accounts Payable Total Accounts Payable Credit Cards 2101300 American Express Total Credit Cards Other Current Llabilities	\$2,590,781 196,632 \$196,632 2,042
TOTAL ASSETS LIABILITIES AND EQUITY Liabilities Current Liabilities Accounts Payable 2101100 Accounts Payable Total Accounts Payable Credit Cards 2101300 American Express Total Credit Cards Other Current Liabilities 2516100 Payroll Liabilities	\$2,590,781 196,632 \$196,632 2,042 \$2,042
TOTAL ASSETS LIABILITIES AND EQUITY Liabilities Current Liabilities Accounts Payable 2101100 Accounts Payable Total Accounts Payable Credit Cards 2101300 American Express Total Credit Cards Other Current Llabilities	\$2,590,781 196,632 \$196,632 2,042 \$2,042

	Total	
	\$433	
Total Current Liabilities	\$199,107	
Total Liabilities	\$199,107	
Equity		
2915200 Temporarily restricted	1,000,000	
2918100 Retained Earnings	1,413,780	
Net Income	(22,106)	
Total Equity	\$2,391,674	
TOTAL LIABILITIES AND EQUITY	\$2,590,781	

©

ENCOUNTER FOR CULTURE AND EDUCATION, INC. Income & Expenditure Account January - December 2012

	Total
Income	
3000000 Sales	1,706,959
3021800 Returns & Credits	(423,135)
3031000 Contributions	266,786
3091000 Other Income	11,410
Total Income	\$1,562,021
Cost of Goods Sold	
3900000 Handling Fees	151,753
Total Cost of Goods Sold	\$151,753
Gross Profit	\$1,410,268
Expenses	
4000000 Administrative Operations	287,689
5000000 Editorial/Acquisitions	420,888
6000000 Production/Manufacturing	654,369
7000000 Sales/Marketing	261,312
8000000 Fulfillment	119,942
9000000 Personnel	688,175
Total Expenses	\$2,432,374
Net Operating Income	\$ (1,022,106)
Other Income	
9919000 General Grant	1,000,000
Total Other Income	\$1,000,000
Net Other Income	\$1,000,000
Net Income	\$ (22,106)
	A

Encounter for Culture and Education, Inc. Statement of Cash Flows

2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows Provided (Used):		
From Operating Activities:		
Change in net assets for the period	\$ (1,022,106)	\$ (1,065,586)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in accounts receivable Decrease (increase) in contributions receivable Decrease (increase) in inventory Decrease (increase) in prepaid royalties Decrease (increase) in other assets Increase (decrease) in accounts payable	(194,797) 1,000,000 31,825 85,476 (1,522) 69,023	25,418 1,000,000 (56,128) (129,737) (8) 14,425
Net cash provided by operating activities	(32,101)	(211,616)
Cash and cash equivalents, beginning of year	239,833	451,449
Cash and cash equivalents, end of year	\$ 207,732	\$ 239,833

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

- 1. The value of books held in inventory as of December 31, 2012 is stated at estimated cost of \$725,504 less a reserve for slow moving books in the amount \$72,550.
- 2. Author Advances paid in respect of books in production and books which have not yet fully earned royalties equivalent to advances are capitalized in Prepaid Royalties. An amount equal to 25% of net sales is expensed from Prepaid Royalties and charged to Author Royalties each month. This charge off is verified annually by comparison to Royalties actually earned and Advances deemed unlikely to ever be fully earned back and thus written off. The Corporation had approximately \$196,000 of royalty advance commitments outstanding to authors as of December 31, 2012.
- 3. Fixed Assets have been expensed when purchased.
- 4. A reserve for anticipated book returns amounts to \$161,671 as at December 31, 2012, estimated at 30% of Accounts Receivable.
- 5. The reserve for bad debts is \$2,000.

M & N TAX CONSULTANTS

FINANCIAL STATEMENT BUDGET

NOTE Book Sales				Budget		Actual
Other Income				2013		2012
Contributions	INCOME	Book Sales	- 2			1,284,000
SUB-TOTAL INCOME \$ 1,609,000 \$ 1,502,000						
EXPENSES PERSEUS HANDLING FEE \$ 170,000 \$ 152,000 CROSS PROFIT 1,439,000 1,410,000 CROSS PROFIT 1,439,000 1,410,000 CROSS PROFIT 1,439,000 1,410,000 CROSS PROFIT CROSS PRO			-		_	
PERSEUS HANDLING FEE \$170,000 \$152,000	SUB-	TOTAL INCOME	\$	1,609,000	\$	1,562,000
ADMINISTRATIVE Rent		SEUS HANDLING FEE	\$	170.000	\$	152.000
Rent			·		Ť	
Rent	ADMI	NISTRATIVE		, ,		
Postage & Delivery 30,000 38,000 Bookkeeping 46,000 44,000 Travel and Entertainment 20,000 11,000 Audit Fees 15,000 15,000 Insurance 11,000 11,000 Telephone 8,000 7,000 Computer Support 22,000 22,000 Legal Fees 5,000 3,000 Utilities 12,000 11,000 Equipment 3,000 2,000 Subscriptions 4,000 5,000 Janitorial 5,000 5,000 Janitorial 5,000 5,000 Subscriptions 4,000 5,000 Janitorial 5,000 5,000 Subscriptions 4,000 5,000 Janitorial 5,000 5,000 Subscriptions 4,000 1,000 1,000 Subscriptions 4,000 5,000 Subscriptions 4,000	7.5			97.000		97,000
Bookkeeping		Postage & Delivery				
Travel and Entertainment						
Office Supplies 12,000 11,000 Audit Fees 15,000 15,000 Insurance 11,000 7,000 Telephone 8,000 7,000 Computer Support 22,000 22,000 Legal Fees 5,000 3,000 Utilities 12,000 11,000 Equipment 3,000 2,000 Subscriptions 4,000 5,000 Janitorial 5,000 5,000 Other Fees & Bank Charges 5,000 5,000 Cherrical Fees 150,000 150,000 Author Advances 150,000 150,000 Author Royalties 180,000 171,000 Copy Editing 60,000 61,000 Travel and Miscellaneous 16,000 \$421,000 PRODUCTION \$436,000 \$67,000 Pre-Press 90,000 \$67,000 Pre-Press 90,000 \$67,000 SALES & PROMOTION Advertising 150,000 140,000 Advertising 15		Travel and Entertainment				
Audit Fees		Office Supplies				
Telephone		Audit Fees		15,000		15,000
Computer Support		Insurance		11,000		11,000
Legal Fees		Telephone		8,000		7,000
Utilities		Computer Support		22,000		22,000
Equipment 3,000 2,000 Subscriptions 4,000 5,000		Legal Fees		5,000		3,000
Subscriptions		Utilities		12,000		11,000
Janitorial Other Fees & Bank Charges 5,000 5,000		Equipment		3,000		2,000
Other Fees & Bank Charges 5,000 5,000		Subscriptions		4,000		5,000
EDITORIAL Permission Rights 30,000 18,000 Author Advances 150,000 150,000 Author Royalties 180,000 171,000 Copy Editing 60,000 61,000 Travel and Miscellaneous 16,000 \$421,000 PRODUCTION Printing & Binding/digital prep 9 470,000 \$67,000 Pre-Press 90,000 \$7,000 SALES & PROMOTION Advertising 150,000 140,000 Publicity 96,000 93,000 Fulfillment 100,000 120,000 Author Tours 100,000 6,000 Catalog 20,000 16,000 Travel 10,000 4,000 Web Site Maintenance 1,000 1,000 Trade Shows 1,000 1,000 PERSONNEL EXPENSES Salaries & Wages 04,000 Outside Services/Contract Labor Benefits 135,000 128,000 Payroll Taxes \$2,439,000 \$2,432,000 \$760,000 \$688,000 \$760,000 \$688,000 \$760,000 \$688,000 \$760,000 \$688,000 \$760,000 \$688,000						5,000
EDITORIAL Permission Rights 30,000 18,000 Author Advances 150,000 171,000 Copy Editing 60,000 61,000 Travel and Miscellaneous 16,000 \$421,000 PRODUCTION Printing & Binding/digital prep 470,000 567,000 Pre-Press 90,000 \$7,000 SALES & PROMOTION Advertising 150,000 140,000 Publicity 96,000 93,000 Fulfillment 100,000 120,000 Author Tours 10,000 6,000 Catalog 20,000 16,000 Travel 10,000 4,000 Web Site Maintenance 1,000 1,000 Trade Shows 1,000 1,000 PERSONNEL EXPENSES Salaries & Wages 581,000 523,000 Outside Services/Contract Labor Benefits 135,000 128,000 Payroll Taxes \$2,439,000 \$688,000 \$760,000 \$688,000 \$760,000 \$688,000		Other Fees & Bank Charges		5,000		5,000
Permission Rights			\$	295,000	\$	288,000
Permission Rights	FDIT	ORIAL				
Author Advances Author Royalties Author Royalties Author Royalties Copy Editing Travel and Miscellaneous Travel and Misce				30.000		18.000
Author Royalties Copy Editing Copy Editing Travel and Miscellaneous 16,000 \$ 436,000 \$ 421,000 PRODUCTION Printing & Binding/digital prep Pre-Press 90,000 \$ 567,000 \$ 566,000 \$ 654,000 SALES & PROMOTION Advertising Publicity 96,000 Publicity 96,000 Publicity 96,000 Edifillment 100,000 Author Tours 10,000 Catalog Travel 10,000 Travel 10,000 Travel 10,000 Trade Shows 1,000 Trade Shows 1,000 PERSONNEL EXPENSES Salaries & Wages Outside Services/Contract Labor Benefits Payroll Taxes \$ 2,439,000 \$ 2,432,000 \$ 1,000 \$ 688,000 \$ 760,000 \$ 688,000 \$ 760,000 \$ 688,000 \$ 760,000 \$ 688,000 \$ 760,000 \$ 688,000		•				,
Copy Editing Travel and Miscellaneous 16,000 21,000						
Travel and Miscellaneous						
PRODUCTION Printing & Binding/digital prep Pre-Press 90,000 567,000 87,000 Pre-Press 90,000 \$654,000 SALES & PROMOTION Advertising 150,000 140,000 93,000 Fulfillment 100,000 120,000 6,000 Catalog 20,000 16,000 Travel 10,000 1,000 1,000 Travel 10,000 1,000 1,000 Trade Shows 1,000 1,000 1,000 PERSONNEL EXPENSES Salaries & Wages Outside Services/Contract Labor Benefits 135,000 128,000 Payroll Taxes \$2,439,000 \$688,000 TOTAL EXPENSES \$2,439,000 \$2,432,000						
PRODUCTION Printing & Binding/digital prep 470,000 567,000 Pre-Press 90,000 87,000 SALES & PROMOTION 150,000 140,000 Advertising 150,000 93,000 Publicity 96,000 93,000 Fulfillment 100,000 120,000 Author Tours 10,000 6,000 Catalog 20,000 16,000 Travel 10,000 4,000 Web Site Maintenance 1,000 1,000 Trade Shows 1,000 1,000 \$ 388,000 \$ 381,000 PERSONNEL EXPENSES \$ 581,000 523,000 Outside Services/Contract Labor 2,000 1,000 Benefits 135,000 128,000 Payroll Taxes 42,000 36,000 \$ 760,000 \$ 688,000			S .	436,000	\$	
Printing & Binding/digital prep Pre-Press 90,000 567,000 87,000 \$	PPOI	DUCTION	•	.00,000	•	,,
Pre-Press 90,000 87,000 \$ 560,000 \$ 654,000 SALES & PROMOTION Advertising 150,000 140,000 Publicity 96,000 93,000 Fulfillment 100,000 120,000 Author Tours 10,000 6,000 Catalog 20,000 16,000 Travel 10,000 4,000 Web Site Maintenance 1,000 1,000 Trade Shows 1,000 1,000 PERSONNEL EXPENSES Salaries & Wages 581,000 523,000 Outside Services/Contract Labor Benefits 135,000 128,000 Payroll Taxes 42,000 \$ 688,000 \$ 760,000 \$ 688,000	FROL			470,000		567 000
\$ 560,000 \$ 654,000 SALES & PROMOTION Advertising						
SALES & PROMOTION Advertising		110-11033				
Advertising			\$	560,000	\$	654,000
Publicity 96,000 93,000 Fulfillment 100,000 120,000 Author Tours 10,000 6,000 Catalog 20,000 16,000 Travel 10,000 4,000 Web Site Maintenance 1,000 1,000 Trade Shows 1,000 1,000 PERSONNEL EXPENSES \$388,000 \$381,000 Salaries & Wages 581,000 523,000 Outside Services/Contract Labor 2,000 1,000 Benefits 135,000 128,000 Payroll Taxes 42,000 36,000 \$760,000 \$688,000 \$760,000 \$2,432,000	SALE	S & PROMOTION				
Fulfillment 100,000 120,000 Author Tours 10,000 6,000 Catalog 20,000 16,000 Travel 10,000 4,000 Web Site Maintenance 1,000 1,000 Trade Shows 1,000 1,000 PERSONNEL EXPENSES Salaries & Wages 581,000 523,000 Outside Services/Contract Labor 2,000 1,000 Benefits 135,000 128,000 Payroll Taxes 42,000 \$688,000 TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000		Advertising		150,000		140,000
Author Tours 10,000 6,000 Catalog 20,000 16,000 Travel 10,000 4,000 Web Site Maintenance 1,000 1,000 Trade Shows 1,000 \$388,000 \$381,000 PERSONNEL EXPENSES Salaries & Wages 581,000 523,000 Outside Services/Contract Labor 2,000 1,000 Benefits 135,000 128,000 Payroll Taxes 42,000 36,000 \$ 760,000 \$688,000		•		96,000		93,000
Catalog Travel 20,000 10,000 16,000 4,000 Web Site Maintenance Trade Shows 1,000 1,000 1,000 1,000 \$ 388,000 \$ 381,000 PERSONNEL EXPENSES Salaries & Wages Outside Services/Contract Labor Benefits 581,000 2,000 1				100,000		120,000
Travel 10,000 4,000 Web Site Maintenance 1,000 1,000 Trade Shows 1,000 \$388,000 \$381,000 PERSONNEL EXPENSES Salaries & Wages 581,000 523,000 Outside Services/Contract Labor Benefits 135,000 128,000 Payroll Taxes 42,000 \$688,000 \$ 760,000 \$688,000						
Web Site Maintenance Trade Shows 1,000 1,000 1,000 1,000 \$ 388,000 \$ 381,000 PERSONNEL EXPENSES Salaries & Wages Outside Services/Contract Labor Benefits 581,000 2,000 523,000 1,000 Benefits 135,000 42,000 128,000 36,000 Payroll Taxes 42,000 \$ 688,000 TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000				20,000		16,000
Trade Shows 1,000 1,000 \$ 388,000 \$ 381,000 PERSONNEL EXPENSES Salaries & Wages 581,000 523,000 Outside Services/Contract Labor Benefits 135,000 128,000 Payroll Taxes 42,000 \$ 688,000 \$ 760,000 \$ 688,000						
\$ 388,000 \$ 381,000 PERSONNEL EXPENSES Salaries & Wages 581,000 523,000 Outside Services/Contract Labor 2,000 1,000 Benefits 135,000 128,000 Payroll Taxes 42,000 \$ 688,000 \$ 760,000 \$ 688,000 TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000						
PERSONNEL EXPENSES Salaries & Wages Outside Services/Contract Labor Benefits Payroll Taxes \$ 760,000 \$ 688,000 \$ 1000 \$		I rade Snows				1,000
Salaries & Wages 581,000 523,000 Outside Services/Contract Labor 2,000 1,000 Benefits 135,000 128,000 Payroll Taxes 42,000 36,000 \$ 760,000 \$ 688,000 TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000			\$	388,000	\$	381,000
Outside Services/Contract Labor Benefits 135,000 128,000 Payroll Taxes 42,000 36,000 \$ 760,000 \$ 688,000 TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000	PERS					
Benefits 135,000 128,000 Payroll Taxes 42,000 36,000 \$ 760,000 \$ 688,000 \$ - \$ - TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000		_				
Payroll Taxes 42,000 36,000 \$ 760,000 \$ 688,000 \$ - \$ - TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000						
\$ 760,000 \$ 688,000 \$ - \$ - TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000						
TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000		Payroll Taxes		42,000		36,000
TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000			\$	760,000	\$	688.000
TOTAL EXPENSES \$ 2,439,000 \$ 2,432,000			_			
			\$	-	\$	- 5
CASH REQUIREMENT \$ 1,000,000 \$ 1,022,000	TOTA	L EXPENSES	\$	2,439,000	\$	2,432,000
	CASH	REQUIREMENT	\$	1,000,000	\$	1,022,000