

INNER-CITY MUSLIM ACTION NETWORK  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012  
(With comparative summarized information for  
the year ended December 31, 2011)

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## Independent Auditors' Report

The Board of Directors  
Inner-City Muslim Action Network  
2744 West 63rd Street  
Chicago, Illinois 60629

I have audited the accompanying financial statements of the Inner-City Muslim Action Network (IMAN), an Illinois nonprofit organization, which comprise of the statement of financial position as of December 31, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IMAN as of December 31, 2012 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from IMAN's December 31, 2011 financial statements which were audited by me. My report dated August 7, 2012 expressed an unqualified opinion on those financial statements.

James M. Babic, PC

May 10, 2013

INNER-CITY MUSLIM ACTION NETWORK  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2012  
(With summarized comparative totals for December 31, 2011)

	As of December 31, 2012			Totals as of Dec. 31, 2011
	Unrestricted	Temporarily Restricted	Total	
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash (Note 5)	\$ 316,318	\$ 422,167	\$ 738,485	\$ 274,177
Grants and contracts receivable within one year, net of allowance for uncollectible receivables of \$ZERO and \$51,761 as of Dec. 31, 2012 and Dec. 31, 2011, respectively	30,888	56,250	87,138	12,595
Pledges receivable within one year (Note 6)	200,000	150,000	350,000	293,333
Other receivables	631	-	631	7,262
Real estate tax escrow	1,718	-	1,718	2,186
Prepaid expenses and other	10,057	-	10,057	8,625
Total current assets	<u>559,612</u>	<u>628,417</u>	<u>1,188,029</u>	<u>598,178</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation (Note 7)	<u>1,315,717</u>	<u>-</u>	<u>1,315,717</u>	<u>1,374,039</u>
<b>OTHER ASSETS</b>				
Lease security and utility deposits	<u>240</u>	<u>-</u>	<u>240</u>	<u>7,540</u>
Total assets	<u>\$ 1,875,569</u>	<u>\$ 628,417</u>	<u>\$ 2,503,986</u>	<u>\$ 1,979,757</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 231,884	\$ -	\$ 231,884	\$ 201,384
Note payable (Note 8)	19,675	-	19,675	24,175
Contingency loan (Note 9)	55,285	-	55,285	55,285
Current maturities of long-term debt (Note 10)	42,100	-	42,100	41,165
Total current liabilities	<u>348,944</u>	<u>-</u>	<u>348,944</u>	<u>322,009</u>
LONG-TERM DEBT, net of current maturities (Note 10)	<u>332,655</u>	<u>-</u>	<u>332,655</u>	<u>374,860</u>
Total liabilities	<u>681,599</u>	<u>-</u>	<u>681,599</u>	<u>696,869</u>
NET ASSETS	<u>1,193,970</u>	<u>628,417</u>	<u>1,822,387</u>	<u>1,282,888</u>
Total liabilities and net assets	<u>\$ 1,875,569</u>	<u>\$ 628,417</u>	<u>\$ 2,503,986</u>	<u>\$ 1,979,757</u>

The accompanying notes are an integral part of these financial statements

**INNER-CITY MUSLIM ACTION NETWORK**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

(With summarized comparative totals for the year ended December 31, 2011)

	Year Ended December 31, 2012			Total for the Year Ended Ended Dec. 31, 2011
	Unrestricted	Temporarily Restricted	Total	
<b>PUBLIC SUPPORT AND REVENUES:</b>				
Public support:				
Grants and contributions (Note 11)	\$ 1,626,639	\$ 439,250	\$ 2,065,889	\$ 1,297,823
Net assets released from restrictions upon satisfaction of program requirements	293,333	(293,333)	-	-
Revenues:				
Contract fees and awards (Note 11)	103,983	-	103,983	139,552
Event fees, admissions, and revenues	20,142	-	20,142	30,912
Increase (decrease) in the fair market value of investments	193	-	193	-
Forgiveness of debt (Note 13)	-	-	-	63,141
Expense reimbursements and other	3,319	-	3,319	2,937
Total revenues	127,637	-	127,637	236,542
Total public support and revenues	2,047,609	145,917	2,193,526	1,534,365
<b>EXPENSES:</b>				
Program services:				
Social services	644,252	-	644,252	703,118
Outreach	448,754	-	448,754	494,125
Networking and organizing	344,594	-	344,594	376,278
Total program services	1,437,600	-	1,437,600	1,573,521
Supporting services:				
Management and general	184,791	-	184,791	237,906
Resource development	31,636	-	31,636	39,801
Total supporting services	216,427	-	216,427	277,707
Total program and supporting services expenses	1,654,027	-	1,654,027	1,851,228
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>393,582</b>	<b>145,917</b>	<b>539,499</b>	<b>(316,863)</b>
<b>NET ASSETS</b>				
Beginning of the year	787,261	482,500	1,269,761	1,599,751
Prior year adjustment (Note 14)	13,127	-	13,127	-
Beginning balance, as adjusted	800,388	482,500	1,282,888	1,599,751
End of the year	\$ 1,193,970	\$ 628,417	\$ 1,822,387	\$ 1,282,888

The accompanying notes are an integral part of these financial statements

**INNER-CITY MUSLIM ACTION NETWORK  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

(With summarized comparative totals for the year ended December 31, 2011)

	PROGRAM SERVICES				SUPPORTING SERVICES			GRAND TOTALS	
	Social Services	Outreach	Networking and Organizing	Total	Management and General	Resource Develop- ment	Total	2012	2011
Salaries and wages	\$ 265,456	\$ 167,657	\$ 160,671	\$ 593,784	\$ 83,828	\$ 20,957	\$ 104,785	\$ 698,569	\$ 776,746
Staff health insurance benefits	10,906	6,888	6,601	24,395	3,443	861	4,304	28,699	31,895
Payroll taxes	27,004	17,055	16,345	60,404	8,528	2,132	10,660	71,064	66,165
Contracted services and stipends	21,185	13,380	12,823	47,388	6,689	1,673	8,362	55,750	171,075
Accounting and audit	14,542	9,185	8,802	32,529	5,740	-	5,740	38,269	62,777
Consulting and other professional fees	19,504	12,318	11,805	43,627	6,160	1,540	7,700	51,327	23,057
Scholarships and assistance for individuals	7,006	4,425	4,240	15,671	2,765	-	2,765	18,436	15,952
Occupancy (Note 12)	67,452	42,601	40,826	150,879	26,625	-	26,625	177,504	101,598
Equipment rent, repairs and maintenance	6,500	4,105	3,934	14,539	2,565	-	2,565	17,104	19,079
Program-related expenditures	70,610	102,469	12,738	185,817	-	-	-	185,817	123,647
General liability and officers insurance	7,177	4,533	4,344	16,054	2,834	-	2,834	18,888	13,336
Telecommunications	12,523	7,909	7,580	28,012	4,944	-	4,944	32,956	17,578
Postage and courier	1,129	713	683	2,525	446	-	446	2,971	2,805
Printing and duplicating	2,497	1,577	1,512	5,586	789	197	986	6,572	7,810
Travel	17,287	10,918	10,463	38,668	5,458	1,365	6,823	45,491	97,013
Community relations	8,388	5,298	5,077	18,763	2,649	662	3,311	22,074	8,182
Medical tests	25,357	-	-	25,357	-	-	-	25,357	19,716
Supplies	9,829	6,208	5,949	21,986	3,103	776	3,879	25,865	21,358
Training, conferences, seminars	5,458	3,447	3,303	12,208	1,723	431	2,154	14,362	6,437
Meeting expenses	4,513	2,850	2,731	10,094	1,425	356	1,781	11,875	6,726
Depreciation and amortization	31,241	19,731	18,909	69,881	12,333	-	12,333	82,214	81,671
Uncollectible and refunded grants and contracts	-	-	-	-	-	-	-	-	134,100
Miscellaneous	8,688	5,487	5,258	19,433	2,744	686	3,430	22,863	42,505
<b>Total functional expenses</b>	<b>\$ 644,252</b>	<b>\$ 448,754</b>	<b>\$ 344,594</b>	<b>\$ 1,437,600</b>	<b>\$ 184,791</b>	<b>\$ 31,636</b>	<b>\$ 216,427</b>	<b>\$ 1,654,027</b>	<b>\$ 1,851,228</b>

The accompanying notes are an integral part of these financial statements

INNER-CITY MUSLIM ACTION NETWORK  
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2012	2011
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net increase (decrease) in net assets	\$ 539,499	\$ (316,863)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	82,214	81,671
(Increase) decrease in:		
Grants and contracts receivable	(74,543)	65,074
Pledges receivable	(56,667)	285,753
Other receivables	6,631	512
Real estate tax escrow	468	(2,186)
Prepaid expenses and other	(1,432)	(7,520)
Lease security and utility deposits	7,300	10,000
Increase (decrease) in:		
Accounts payable and accrued expenses	30,500	(13,387)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>533,970</u>	<u>103,054</u>
<b>CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Purchase of office equipment, furniture, and fixtures	-	(800)
Purchases of building improvements	(23,892)	(125,124)
Net cash used in investing activities	<u>(23,892)</u>	<u>(125,924)</u>
<b>CASH FLOW PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Payments, non-interest bearing installment loan	(25,000)	(25,000)
Payments made on capital lease obligation	(16,270)	(52,975)
Proceeds from refinanced capital lease obligation used to pay for real estate escrow, legal fees, and other expenses	-	30,000
Apply security deposit to refinanced capital loan obligation	-	(10,000)
Forgiveness of debt	-	(63,141)
Proceeds, contingency loan	-	55,285
Net proceeds (payments) on notes payable	(4,500)	-
Net cash used in financing activities	<u>(45,770)</u>	<u>(65,831)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	464,308	(88,701)
<b>CASH, BEGINNING OF THE YEAR</b>	<u>274,177</u>	<u>362,878</u>
<b>CASH, END OF THE YEAR</b>	<u>\$ 738,485</u>	<u>\$ 274,177</u>

The accompanying notes are an integral part of these financial statements

INNER-CITY MUSLIM ACTION NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012

NOTE 1 - HISTORY AND NATURE OF THE ORGANIZATION

The Inner-City Muslim Action Network (IMAN) was incorporated under the State of Illinois General Not-For-Profit Corporation Act of 1987. IMAN's mission is to nurture community growth among inner-city Muslims through social service, outreach, and networking/organizing programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The financial statements are prepared on the accrual basis of accounting.

Financial statement presentation follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958-605 and No. 958-205.

Under FASB ASC No. 958-605 contributions are recognized in the period received, or in the period in which an unconditional promise to give is made.

Under FASB ASC 958-205, IMAN is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Classification of net assets as unrestricted, temporarily restricted, or permanently restricted is based on the absence or existence of donor imposed restrictions.

Donor-imposed restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, restricted support that is received and fulfilled within the same fiscal year is reported as unrestricted.

Income taxes

IMAN is exempt from federal taxes under Section 501(c)3 of the Internal Revenue Code. Contributions to IMAN qualify as charitable contributions under Section 170(b)(1)(A). IMAN is classified as an organization that is not a private foundation under Section 509(a)(2). IMAN's management has determined that FIN 48, which addresses accounting for uncertainty in income taxes, has no effect on its financial statements due to IMAN's tax-exempt status.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures. Actual results could differ from those estimates.

Expense allocation

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

Donated Services

During the years 2012 and 2011 IMAN benefited from many hours of donated services from several individuals that helped IMAN meet program objectives. These donated services are not reported as contributions in the financial statements because they do not meet the criteria of skilled services required to be reported under FASB ASC 958-605-25-16.

(Continued on the following page)



INNER-CITY MUSLIM ACTION NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

IMAN has evaluated subsequent events through May 10, 2013, the date financial statements were available to be issued. No material transactions occurred through this date that are required to be reported in this audit report.

NOTE 3 - PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized information presented for comparative purposes. Such comparative information is in total but not by net asset class and, therefore, 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 IMAN's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2012 are available for the following programs:

<u>Program</u>	<u>Amount</u>
United Congress of Community and Religious Organizations (UCCRO) . . . . .	\$ 353,000
Arts and Culture . . . . .	141,250
Health Clinic, Time Restricted Funding of Medical Director Position . . . . .	134,167
Total temporarily restricted net assets . . . . .	<u>\$ 628,417</u>

NOTE 5 - CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

At various times during the year, IMAN's bank balances exceeded the federally insured limit. As of December 31, 2012, IMAN's uninsured cash balance was \$214,329. IMAN has not experienced a loss, and believes it is not exposed to any significant risk of loss, on such bank balances.

NOTE 6 - PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2012 consists of pledges from foundations. These pledges are presented on the statement of net assets at face value, which equals or nearly equals net present value.

INNER-CITY MUSLIM ACTION NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012

NOTE 7 - PROPERTY AND EQUIPMENT, net of accumulated depreciation

Purchased capitalizable property and equipment is recorded at cost. Donated capitalizable property and equipment is recorded at the estimated fair market value on the date received. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful life for real property, leasehold improvements, office equipment, and vehicles is 31.5 years, 10 years, 3-5 years, and 3 years, respectively. Property and equipment and related accumulated depreciation as of December 31, 2012 and 2011 were as follows:

	12/31/11	12/31/11
Land, buildings, and building improvements . . . . .	\$ 1,471,646	\$ 1,471,646
Building renovations in-progress . . . . .	23,892	-
Leasehold improvements . . . . .	52,752	52,752
Office furniture, fixtures, and equipment . . . . .	112,947	112,947
Vehicles . . . . .	17,300	17,300
Total cost of purchased capitalizable property and equipment . . . . .	1,678,537	1,654,645
Less accumulated depreciation . . . . .	(362,820)	(280,606)
Property and equipment, net of accumulated depreciation . . . . .	\$ 1,315,717	\$ 1,374,039

NOTE 8 - NOTE PAYABLE

Note payable as of December 31, 2012 and December 31, 2011 consists entirely of a program initiation loan used for a fund raising campaign. The program initiation loan originated in May, 2007, is payable upon demand, and is non-interest bearing. At the sole discretion of the lender, repayment of all or part of the outstanding balance may be waived.

NOTE 9 - CONTINGENCY LOAN

Pursuant to a loan agreement dated April 28, 2011, IMAN received \$55,285 from a lender to finance rehabilitation costs on real property owned by IMAN, located at 6053 W. Washtenaw, Chicago, Illinois. The loan is secured by a compliance mortgage on said real property, is non-interest bearing if not in default, and has a maturity date of October 28, 2011. The loan agreement provides for an extension of the maturity date.

INNER-CITY MUSLIM ACTION NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012

NOTE 10 - LONG-TERM DEBT, net of current maturities

	12/31/2012	12/31/2011
<p>Noncancelable lease-to-own capital lease agreement for real property and office furniture and fixtures that commenced in December 2006 and was refinanced in May, 2011. Under the terms of the refinancing, IMAN is required to make 180 monthly rent payments of \$3,215 on an initial refinanced amount of \$375,000. Part of each monthly rent is applied as a credit to the initial funded amount.</p> <p>The real property and office furniture and fixtures leased under this agreement is included on the balance sheet, in the line item of property and equipment, at the original aggregate cash purchase price of \$840,803, net of \$180,480 and \$150,852 of accumulated amortization as of December 31, 2012 and 2011, respectively.</p>		
Outstanding balance .....	\$ 349,755	\$ 366,025
Less current maturities .....	17,100	16,165
Outstanding balance net of current maturities .....	\$ 332,655	\$ 349,860

Non-interest bearing installment note payable that originated on September 24, 2009, original amount of \$100,000, payable in four annual installments of \$25,000 each. The first annual installment was due on September 24, 2010, the second annual installment was due September 24, 2011, the third annual installment was due September 24, 2012, and the fourth annual installment is due September 24, 2013. The installment note payable was used to purchase, and is secured by a trust deed on, real estate known as 2745-47 W. 63rd Street, Chicago, IL.

Outstanding balance .....	\$ 25,000	\$ 50,000
Less current maturities .....	25,000	25,000
Outstanding balance net of current maturities .....	\$ -	\$ 25,000

SUMMARY OF LONG-TERM DEBT

Outstanding balance .....	\$ 374,755	\$ 416,025
Less current maturities .....	42,100	41,165
Outstanding balance, net of current maturities .....	\$ 332,655	\$ 374,860

(Continued on the following page)

INNER-CITY MUSLIM ACTION NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012

NOTE 10 - LONG-TERM DEBT, net of current maturities (Continued from the preceding page)

Future minimum obligations on long-term debt as of December 31, 2012 is as follows:

Year	Capital Lease	Installment Note	Total
2013 .....	\$ 17,100	\$ 25,000	\$ 42,100
2014 .....	19,312	-	19,312
2015 .....	18,490	-	18,490
2016 .....	20,744	-	20,744
2017 .....	22,077	-	22,077
2018 and thereafter .....	252,032	-	252,032
Totals .....	<u>\$ 349,755</u>	<u>\$ 25,000</u>	<u>\$ 374,755</u>

NOTE 11 - GRANTS AND CONTRIBUTIONS, AND CONTRACT FEES AND AWARDS

IMAN recognized grants and contributions and contract fees and awards from the following benefactors for the years ended December 31, 2012 and December 31, 2011:

<u>Grants and contributions:</u>	2012	2011
Chicago Community Trust .....	\$ 75,000	\$ 47,000
Council of Islamic Organizations of Greater Chicago .....	28,000	-
Cricket Island Foundation .....	111,000	100,000
Doris Duke Foundation for Islamic Art .....	-	25,000
Foundation to Promote Open Society .....	-	170,000
Grant Healthcare Foundation .....	10,000	15,000
Illinois Violence Prevention Authority .....	41,667	-
Libra Foundation .....	25,000	-
Marguerite Casey Foundation, UCCRO .....	300,000	-
Marguerite Casey Foundation, Network and Leadership Development .....	400,000	-
Philanthropic Collaborative .....	-	70,000
Polk Bros. Foundation .....	30,000	25,000
Public Interests Projects, Inc., Four Freedoms Fund .....	30,000	30,000
Stuart Family Foundation .....	25,000	-
Target Area Development Corporation .....	12,500	-
U.S. Department of State .....	91,990	101,994
Woods Fund of Chicago .....	60,000	40,000
Various individuals, each \$10,000 or more .....	394,924	219,307
Others under \$10,000 each, both years .....	430,808	454,522
Total grants and contributions .....	<u>\$ 2,065,889</u>	<u>\$ 1,297,823</u>

(Continued on the following page)

INNER-CITY MUSLIM ACTION NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012

NOTE 11 - GRANTS AND CONTRIBUTIONS, AND CONTRACT FEES AND AWARDS

(Continued from the previous page)

<u>Contract fees and awards:</u>	2012	2011
City of Chicago, Department of the Environment .....	\$ -	\$ 66,593
Children's' Memorial Hospital .....	58,130	23,845
Local Initiatives Support Corporation .....	-	49,114
Southwest Organizing Project .....	16,665	-
University of Chicago .....	28,988	-
Others under \$5,000 each, both years .....	200	-
Total contract fees and awards .....	\$ 103,983	\$ 139,552

NOTE 12 - OPERATING LEASE COMMITMENTS

In addition to the lease-to-own agreement for the 2744 West 63rd Street facility (see Note 10), IMAN leased auxiliary space on an as-needed basis based upon program demands. Such lease agreements were short-term and did not require a long-term obligation. During the year ended December 31, 2012 and 2011 IMAN incurred \$ZERO and \$7,500 of expense under such lease agreements, respectively.

Also, IMAN rents modular facility space located on its main facility located at 2744 West 63rd Street. The rent agreement related to the modular facility space commenced in 2009 and requires a monthly rent payment of \$800. The current rent agreement has an original term of twenty-four months, with the opportunity to continue the rent agreement on a month-to-month base upon the expiration of the original twenty-four month term. IMAN's management expects to occupy the modular facility space for five to ten years. Rent expense related to the modular facility space for the years ended December 31, 2012 and December 31, 2011 was \$6,615 and \$11,410, respectively.

IMAN incurred \$42,061 of installation and set-up costs related to the modular facility space. Such costs have been capitalized and are being amortized over a ten year period under the straight-line method. Amortization expense related to these set-up costs for the years ended December 31, 2012 and December 31, 2011 was \$4,206 and \$4,206, respectively.

NOTE 13 - FORGIVENESS OF DEBT

In connection with the refinancing of IMAN's lease-to-own agreement for real property and furniture and fixtures (see Note 10), the original lender lowered the remaining unpaid balance as of the date of the refinancing by \$63,141 so IMAN could meet the conditions of the successor lender that were necessary to secure financing with the successor lender.

NOTE 14 - PRIOR YEAR ADJUSTMENT

Net assets as of December 31, 2011 were understated by \$13,127 due to an overstatement of liabilities related to IMAN's employee retirement plan incurred prior to 2012. The statement of financial position as of December 31, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, summarized and presented for comparative purposes, have been restated to reflect this adjustment.