

**CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

June 30, 2008 and 2007

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
Bloomington, Indiana

FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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Crowe Horwath LLP  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Children's Organ Transplant Association, Inc.  
Bloomington, Indiana

We have audited the accompanying statements of financial position of Children's Organ Transplant Association, Inc. (COTA) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the COTA'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. 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 Children's Organ Transplant Association, Inc. as of June 30, 2008 and 2007, 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.

*Crowe Horwath LLP*

Crowe Horwath LLP

Indianapolis, Indiana  
October 17, 2008

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 470,595	\$ 216,264
Interest receivable	178,377	176,000
Accounts receivable	-	12,633
Pledges receivable	10,325	21,000
Prepays and other assets	46,264	84,122
Investments (Note 5)	21,232,021	21,428,817
Property and equipment, net (Note 4)	<u>653,063</u>	<u>638,924</u>
	<u>\$ 22,590,645</u>	<u>\$ 22,577,760</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 105,557	\$ 78,227
Line of Credit (Note 6)	<u>-</u>	<u>83</u>
	105,557	78,310
 Net assets		
Unrestricted net assets	1,565,220	2,635,495
Unrestricted net assets, board designated	<u>2,489,175</u>	<u>2,489,175</u>
Total unrestricted	4,054,395	5,124,670
Temporarily restricted net assets	18,409,105	17,353,192
Permanently restricted net assets	<u>21,588</u>	<u>21,588</u>
	<u>22,485,088</u>	<u>22,499,450</u>
	<u>\$ 22,590,645</u>	<u>\$ 22,577,760</u>

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See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
STATEMENTS OF ACTIVITIES  
Years ended June 30, 2008 and 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total
<b>REVENUE</b>								
Contributions	\$ 216,444	\$ 3,720,465	-	\$ 3,936,909	\$ 182,439	\$ 3,696,155	\$ 550	\$ 3,879,144
Other fundraising and net proceeds from special events	50,983	-	-	50,983	27,044	-	-	27,044
Interest and dividend income (net of investment expenses of \$69,128 and \$63,429)	1,041,478	-	-	1,041,478	997,622	-	276	997,898
Realized and unrealized gain (loss) on investments	(1,024,421)	-	-	(1,024,421)	1,154,179	-	2,904	1,157,083
Lease income and other	70,827	-	-	70,827	59,058	-	-	59,058
Net assets released from restrictions	<u>2,664,552</u>	<u>(2,664,552)</u>	-	-	<u>2,407,437</u>	<u>(2,407,437)</u>	-	-
Total revenues	3,019,863	1,055,913	-	4,075,776	4,827,779	1,288,718	3,730	6,120,227
<b>EXPENSES</b>								
Patient campaign program	3,592,714	-	-	3,592,714	3,310,055	-	-	3,310,055
Donor awareness program	59,184	-	-	59,184	68,784	-	-	68,784
Total program expenses	3,651,898	-	-	3,651,898	3,378,839	-	-	3,378,839
Management and general	306,765	-	-	306,765	268,379	-	-	268,379
Fundraising	131,475	-	-	131,475	134,715	-	-	134,715
Total expenses	<u>4,090,138</u>	-	-	4,090,138	<u>3,781,933</u>	-	-	<u>3,781,933</u>
<b>Change in net assets</b>	(1,070,275)	1,055,913	-	(14,362)	1,045,846	1,288,718	3,730	2,338,294
Net assets, beginning of year	<u>5,124,670</u>	<u>17,353,192</u>	<u>21,588</u>	<u>22,499,450</u>	<u>4,078,824</u>	<u>16,064,474</u>	<u>17,858</u>	<u>20,161,156</u>
<b>Net assets, end of year</b>	<u>\$ 4,054,395</u>	<u>\$ 18,409,105</u>	<u>\$ 21,588</u>	<u>\$ 22,485,088</u>	<u>\$ 5,124,670</u>	<u>\$ 17,353,192</u>	<u>\$ 21,588</u>	<u>\$ 22,499,450</u>

See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Year ended June 30, 2008

	Patient Campaign	Donor Awareness	Management and General	Fundraising	2008 Total
Salaries and wages	\$ 473,640	\$ 37,572	\$ 119,233	\$ 52,113	\$ 682,558
Payroll taxes	32,689	2,386	10,293	3,460	48,828
Employee benefits	89,445	6,834	40,842	11,073	148,194
Professional services and fees	44,606	944	21,422	15,098	82,070
Transplant patient-related expenses	2,664,552	-	-	-	2,664,552
Travel	77,881	817	34,203	2,123	115,024
Certification fees	10,949	-	-	-	10,949
Advertising	65,136	6,551	3,513	23,150	98,350
Utilities	4,627	235	2,811	632	8,305
Insurance	10,258	521	6,230	1,401	18,410
Repairs and maintenance	8,057	409	7,174	1,101	16,741
Depreciation	29,656	1,506	18,010	4,050	53,222
Supplies and office equipment	18,920	278	15,231	710	35,139
Postage	35,462	572	6,987	10,014	53,035
Telephone	13,379	427	5,229	1,148	20,183
Miscellaneous	13,457	132	15,587	5,402	34,578
	<u>\$ 3,592,714</u>	<u>\$ 59,184</u>	<u>\$ 306,765</u>	<u>\$ 131,475</u>	<u>\$ 4,090,138</u>

See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Year ended June 30, 2007

	Patient Campaign	Donor Awareness	Management and General	Fundraising	2007 Total
Salaries and wages	\$ 418,679	\$ 35,903	\$ 110,680	\$ 47,035	\$ 612,297
Payroll taxes	29,816	2,319	9,319	3,122	44,576
Employee benefits	74,658	6,554	29,487	7,815	118,514
Professional services and fees	68,982	929	23,890	35,026	128,827
Transplant patient-related expenses	2,407,437	-	-	-	2,407,437
Travel	94,211	5,075	18,691	2,317	120,294
Certification fees	9,635	-	-	-	9,635
Advertising	63,717	11,149	1,387	21,827	98,080
Utilities	5,322	369	1,844	595	8,130
Insurance	10,616	736	5,033	1,187	17,572
Repairs and maintenance	12,548	847	7,621	1,366	22,382
Depreciation	28,567	1,982	9,897	3,194	43,640
Supplies and office equipment	14,077	294	17,874	389	32,634
Postage	32,995	1,083	4,635	7,457	46,170
Telephone	14,685	732	3,661	1,180	20,258
Miscellaneous	24,110	812	24,360	2,205	51,487
	<u>\$ 3,310,055</u>	<u>\$ 68,784</u>	<u>\$ 268,379</u>	<u>\$ 134,715</u>	<u>\$ 3,781,933</u>

See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (14,362)	\$ 2,338,294
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	53,222	43,640
Realized and unrealized (gain) loss on investments	1,024,421	(1,157,083)
Proceeds from contributions for long term investment	-	(550)
Change in assets and liabilities		
Interest receivable	(2,377)	(68,000)
Accounts receivable	12,633	(836)
Pledge receivable	10,675	(9,575)
Prepaid and other assets	37,858	(56,292)
Accounts payable and accrued expenses	<u>27,330</u>	<u>30,690</u>
Net cash from operating activities	1,149,400	1,120,288
 <b>Cash flows from investing activities</b>		
Purchase property and equipment	(67,361)	(44,521)
Proceeds from sale of investments	8,996,897	17,017,600
Purchase of investments	<u>(9,824,522)</u>	<u>(18,034,499)</u>
Net cash from investing activities	(894,986)	(1,061,420)
 <b>Cash flows from financing activities</b>		
Proceeds from short term debt	281,412	90,000
Payment of short term debt	(281,495)	(109,917)
Proceeds from contributions for long term investment	<u>-</u>	<u>550</u>
Net cash from financing activities	<u>(83)</u>	<u>(19,367)</u>
 Net change in cash and cash equivalents	254,331	39,501
 Cash and cash equivalents at beginning of year	<u>216,264</u>	<u>176,763</u>
 <b>Cash and cash equivalents at end of year</b>	<u>\$ 470,595</u>	<u>\$ 216,264</u>
 <b>Supplemental cash flow information</b>		
Interest paid	\$ 1,747	\$ 2,533

See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization: Children's Organ Transplant Association, Inc. (COTA) was incorporated as a not-for-profit organization in 1986 under the laws of the State of Indiana. Throughout the United States, COTA assists families with children in need of organ transplants in fundraising efforts. COTA also educates the public regarding the need for organ and tissue donations.

COTA is made up of a Board of Directors, a dedicated staff and volunteer campaign coordinators. The Board sets the direction of COTA, makes policy and reviews the status of the organization on a regular basis. The staff implements the direction and policy set by the Board and runs the day-to-day operations of COTA. Staff duties include the management of the National Headquarters; the organization and development of new campaigns; continuing support of existing campaigns; financial accounting and reporting for patient accounts; the recruitment, training and support of volunteer corps; the promotions and public relations of COTA; and the development of national fundraising programs to run the organization.

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Income Taxes: COTA is exempt from income taxes on income from related activities under Section 501(c) (3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the COTA has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

COTA is however subject to income taxes on income generated from activities that are unrelated to its exempt purpose. Unrelated business income taxes totaled \$2,822 and \$0 for the years ended June 30, 2008 and 2007.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates in Preparation of Financial Statements: 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$100,000 per financial institution. Additionally, for purposes of the statement of cash flows, the COTA considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. From time to time COTA's cash balances exceed federally insured limits.

Investments: In accordance with SFAS No. 124, investments are recorded at fair value based on estimates made by the investment trust administrators using current quoted market prices or the market prices of similar securities. Investments in real estate investment trusts are valued based upon appraisals or the audited financial reporting of the entities as independent market valuations are not available. COTA believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

Investments are initially recorded at cost if they were purchased or at their fair market value on the date of the gift if they were received as a donation. Unrealized gains and losses on investments are included in the statements of activities.

Pledges Receivable: Pledges receivable represent the remaining balance of unconditional promises to give that have not yet been paid. Pledges that are expected to be collected within one year or less are recorded at net realizable value. Pledges that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The pledges have been discounted using a risk-free interest rate applicable during the time the pledge was made. Amortization of the pledge discounts are recognized as contribution revenue each year until the pledge is paid in full. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At June 30, 2008 and 2007, COTA had pledges receivable of \$10,325 and \$21,000 due within one year.

Allowance for Doubtful Accounts: The allowance for uncollectible accounts and pledges is determined by management based upon COTA's historical losses, specific circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with COTA's collection policy. At June 30, 2008 and 2007 management estimated that no allowance was needed.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment: Property and equipment are stated at cost or, if donated to COTA, at fair market value on the date of acquisition. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method. COTA has a capitalization policy that states that all property and equipment in excess of \$1,000 are to be capitalized and depreciated. The estimated useful lives are as follows:

	<u>Years</u>
Building and improvements	10-40
Office furniture and equipment	3-10

Unrestricted Net Assets: Unrestricted net assets represents contributions by donors and other revenues and all related expenses that the Board of Directors has discretionary control to use in carrying on the operations of COTA.

Unrestricted Net Assets, Board Designated: The Board of Directors has designated certain unrestricted net assets as the "Vernon B. Smith Memorial Fund." These funds are to be used for transplant-related expenses for the benefit of transplant patients using COTA's services.

Temporarily Restricted Net Assets: Temporarily restricted net assets are those net assets whose use has been limited by donors to later periods or to specified purposes. The majority of the temporarily restricted net assets are restricted by donor-imposed requirements that the funds be used for transplant-related expenses for patients served by COTA. COTA also has two temporarily restricted net asset accounts that require that the funds be used for transplant and transplant-related expenses for patients who reside within specific geographic areas. Net assets are released from restrictions when used for the satisfaction of program restrictions.

Permanently Restricted Net Assets: Permanently restricted net assets are those net assets for which the donor has stipulated that the contribution be maintained in perpetuity as an endowment to support future operations and program activities. Donor-imposed restrictions limiting the use of assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. Investment earnings on the endowment become part of the endowment's corpus if they are not spent in the year earned, per donor restriction.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated Services: In addition to receiving cash contributions, COTA receives in-kind contributions from various donors. It is the policy of COTA to record the estimated fair market value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. For the years ended June 30, 2008 and 2007 in-kind contributions totaled \$5,082 and \$9,792 respectively.

Additionally, contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Advertising: Advertising costs are expensed during the period in which the advertising first takes place.

**NOTE 2 - PATIENT ACCOUNTS**

A patient relationship is initiated by a family requesting assistance from COTA to help organize a fundraising campaign. The family signs a contract (patient agreement) which gives COTA the right to raise funds on behalf of the patient and use the patient's picture and story as promotional material. COTA works with the family to set-up the campaign's initial organization prior to COTA's on-site visit. From there, volunteers, family and COTA work as a team to raise the necessary funds to cover the costs of transplant and related costs.

At the start of the campaign, COTA sets up a Corporate Depository Account (field bank account) for the campaign, and all previous fundraising accounts are transferred to the field account. COTA assumes responsibility and control of these funds upon deposit in the field accounts. A volunteer designated by the family coordinates local fundraising efforts and the collections from local fundraising events and makes deposits to the field account. In addition, some donors send contributions directly to COTA's office. The funds are recorded as temporarily restricted contributions in COTA's accounting system when deposited.

Contributions received from donors with a restriction that they be used for patient transplant related expenses are allocated to specific patient accounts according to set procedures approved and reviewed by COTA's Allocation Committee, a standing committee of the Board of Directors, on a quarterly basis. The allocations are based upon the estimated cost of the transplant that is needed by the patient. As transplant-related expenses are incurred by the patients, the funds are released from restriction.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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**NOTE 2 - PATIENT ACCOUNTS (Continued)**

When the patient has a successful transplant procedure, subsequent transplant-related expenses will continue to be reviewed for payment by COTA. When a patient passes away and after all transplant-related expenses are considered, the money remaining is re-allocated to a pool that is available for meeting approved expenses of other patient accounts. In addition to transplant expenses, these funds also pay for patient websites, merchant fees, and general emergency grants for patients. The Allocations Committee reviews the funding needs of patients on a quarterly basis, and reallocates funds to patient accounts as the needs arise. On an annual basis the needs of all past patients are reviewed for possible allocations. For the years ended June 30, 2008 and 2007, reallocations from the pool of funds from deceased patients were \$326,212 and \$465,561 respectively.

Though COTA is dedicated to ensuring that no child is excluded from a life saving organ transplant because of a lack of funds, COTA is not legally required by contract to cover all transplant-related expenses. When COTA provides additional funding to a patient's campaign, COTA may utilize funds from the patient reallocation fund and the Vernon B. Smith Memorial Fund, at its discretion.

At June 30, 2008 and 2007, COTA had approximately 748 and 681 active patient accounts, representing \$18,409,105 and \$17,353,192 of temporarily restricted net assets. For the years ended June 30, 2008 and 2007, COTA had temporarily restricted contributions for transplant-related expenses of \$3,720,465 and \$3,696,155.

**NOTE 3 - PATIENT COMMITMENTS AND GUARANTEES**

Some health care providers may require a commitment from COTA to cover the transplant expense for an individual so that if a transplant organ becomes available, the hospital is assured that it will be paid for its services. After COTA has made a commitment to a health care provider for an individual patient, they continue to work with the family to raise money to cover the commitment made by COTA and other costs.

When an organ is available and a transplant has taken place, but the family has not raised enough money to cover COTA's commitment, then COTA records a contribution expense and guarantee liability on the statement of financial position. As of June 30, 2008 and 2007, no guarantee liabilities are outstanding.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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**NOTE 4 - PROPERTY AND EQUIPMENT**

COTA's property and equipment are as follows at June 30:

	<u>2008</u>	<u>2007</u>
Land	\$ 80,645	\$ 80,645
Buildings and improvements	799,870	790,870
Office furniture and equipment	<u>280,125</u>	<u>236,413</u>
	1,160,640	1,107,928
Accumulated depreciation	<u>(507,577)</u>	<u>(469,004)</u>
	<u>\$ 653,063</u>	<u>\$ 638,924</u>

**NOTE 5 - INVESTMENTS**

COTA's investments at fair value consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Bonds	\$ 11,316,579	\$ 10,210,491
Real estate investment trusts	4,399,505	3,910,128
Domestic equities	4,317,728	6,551,277
Money market fund	<u>1,198,209</u>	<u>756,921</u>
	<u>\$ 21,232,021</u>	<u>\$ 21,428,817</u>

Investment return is comprised of the following at June 30:

	<u>2008</u>	<u>2007</u>
Interest and dividend income, net of investment expenses of \$69,128 and \$63,429 for 2008 and 2007	<u>\$ 1,041,478</u>	<u>\$ 997,898</u>
Realized gains on investments	<u>\$ 236,880</u>	<u>\$ 435,080</u>
Unrealized gains (losses) on investments	<u>\$ (1,261,301)</u>	<u>\$ 722,003</u>

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CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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**NOTE 5 - INVESTMENTS (Continued)**

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in COTA's financial statements.

COTA management believes that a majority of the decline in fair value of COTA's investment portfolio subsequent to June 30, 2008 is temporary in nature. In addition, at June 30, 2008, COTA held Lehman Brothers bonds with a fair value of \$778,000, and is unable to estimate the value of permanent impairment related to those holdings as of the report date.

**NOTE 6 - LINE OF CREDIT**

COTA has an unsecured line of credit at a local bank which provides for borrowings of up to \$200,000. Interest is charged on amounts borrowed using a variable rate equal to the Wall Street Journal Prime Rate, which was 5.00% and 8.25% at June 30, 2008 and 2007. The line of credit expires on December 20, 2008. Outstanding balances at June 30, 2008 and 2007 were \$0 and \$83. Interest expense was \$1,747 and \$2,533 for the years ended June 30, 2008 and 2007.

**NOTE 7 - EMPLOYEE BENEFITS**

For the years ending June 30, 2008 and 2007, COTA sponsored two defined contribution retirement plans. Contributions to both plans are made for all employees with at least one year of service. Contributions to the first plan are made at a mandatory 10% of each eligible employee's total compensation. Contributions under the second plan are a matching contribution by COTA. Each eligible employee may contribute up to the IRS limits of his or her salary and COTA will match 4% of their contribution. Considering both defined contribution plans, the maximum amount contributed by COTA cannot exceed 14% of each eligible employee's compensation. Employee benefit expense under these plans was \$87,105 and \$61,741 for the years ending June 30, 2008 and 2007.

**NOTE 8 - OPERATING LEASE COMMITMENTS**

COTA has entered into a lease agreement as the lessor of a portion of their headquarters building beginning January 1, 2006 through December 31, 2010. As of June 30, 2008, the lease had been cancelled. No future payments will be received from this cancelled lease.