



**CASA ESPERANZA  
ENDOWMENT FOUNDATION, INC.**

Financial Statement  
And  
Independent Auditor's Report

June 30, 2009

**CASA ESPERANZA ENDOWMENT FOUNDATION  
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FOR THE YEAR ENDED JUNE 30, 2009**

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**CASA ESPERANZA ENDOWMENT FOUNDATION  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2009**

**BOARD OF DIRECTORS**

Johnese M. Turri	Chair
Leo Moya	Vice Chair
Anthony R. Masciotra, Jr.	Treasurer
Julie Tierney	Secretary
Lia Armstrong	Director
Beth Brodie	Director
Melanie Cravens	Director
Lily Curtis	Director
Ryan Dobbs	Director
Trevor Lewis	Director
Ginny Longbotham	Director
Jennifer Lowrie	Director
Justine Meehan	Director
Fred Moore	Director
T. Zane Reeves	Director
Betty L. Shaum	Director
Sherri Wells	Director

**ADMINISTRATIVE STAFF**

Eileen Cook	Executive Director
Mary Loyd	Financial Director

**O.D. WATERS, PC**  
**CERTIFIED PUBLIC ACCOUNTANT**

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Albuquerque, NM 87108

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To the Board of Directors of  
Casa Esperanza Endowment Foundation  
Albuquerque, New Mexico

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statement of financial position of Casa Esperanza Endowment Foundation. (a non-profit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Casa Esperanza Endowment Foundation'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 Casa Esperanza Endowment Foundation's 2008 financial statements and in our report dated September 19, 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 from 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.

The financial statements of Casa Esperanza Endowment Foundation as of and for the year ended June 30, 2009, do not consolidate the financial statements of Casa Esperanza, Inc. (an organization supported and related non-profit). U.S. generally accepted accounting principles require consolidation of not-for-profit organizations in which an economic or controlling interest exists. If Casa Esperanza Inc. had been consolidated with Casa Esperanza Endowment Foundation as of June 30, 2009, total assets, liabilities and net assets would be increased by approximately \$1,465,209, and the change in net assets for the year ended June 30, 2009, would increase by approximately \$66,162.

In our opinion, except for the effects of not consolidating Casa Esperanza, Inc., as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Esperanza Endowment Foundation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Ollie D. Waters, CPA  
O.D. Waters, PC  
Albuquerque, New Mexico  
September 13, 2009

**CASA ESPERANZA ENDOWMENT FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009  
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008**

ASSETS:	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 141,144	\$ 257,761
Accounts Receivable	319	2,478
Contributions Receivable	1,770	1,000
Prepaid Expenses	5,836	2,500
Accrued Interest Receivable	6,295	6,889
Vehicle Inventory	46,970	65,025
Related Party Receivable	762	-
Total Current Assets	<u>203,096</u>	<u>335,653</u>
Property & Equipment		
Equipment	6,058	6,058
Less Accumulated Depreciation	<u>(2,048)</u>	<u>(975)</u>
Net Property & Equipment	<u>4,010</u>	<u>5,083</u>
Other Assets		
Investments (Note 3)	1,146,744	1,483,093
Endowment Fund (Note 4)	17,935	23,466
Land Held for Sale	<u>20,249</u>	<u>20,249</u>
Total Other Assets	<u>1,184,928</u>	<u>1,526,808</u>
Total Assets	<u>\$ 1,392,034</u>	<u>\$ 1,867,544</u>
LIABILITIES:		
Current Liabilities		
Accounts Payable	\$ 36,291	\$ 5,934
Accrued Wages & Benefits (Note 5)	13,675	19,540
Related Party Payable	<u>-</u>	<u>16,987</u>
Total Current Liabilities	<u>49,966</u>	<u>42,461</u>
Total Liabilities	<u>49,966</u>	<u>42,461</u>
NET ASSETS:		
Unrestricted (Note 6)	<u>1,342,068</u>	<u>1,825,083</u>
Total Net Assets	<u>1,342,068</u>	<u>1,825,083</u>
Total Liabilities & Net Assets	<u>\$ 1,392,034</u>	<u>\$ 1,867,544</u>

SEE INDEPENDENT AUDITOR'S REPORT  
The Accompanying Notes Are An Integral Part Of These Financial Statements

**CASA ESPERANZA ENDOWMENT FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008**

	<u>2009</u>	<u>2008</u>
<b>REVENUE:</b>		
Vehicle Donation Income	\$ 637,257	\$ 616,395
Cost of Sales	190,306	124,488
Gross Profit	<u>446,951</u>	<u>491,907</u>
Event Income	77,962	105,746
Contributions and Support	15,555	3,718
Investment Return	(275,381)	(10,769)
In-Kind Income (Note 7)	85,230	65,638
Total Revenue	<u>350,317</u>	<u>656,240</u>
<b>EXPENSES:</b>		
Program	244,371	70,432
General & Administrative	105,926	128,070
Fundraising (Note 8)	481,962	466,018
Total Expenses before Depreciation	<u>832,259</u>	<u>664,520</u>
Change in Net Assets before Depreciation	(481,942)	(8,280)
Depreciation Expense	<u>1,073</u>	<u>850</u>
Increase (Decrease) in Net Assets	(483,015)	(9,130)
Net Assets at Beginning of Year	1,825,083	1,834,213
Net Assets at End of Year	<u>\$ 1,342,068</u>	<u>\$ 1,825,083</u>

SEE INDEPENDENT AUDITOR'S REPORT  
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**CASA ESPERANZA ENDOWMENT FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008**

	PROGRAM SERVICES		SUPPORTING SERVICES		2009 TOTAL EXPENSES	2008 TOTAL EXPENSES
	SUPPORT FOR CASA, INC.	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES		
Salaries & Wages	\$ -	\$ 66,426	\$ 138,375	\$ 204,801	\$ 204,801	\$ 180,409
Payroll Taxes	-	5,605	13,226	18,831	18,831	16,118
Benefits (Note 10)	-	14,387	44,171	58,558	58,558	63,649
Advertising & Promotion	-	505	76,331	76,836	76,836	85,306
Event Expenses	-	-	40,509	40,509	40,509	74,478
Program Expenses	244,371	-	-	-	244,371	70,432
In-Kind Expenses	-	3,000	82,230	85,230	85,230	65,638
Occupancy (Note 9)	-	-	30,225	30,225	30,225	26,900
Professional Services	-	5,045	12,946	17,991	17,991	18,996
Investment Expenses	-	-	13,486	13,486	13,486	17,127
Office Expenses	-	6,116	8,076	14,192	14,192	17,071
Travel & Mileage	-	239	2,587	2,826	2,826	5,668
Printing & Publications	-	-	4,430	4,430	4,430	5,450
Utilities	-	376	5,395	5,771	5,771	3,752
Postage & Shipping	-	1,515	3,336	4,851	4,851	3,142
Training & Development	-	377	2,175	2,552	2,552	2,681
Supplies	-	-	2,678	2,678	2,678	2,625
Conferences & Meetings	-	479	786	1,265	1,265	2,147
Board Expenses	-	727	952	1,679	1,679	1,395
Insurance	-	773	-	773	773	768
Loss on Asset Disposition	-	-	-	-	-	439
Staff & Donor Recognition	-	356	48	404	404	329
Expenses Before Depreciation	244,371	105,926	481,962	587,888	832,259	664,520
Depreciation Expense	-	-	1,073	1,073	1,073	850
Total Expenses	\$ 244,371	\$ 105,926	\$ 483,035	\$ 588,961	\$ 833,332	\$ 665,370

SEE INDEPENDENT AUDITOR'S REPORT  
The Accompanying Notes Are An Integral Part Of These Financial Statements

**CASA ESPERANZA ENDOWMENT FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from vehicle donation program	\$ 637,257	\$ 616,395
Proceeds from fundraising event	77,962	105,746
Cash received from investments	45,001	83,936
Cash received from contributions and support	16,944	1,439
Cash paid in support of Casa Esperanza, Inc.	(244,371)	(70,432)
Cash paid to and on behalf of employees	(288,055)	(253,462)
Cash paid for operating expenses	<u>(383,447)</u>	<u>(404,845)</u>
Net cash provided by operating activities	<u>(138,709)</u>	<u>78,777</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from the sale of investments	66,579	782,145
Cash paid for investment in equipment	-	(4,943)
Investment in Endowment	-	(25,000)
Reinvestment of dividends and realized gains	(44,487)	(83,702)
Sale proceeds reinvested	<u>-</u>	<u>(700,632)</u>
Net cash provided by investing activities	<u>22,092</u>	<u>(32,132)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
None	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(116,617)	46,645
Cash and cash equivalents at beginning of year	<u>257,761</u>	<u>211,116</u>
Cash and cash equivalents at end of year	<u>\$ 141,144</u>	<u>\$ 257,761</u>

**RECONCILIATION OF INCREASE IN NET ASSETS  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Increase (Decrease) in Net Assets	\$ (483,015)	\$ (9,130)
Adjustments to reconcile increases in net assets to cash provided by operating activities:		
Depreciation	1,073	850
Unrealized loss on investments	319,788	106,796
Unrealized gain on land values	-	(10,574)
(Increases) Decreases in operating assets:		
(Increase) Decrease in Interest Receivable	594	(583)
(Increase )Decrease in Contribution Receivable	(770)	(999)
(Increase ) Decrease in Account Receivable	2,159	(1,280)
(Increase) Decrease in Prepaid Expenses	(3,336)	(1,500)
(Increase) Decrease in Inventory	18,055	(25,025)
Increases (Decreases) in operating liabilities:		
Increase (Decrease) in Casa Inc. Payable	(17,749)	16,987
Increase (Decrease) in Accrued Wages & Benefits	(5,865)	6,714
Increase (Decrease) in Accounts Payable	30,357	(3,479)
Net cash provided by operating activities	<u>\$ (138,709)</u>	<u>\$ 78,777</u>

**CASA ESPERANZA ENDOWMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Function of Entity**

Casa Esperanza Endowment Foundation, a nonprofit organization, was incorporated in the State of New Mexico on May 3, 2001. The stated mission of the Foundation is to operate for the sole benefit of Casa Esperanza, Inc. by assisting it in carrying out its charitable purpose.

The Casa Esperanza Endowment Foundations serves as a supporting organization for Casa Esperanza Inc. The Foundation manages an investment portfolio, a vehicle donation program and sponsors fundraising events in order to raise funds to support the mission of Casa Esperanza Inc.

Casa Esperanza Endowment Foundation is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Organization. Board members represent government, business, public sector, and private individuals. The term served by Board members is three years.

**B. Tax Exempt Status**

Casa Esperanza Endowment Foundation is exempt from Federal income taxes under section 501C(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509 (A) of the Code.

**C. Basis of Accounting**

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

**D. Financial Statement Presentation**

The accompanying financial statements have been prepared following the guidance required under Financial Accounting Standards (SFAS) #116 "*Accounting for Contributions Received and Contributions Made*" and (SFAS) #117, "*Financial Statements of Not-for-Profit Organizations.*" Under guidance expressed in these statements, "An organization's net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted by donors. Amounts for each of these three classes of net assets; permanently restricted, temporarily restricted, and unrestricted, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the statement of activities".

Amounts for the Foundation's total assets, liabilities and net assets are to be reported in a statement of financial position; the change in the Foundation's net assets is reported in a statement of activities; and the change in its cash and cash equivalents is reported in a statement of cash flows.

**CASA ESPERANZA ENDOWMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**E. Statement of Cash Flows**

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments as cash equivalents. At June 30, 2009, the Foundation did not own any cash equivalents. Cash includes amounts held in checking accounts at local banking institutions and in investment accounts.

**F. Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**G. Fair Values Measured on Recurring Basis**

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. As of July 1, 2008, Casa Esperanza Endowment Foundation has adopted SFAS 157, which when adopted did not have any impact on the Endowment Foundation’s consolidated financial statements.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below.

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth, by level within the fair value hierarchy, the Endowment’s assets and liabilities at fair value, as of June 30, 2009. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**CASA ESPERANZA ENDOWMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

The table below represents fair value measurement hierarchy of the assets at fair values as of June 30, 2009:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 1,146,744	\$ 1,146,744	\$ -	\$ -
Endowment Fund	17,935	17,935	-	-
Land Held for Sale	<u>20,249</u>	<u>-</u>	<u>20,249</u>	<u>-</u>
Total assets	<u>\$ 1,184,928</u>	<u>\$ 1,164,679</u>	<u>\$ 20,249</u>	<u>\$ -</u>

Fair values for investments and investments held in the Endowment Fund are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the land held for resale is determined by tax assessment appraisals made by local governments.

**H. Fixed Assets**

Fixed assets are stated at cost. Casa Esperanza Endowment Foundation capitalizes all acquisitions at cost in excess of \$1,000. Depreciation, which includes the assets recorded under capital leases, is computed principally using the straight-line method over the estimated useful lives of individual assets. Asset lives range from three to ten years.

**I. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Contribution of Services**

Contributions of services are recognized in the financial statements of Casa Esperanza Endowment Foundation only if the services received (a) create or enhance nonfinancial assets of the Foundation, and (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**K. Donated Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Casa Esperanza Endowment Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Casa Esperanza Endowment Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**CASA ESPERANZA ENDOWMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**L. Restricted and Unrestricted Support and Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**M. Expense Allocation**

The costs of providing various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**N. Prior –Year Comparative Information**

The financial statements include 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended June 30, 2008 from which the summarized information was derived.

**Note 2. Cash Balances**

Casa Esperanza Endowment Foundation’s cash balance on the Statement of Financial Position consists of the following at June 30, 2009:

	<u>Reconciled Balance</u>
Checking & Savings Accts	<u>\$141,144</u>
Total	<u>\$141,144</u>

All deposits with financial institutions are fully insured with the Federal Deposit Insurance Corporation.

**CASA ESPERANZA ENDOWMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Note 3. Investments**

The Foundation carries investments with readily determinable fair values. Market value at June 30, 2009 is as follows:

Investments:	
Money Market Accounts	37,203
Equity Securities	<u>1,109,541</u>
Total Investments	<u>1,146,744</u>

Investment return is summarized as follows:

Unrealized Loss	(314,022)
Investment Fees	(12,628)
Interest Income & Realized Gains	<u>44,251</u>
Total Investment return	<u>(282,399)</u>

Average Investments	1,314,918
Net Investment Return	(282,399)
Average Return on Investments	(21%)

**Note 4. Endowment Fund**

The Casa Esperanza Endowment Fund, held at the New Mexico Community Foundation is stated at fair value, which represents contributions made under the endowment, plus earnings, less withdrawals and management fees.

**Note 5. Accrued Wages & Benefits**

Employees of Casa Esperanza Endowment Foundation earn wages and annual leave based on stated policies. Earned but unpaid wages and annual leave are payable to the employee upon termination. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense in the year of change.

**Note 6. Net Assets**

Casa Esperanza, Endowment Foundation classifies its net assets into the following categories:

**Unrestricted** – net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for grants, endowments and other purposes.

**Temporarily Restricted** – net assets subject to donor-imposed stipulations that, may, or will be met either by actions of the Foundation and/or the passage of time.

**Permanently Restricted** – net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation

**Note 7. Donated Materials and Services**

During the fiscal year ended June 30, 2009, the Foundation received \$38,732 in donated professional services, and 46,498 in donated materials and supplies.

**CASA ESPERANZA ENDOWMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Note 8. Fundraising**

Casa Esperanza Endowment Foundation sponsors the Hope Chest Auction in order to raise awareness for their mission, and to persuade potential donors to make contributions and grants to the Foundation. For the year ended June 30, 2009, fund raising expense was \$481,962. Funds raised as a result of these expenses were approximately \$816,004. This resulted in a fundraising ratio of 59%, (\$481,962 in expenses divided by \$816,004 in related revenue).

**Note 9. Operating Leases**

Casa Esperanza Endowment Fund leases its auto donation lot under an operating lease expiring November 15, 2010. Rental expenses under the operating lease were approximately \$30,225. The future remaining lease payments under these agreements are as follows:

<b>Year ended June 30,</b>	
2010	30,717
2011	<u>12,880</u>
Remaining balance on leases	<u>\$43,597</u>

**Note 10. Retirement Plans**

Casa Esperanza Endowment Foundation participates in a defined contribution retirement plan administered by Mutual of America. This plan is for the benefit of all eligible professional and support staff of Casa Esperanza Endowment Foundation who qualify under applicable participation requirements. Under the terms of the plan, contributions are made under Section 403(b) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The plan provides for Casa Esperanza Endowment Foundation to contribute between 15% to 21% of eligible employee salary. Retirement expense for the year ended June 30, 2009 totaled \$27,739.