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Certified Public Accountants



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**DIRECT RELIEF INTERNATIONAL
(A NON-PROFIT CORPORATION)**

**Independent Auditor's Report
And
Accompanying Financial Statements**

December 31, 2002

**DIRECT RELIEF INTERNATIONAL
(A NON-PROFIT CORPORATION)**

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INDEPENDENT AUDITOR'S REPORT


Board of Directors
Direct Relief International
Santa Barbara, California

We have audited the accompanying statements of financial position of Direct Relief International, a non-profit corporation, as of December 31, 2002 and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Direct Relief International's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Direct Relief International at December 31, 2002 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

June 17, 2003
Santa Barbara, California


Larson & Ridge LLP
Certified Public Accountants

**DIRECT RELIEF INTERNATIONAL
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2002**

WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2001

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total All Funds December 31, 2002	Total All Funds December 31, 2001
Assets					
Current assets:					
Cash and cash equivalents	\$ 744,406	\$ 78,773	\$ -	\$ 823,179	\$ 1,066,223
Investments in marketable securities	2,972,894	19,054		2,991,948	1,561,069
Contributions receivable	206,116			206,116	114,794
Inventories	12,571,138			12,571,138	18,098,032
Prepaid expenses	31,043			31,043	123,694
Total Current Assets	<u>16,525,597</u>	<u>97,827</u>	<u>-</u>	<u>16,623,424</u>	<u>20,963,812</u>
Property and equipment - net of accumulated depreciation of \$497,966	3,036,541			3,036,541	3,068,063
Contributions receivable from remainder unitrusts	40,684			40,684	718,835
Investment in real estate	530,000			530,000	655,000
Other assets	20,891			20,891	23,055
Total assets	<u>\$ 20,153,713</u>	<u>\$ 97,827</u>	<u>\$ -</u>	<u>\$ 20,251,540</u>	<u>\$ 25,428,765</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 35,576	\$ -	\$ -	\$ 35,576	\$ 64,750
Current portion of long-term debt	33,711			33,711	27,133
Other current liabilities	124,738			124,738	42,100
Total current liabilities	<u>194,025</u>	<u>-</u>	<u>-</u>	<u>194,025</u>	<u>133,983</u>
Long-term debt	1,631,398			1,631,398	1,667,038
Distribution payable - split interest agreements	-	37,146		37,146	39,777
Total liabilities	<u>1,825,423</u>	<u>37,146</u>	<u>-</u>	<u>1,862,569</u>	<u>1,840,798</u>
Net assets:					
Unrestricted net assets:					
Board designated endowment fund	3,854,414			3,854,414	3,736,631
Undesignated	14,473,876			14,473,876	19,735,764
Total unrestricted net assets	<u>18,328,290</u>	<u>-</u>	<u>-</u>	<u>18,328,290</u>	<u>23,472,395</u>
Temporarily restricted net assets		60,681		60,681	115,572
Total net assets	<u>18,328,290</u>	<u>60,681</u>	<u>-</u>	<u>18,388,971</u>	<u>23,587,967</u>
Total liabilities and net assets	<u>\$ 20,153,713</u>	<u>\$ 97,827</u>	<u>\$ -</u>	<u>\$ 20,251,540</u>	<u>\$ 25,428,765</u>

See notes to financial statements.

DIRECT RELIEF INTERNATIONAL
(A NON-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds December 31, 2002	Total All Funds December 31, 2001
Public support and revenue					
Public support:					
Contributions:					
In cash and securities	\$ 1,862,094	\$ 95,492	\$ -	\$ 1,957,586	\$ 2,351,751
In-kind - pharmaceutical and medical supplies	62,246,517			62,246,517	72,413,876
In-kind - nonmedical				-	71,965
Contributed freight	355,109			355,109	283,568
Freight subsidy	106,673			106,673	72,051
Volunteer services	42,168			42,168	49,341
Combined federal campaign contributions	58,886			58,886	36,372
Grants	252,500	17,300		269,800	276,060
Fundraising events	434,868			434,868	38,525
Net assets released from restriction	166,754	(166,754)		-	-
Total public support	<u>65,525,569</u>	<u>(53,962)</u>	<u>-</u>	<u>65,471,607</u>	<u>75,593,509</u>
Revenue:					
Investment income	119,333	1,903		121,236	74,122
Gain (loss) on sale of investments	(42,146)	237		(41,909)	(62,986)
Change in value - split interest agreements	89,613	(3,872)		85,741	(45,780)
Unrealized gain (loss) on investments	(95,227)	803		(94,424)	(130,374)
Other income (loss)	64,113			64,113	81,768
Total revenue	<u>135,686</u>	<u>(929)</u>	<u>-</u>	<u>134,757</u>	<u>(83,250)</u>
Total public support and revenue	65,661,255	(54,891)	-	65,606,364	75,510,259
Expenses					
Program services:					
Medical supplies and related expenses	69,990,225			69,990,225	83,973,475
Supporting services:					
Fundraising	381,820			381,820	275,991
Administration	433,315			433,315	451,579
Total supporting services	<u>815,135</u>	<u>-</u>	<u>-</u>	<u>815,135</u>	<u>727,570</u>
Total expenses	<u>70,805,360</u>	<u>-</u>	<u>-</u>	<u>70,805,360</u>	<u>84,701,045</u>
Increase (decrease) in net assets	<u>\$ (5,144,105)</u>	<u>\$ (54,891)</u>	<u>\$ -</u>	<u>\$ (5,198,996)</u>	<u>\$ (9,190,786)</u>

See notes to financial statements.

**DIRECT RELIEF INTERNATIONAL
(A NON-PROFIT CORPORATION)
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002**

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at December 31, 2000, as originally stated	\$ 28,670,438	\$ 4,108,315	\$ -	\$ 32,778,753
Prior period adjustment:				
Reclassification of board designated endowment fund (See note 8)	3,962,284	(3,962,284)		-
Balance at December 31, 2000, as restated	<u>32,632,722</u>	<u>146,031</u>	<u>-</u>	<u>32,778,753</u>
Decrease in net assets for the year ended December 31, 2001	<u>(9,160,327)</u>	<u>(30,459)</u>		<u>(9,190,786)</u>
Balance at December 31, 2001	23,472,395	115,572	-	23,587,967
Decrease in net assets for the year ended December 31, 2002	(5,144,105)	(54,891)		(5,198,996)
Balance at December 31, 2002	<u>\$ 18,328,290</u>	<u>\$ 60,681</u>	<u>\$ -</u>	<u>\$ 18,388,971</u>

See notes to financial statements.

**DIRECT RELIEF INTERNATIONAL
(A NON-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2002**

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001

	Program Services		Supporting Services		Total Program and Supporting Services	
	Domestic	International	Administration	Fundraising	December 31, 2002	2001
Contributed services	\$ 1,706	\$ 27,938	\$ 10,669	\$ 1,855	\$ 42,168	\$ 49,341
Salaries	43,833	718,016	206,090	150,169	1,118,108	1,183,750
Payroll taxes	3,404	55,756	16,501	11,756	87,417	134,721
Employee benefits	6,797	111,336	28,206	16,589	162,928	109,901
Total Salaries and Related Expenses	55,739	913,047	261,466	180,369	1,410,620	1,477,713
Pharmaceuticals, medical equipment and supplies distributed	1,738,551	66,145,134	-	-	67,883,685	81,512,743
Accounting and legal	-	-	18,089	-	18,089	17,354
Advertising	13	206	325	5,312	5,856	4,613
Bank charges and brokerage fees	8	135	16,633	-	16,777	17,666
Building expenses	36	587	14	11	648	648
Contract services	1,358	22,240	71,218	11,477	106,293	116,579
Contributed freight expense	-	355,109	-	-	355,109	283,568
Development education	31	503	-	9,328	9,862	19,938
Dues and subscriptions	252	4,128	2,185	280	6,845	12,411
Duplicating and printing	306	5,004	2,663	76,166	84,139	79,624
Equipment parts and refurbishment	-	10,952	-	-	10,952	13,735
Freight and processing charges	1,042	232,678	16	151	233,887	219,274
Grants and stipends	12,279	45,001	-	-	57,280	357,585
In-kind contribution solicitation	371	6,079	-	-	6,450	6,102
Insurance	1,306	21,388	495	405	23,594	20,078
Interest	6,493	106,364	2,513	2,043	117,413	128,449
Miscellaneous	52	850	22	-	924	580
Office supplies	545	8,933	4,112	2,085	15,676	18,740
Packing supplies	-	3,170	-	-	3,170	3,120
Postage and mailing services	243	3,984	1,116	11,899	17,243	16,868
Procurement	20,863	138,908	-	-	159,771	183,034
Program evaluation	822	13,465	-	-	14,287	13,175
Public relations	-	-	-	7,888	7,888	6,254
Publications	40	659	553	91	1,343	644
Repairs and maintenance	446	7,304	8,417	2,503	18,669	16,285
Seminars	49	798	1,816	3,157	5,820	1,815
Special events	-	-	-	57,032	57,032	8,619
Taxes, licenses and fees	56	922	15,652	120	16,750	16,245
Travel and auto expenses	596	9,771	4,341	2,345	17,053	9,452
Utilities and telephone	1,619	26,525	5,008	813	33,965	32,185
Warehouse operations	-	3,086	-	-	3,086	4,283
Total Expenses Before Depreciation	1,843,116	68,086,929	416,654	373,475	70,720,174	84,619,379
Depreciation and amortization	1,649	58,531	16,661	8,345	85,186	81,666
Total Functional Expenses	\$ 1,844,765	\$ 68,145,460	\$ 433,315	\$ 381,820	\$ 70,805,360	\$84,701,045

See notes to financial statements.

DIRECT RELIEF INTERNATIONAL
(A NON-PROFIT CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001

	Total All Funds December 31, 2002	Total All Funds December 31, 2001
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (5,198,996)	\$ (9,190,786)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Decrease in inventory	5,526,894	9,098,867
Depreciation and amortization	85,185	81,666
(Gain) loss on sale of investments	(47,021)	62,986
Unrealized (gain) loss on investments	94,424	128,461
Change in value of estate receivable	(683)	58,540
Changes in operating assets and liabilities:		
Contributions receivable	(91,322)	55,802
Prepaid expenses	94,679	(99,901)
Other assets	-	83,505
Accounts payable	(29,174)	(4,346)
Accrued expenses	21,999	4,728
Other liabilities	62,047	(2,006)
Net cash provided by operating activities	518,032	277,516
Cash flows from investing activities:		
Purchases of property and equipment	(51,558)	(1,780)
Proceeds from sales and maturities of investments	1,729,114	486,340
Purchases of investments	(3,475,047)	(1,132,164)
Investment in split interest agreements	(2,631)	(23,890)
Contributions receivable from remainder unitrusts	767,764	403,934
Sale of real estate	301,753	-
Net cash used by investing activities	(730,605)	(267,560)
Cash flows from financing activities:		
Reduction of capital lease obligation	(1,408)	(5,296)
Increase in line-of-credit	(13)	13
Principal reduction on first trust deed	(29,050)	(25,220)
Net cash used by financing activities	(30,471)	(30,503)
Net decrease in cash and cash equivalents	(243,044)	(20,547)
Cash and cash equivalents - beginning of year	1,066,223	1,086,770
Cash and cash equivalents - end of year	\$ 823,179	\$ 1,066,223

See notes to financial statements

Note 1: Summary of Significant Accounting Policies

Organization

Direct Relief International (the Organization), a California non-profit public benefit corporation, provides pharmaceuticals, medical supplies, equipment and services to medically less developed areas around the world as well as medical assistance to victims of natural and man-made disasters.

Financial Statement Presentation

In 1995, the Organization adopted Statement of Financial Accounting Standards (SFAS) No.117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 117 requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

The Organization also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made" in 1995. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

In 2002, the Organization received \$26,330 in restricted donations for domestic and international programs which had not been spent by December 31, 2002. These amounts have been classified as temporarily restricted net assets.

Promises To Give (Pledges)

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization uses the allowance method to determine uncollectible unconditional promises receivable.

Estimates

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

Inventory and In-kind Medical Contributions Received

Contributions of pharmaceutical and medical supplies are recorded at estimated wholesale value on the date received, based on published wholesale price indexes for pharmaceuticals and medical supplies. Contributions of medical equipment are recorded at estimated wholesale value based upon wholesale price guides or, when necessary, judgmentally determined.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their useful lives of five to forty years.

Investments

In 1996, the Organization adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Valuation of Future Interests

The Organization serves as trustee of a unitrust, of which it is the charitable beneficiary. The Organization is also the beneficiary of several charitable gift annuities. The future interests in the trust and in the gift annuities are recorded as assets and valued at fair market value on the date of each gift. Investments in the trust and in the gift annuities are adjusted to market value at the end of each year. The present value of the total estimated future distributions to the donors on the date of each gift is recorded as a liability.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 2: Supplemental Cash Flow Disclosures

The Organization paid interest of \$117,413 and \$128,449 for the years ended December 31, 2002 and 2001, respectively.

Note 3: Investments

The Organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". This statement requires that nonprofit organizations record investments at fair market value in the statements of financial position. Investment holdings as of December 31, 2002 and 2001 are composed of the following:

	Cost		Market	
	2002	2001	2002	2001
Equity Securities	\$ 3,098,197	\$ 1,195,716	\$ 2,990,479	\$ 994,613
Fixed Income	1,500	560,906	1,469	566,455
Total marketable securities	<u>\$ 3,099,697</u>	<u>\$ 1,756,622</u>	<u>\$ 2,991,948</u>	<u>\$ 1,561,068</u>

Note 4: Fair Value Of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2002 and 2001 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Note 5: Property and Equipment

Property and equipment consist of the following at:

	December 31, <u>2002</u>	December 31, <u>2001</u>
Office and Warehouse	\$ 1,746,457	\$ 1,746,457
Land	1,363,950	1,363,950
Office equipment	131,123	131,123
Computer equipment	107,605	89,282
Warehouse equipment	95,688	95,688
Computer software	56,232	24,922
Other equipment	<u>33,452</u>	<u>31,256</u>
Total	3,534,507	3,482,948
Accumulated depreciation	(497,966)	(414,885)
Net Property and equipment	<u>\$ 3,036,541</u>	<u>\$ 3,068,063</u>

Note 6: Split Interest Agreements

The Organization held interests in the following agreements:

Agreement 1:

The Organization held a 56.5% remainder interest in assets bequeathed by William Zimdin, the founder of the organization. The assets consisted of a condo and certificate of deposit. As of December 31, 2001, the assets were valued at \$458,387. Mr. Zimdin's widow held a life estate in the condo as well as the earnings from the certificate. Mrs. Zimdin died in 2002. The condo was sold for \$555,000. The Organization's share of the proceeds was \$301,753, which included a gain of \$176,753. The certificate was redeemed, with the Organization receiving \$333,387.

Agreement 2:

The Organization held 10 % remainder interests in two charitable unitrusts established in 1998. The interests were initially valued at \$773,713, based on the life expectancy of the income beneficiaries and a discount rate of 8%. Distributions commenced in 2000 and were completed in 2002. In 2002, the Organization received \$434,377 in cash on assets valued at \$345,448 as of December 31, 2001.

Agreement 3:

The Organization holds a 25% interest in a charitable remainder unitrust established in 1991. The trust has a 20 year life and is composed of assets valued at \$473,379. The Organization's interest as of December 31, 2002 is valued at \$30,509, calculated by using an 8% discount rate over the remaining sixteen year term of the trust.

Agreement 4:

The Organization holds a 12.5% interest in a charitable remainder trust established in 1980. The trust terminates upon the death of the income beneficiary. The Organization's interest as of December 31, 2002 is valued at \$14,008, calculated by using an 8% discount rate over the estimated life expectancy (eighteen years) of the income beneficiary.

Agreement 5:

The Organization is the sole beneficiary of several gift annuities established in 1993 and 1994. The annuities are held in trust. The assets of the trust are valued at \$27,671 (fair market value) as of December 31, 2002. A corresponding liability of \$16,300 is calculated by discounting at 6% the present value of estimated future distributions to the annuitants.

Agreement 6:

The Organization is the sole beneficiary of a charitable remainder unitrust created in 1980. The terms of the trust require annual distributions of 5% of the corpus of the trust for the lifetime of the grantor and a successor beneficiary. As of December 31, 2002, the trust had assets valued at \$43,826 with a corresponding liability of \$20,845.

The Organization is trustee for Agreements 5 and 6; the assets are held in separate accounts and are not commingled with other Organization assets. The remaining Agreements are held in trust by third parties.

Note 7: Debt

The Organization's long-term debt consists of the following at:

	December 31, <u>2002</u>	December 31, <u>2001</u>
Mortgage note payable, requiring monthly payments of \$ 7,604 including interest at 5.50%, maturing on October 1, 2007	\$ 1,185,090	\$ 1,204,595
Mortgage note payable, requiring monthly payments of \$ 3,222 including interest at 6.00%, maturing on November 1, 2007	\$ 480,019	\$ 489,563
Line-of-credit dated March 28, 2000, maximum available borrowing of \$500,000, interest payable monthly at 4.75% annual interest rate, due May 1, 2003	<u>-</u>	<u>13</u>
Total long-term debt	1,665,109	1,694,171
Less: current portion	<u>33,711</u>	<u>27,133</u>
Long-term portion	<u>\$ 1,631,398</u>	<u>\$ 1,667,038</u>

The mortgage notes are secured by the Organizations's warehouse facility. The following is a summary of principal maturities of long-term debt during the next five years:

2003	\$ 33,711
2004	38,815
2005	41,061
2006	43,437
2007	<u>1,508,085</u>
Total	<u>\$1,665,109</u>

Note 8: Prior Period Adjustment

In 1998, the Organization established a board designated endowment fund. The purpose of the fund was to provide a reserve for future operations. The endowment's resources came from board designated unrestricted gifts and donations in excess of operational needs.

All donations to the endowment fund, related assets and the earnings thereon were classified as temporarily restricted assets. Generally accepted accounting principles require that only those donations having a donor-imposed time or purpose restriction be classified as temporarily restricted net assets. No such assets currently exist in the board designated endowment fund.

The adjustment reclassifies net assets of \$3,962,284 from temporarily restricted to unrestricted, effective January 1, 2001. The amount represents cumulative additions to the fund from inception plus earnings thereon, less losses and distributions in support of operations. The adjustment has no impact on the overall assets, net assets or total public support and revenues of the Organization in 2002 or 2001.

During the year ended December 31, 2002, the Organization directed contributions in the amount of \$67,110 to the Endowment Fund while investment and other income for the Endowment Fund was \$72,213. Total net assets of the Endowment are \$3,854,414 as of December 31, 2002.

Note 9: Contributed Freight

Contributed freight of \$355,109 and \$283,568 for the years ended December 31, 2002 and 2001, respectively, represents estimated shipping expenses incurred by other organizations on behalf of Direct Relief International in the shipment of medical supplies to foreign countries.

Note 10: Contributed Services

The Organization records the estimated value of volunteer services that are an integral part of its operations. The estimated value of volunteer services is as follows:

	December 31, <u>2002</u>	December 31, <u>2001</u>
Warehouse operations	\$ 2,480	\$ 3,840
Medical volunteers	27,164	43,955
Other professional	<u>12,524</u>	<u>1,546</u>
	<u>\$ 42,168</u>	<u>\$ 49,341</u>

In addition to the above, the Organization received 7,339 hours of volunteer services of a non-professional, non-technical nature.

Note 11: Pension Plan

The Organization has an employee participation pension plan. Employee contributions to the plan are matched by the Organization, up to a maximum of 5% of the employee's annual gross salary. The annuity costs associated with the plan for the years 2002 and 2001 were \$36,968 and \$37,442, respectively. All employees working at least 1,000 hours per year with one year of service or more are eligible for matching contributions.

Note 12: Non-Qualified Deferred Compensation Agreement

The Organization is party to a non-qualified deferred compensation agreement with the surviving spouse of a co-founder of the Organization. Under the terms of the agreement, beginning January 1, 1971, the Organization is obligated to make monthly payments in acknowledgement of his 23 years of service. The retirement agreement expense for both 2002 and 2001 is \$ 9,920.

Note 13: Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of bank and brokerage deposits. The Organization places its temporary cash investments with financial institutions and securities brokers. At December 31, 2002, the Organization was at risk for \$723,179 in cash deposited at individual financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures individual deposits up to \$ 100,000. The credit risk associated with accounts receivable has been recognized through the allowance for uncollectible accounts. In addition, the Organization's investments are exposed to various risks, such as interest rate fluctuations and market valuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially effect the Organization's statement of financial position and the statement of activities.