

COPY

**ENCOUNTER FOR CULTURE AND EDUCATION, INC.**

**BALANCE SHEET AS OF DECEMBER 31, 2010**

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**INCOME & EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**AND**

**CASH FLOW BUDGET FOR 2012  
WITH 2010 ACTUAL FOR COMPARISON**

**ENCOUNTER FOR CULTURE AND EDUCATION, INC.**  
**Balance Sheet**  
As of December 31, 2010

	<u>Total</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
CHASE Checking	234,328
CHASE Payroll	6,760
CHASE Savings	1,000
Petty Cash	1,000
US Bank	208,361
<b>Total Bank Accounts</b>	<u><b>\$451,449</b></u>
<b>Accounts Receivable</b>	
Bad Debt Reserves	(2,000)
Estimated Return Reserve	(166,975)
Miscellaneous Trade Receivables	3,774
Perseus	371,056
<b>Total Accounts Receivable</b>	<u><b>\$205,854</b></u>
<b>Other Current Assets</b>	
Contribution Receivable	1,000,000
Inventory	628,651
Prepaid Royalties	284,042
<b>Total Other Current Assets</b>	<u><b>\$1,912,693</b></u>
<b>Total Current Assets</b>	<u><b>\$2,569,996</b></u>
<b>Other Assets</b>	
Deposits	11,709
Prepaid Expenses	169
Prepaid Insurance	7,698
<b>Total Other Assets</b>	<u><b>\$19,576</b></u>
<b>TOTAL ASSETS</b>	<u><u><b>\$2,589,572</b></u></u>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
Accounts Payable	111,666
<b>Total Accounts Payable</b>	<u><b>\$111,666</b></u>
<b>Credit Cards</b>	
American Express	3,750
<b>Total Credit Cards</b>	<u><b>\$3,750</b></u>
<b>Other Current Liabilities</b>	
Payroll Liabilities	243
<b>Total Other Current Liabilities</b>	<u><b>\$243</b></u>
<b>Total Current Liabilities</b>	<u><b>\$115,659</b></u>
<b>Total Liabilities</b>	<u><b>\$115,659</b></u>

	<b>Total</b>
<b>Equity</b>	
<b>Retained Earnings</b>	1,529,593
<b>Temporarily restricted</b>	1,000,000
<b>Net Income</b>	(55,680)
<b>Total Equity</b>	<b>\$2,473,913</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$2,589,572</b>

Monday, May 02, 2011 11:18:17 AM PDT GMT-7 - Accrual Basis

**ENCOUNTER FOR CULTURE AND EDUCATION, INC.**  
**Income & Expenditure Account**  
January - December 2010

	<u>Total</u>
<b>Income</b>	
Contributions	95,000
Other Income	9,653
Returns & Credits	(795,356)
Sales	2,341,773
<b>Total Income</b>	<u><b>\$1,651,071</b></u>
<b>Cost of Goods Sold</b>	
Handling Fees	233,464
<b>Total Cost of Goods Sold</b>	<u><b>\$233,464</b></u>
<b>Gross Profit</b>	<u><b>\$1,417,606</b></u>
<b>Expenses</b>	
Administrative Operations	290,229
Editorial/Acquisitions	526,862
Fulfillment	114,421
Personnel	614,307
Production/Manufacturing	637,733
Sales/Marketing	289,734
<b>Total Expenses</b>	<u><b>\$2,473,286</b></u>
<b>Net Operating Income</b>	<u><b>\$ (1,055,680)</b></u>
<b>Other Income</b>	
General Grant	1,000,000
<b>Total Other Income</b>	<u><b>\$1,000,000</b></u>
<b>Net Other Income</b>	<u><b>\$1,000,000</b></u>
<b>Net Income</b>	<u><u><b>\$ (55,680)</b></u></u>

Accrual Basis

# ENCOUNTER FOR CULTURE AND EDUCATION, INC.

CASH FLOW BUDGET			
		ACTUAL 2010	PROPOSED 2012
INCOME			
	Book Sales	1,558,000	1,750,000
	Contributions	95,000	150,000
	SUB-TOTAL INCOME	\$ 1,653,000	\$ 1,900,000
EXPENSES			
	PERSEUS HANDLING FEE	\$ 233,000	\$ 263,000
	ADMINISTRATIVE		
	Rent	89,000	95,000
	Postage & Delivery	45,000	52,000
	Bookkeeping	48,000	51,000
	Travel and Entertainment	10,000	12,000
	Office Supplies	15,000	17,000
	Audit Fees	13,000	14,000
	Insurance	10,000	13,000
	Telephone	5,000	7,000
	Computer Support	14,000	15,000
	Legal Fees	13,000	9,000
	Utilities	6,000	9,000
	Equipment	6,000	6,000
	Printing & Reproduction	1,000	2,000
	Subscriptions	4,000	6,000
	Janitorial	5,000	5,000
	Other Fees & Bank Charges	5,000	5,000
	Miscellaneous	1,000	7,000
		\$ 290,000	\$ 325,000
	EDITORIAL		
	Author Advances	229,000	270,000
	Author Royalties	66,000	160,000
	Copy Editing	83,000	90,000
	Travel and Miscellaneous	4,000	10,000
		\$ 382,000	\$ 530,000
	PRODUCTION		
	Printing & Binding	626,000	655,000
	Pre-Press	95,000	125,000
		\$ 721,000	\$ 780,000
	SALES & PROMOTION		
	Advertising	89,000	125,000
	Publicity	135,000	120,000
	Fulfillment	114,000	123,000
	Author Tours	9,000	15,000
	Catalog	31,000	18,000
	Travel	17,000	16,000
	Web Site Maintenance	9,000	5,000
	Trade Shows	2,000	8,000
		\$ 406,000	\$ 430,000
	PERSONNEL EXPENSES		
	Salaries & Wages	433,000	\$ 492,000
	Outside Services/Contract Labor	35,000	\$ 10,000
	Benefits	108,000	\$ 130,000
	Payroll Taxes	36,000	\$ 40,000
		\$ 612,000	\$ 672,000
	OTHER EXPENSES		
	Contingency	-	\$ 50,000
		\$ -	\$ 50,000
	TOTAL EXPENSES	\$ 2,644,000	\$ 3,050,000
	CASH REQUIREMENT	\$ 991,000	\$ 1,150,000