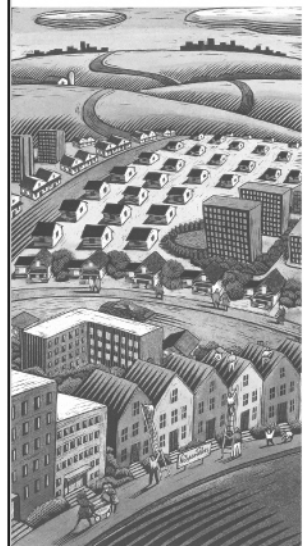


Ingenious Management Solutions, Inc. Financial Analysis

***Note: This report is based on an assessment of a real nonprofit organization, but all names and recognizable details have been removed to preserve confidentiality**



Ingenious Management Solutions, Inc.

Financial Analysis

INTRODUCTION

The following is a financial analysis of Ingenious Management Solutions, Inc. (IMS) for the five year period 2000 through 2004. IMS has a December 31st year end. The financial analysis is based on information derived from the organization's audited financial statements. IMS was incorporated in May 1984 as a not for profit corporation under Internal Revenue Code Section 501(c) (3). The stated purpose of IMS is the promotion of home ownership in Central City, USA. The organization is governed by a Board of Directors that represents diverse community interests. Its activities are supported by program revenue and federal, state and private grants.

AUDIT INFORMATION



The financial statements of IMS were audited by Debit and Credit, CPA's, LLC. IMS received an unqualified opinion on its financial statements for all periods covered by this analysis. The unqualified opinion indicates that the auditor believes the financial statements are presented fairly, in all material respects, and are free of any material misstatements, and are in conformity with generally accepted accounting principles as accepted in the United States of America.

The auditors also performed additional testing on the compliance and internal control over financial reporting. No matters involving the compliance and internal control that would be considered a material weakness were reported for the periods contained in this analysis. IMS reported federal expenditures in excess of \$ 300,000 for the year ended December 31, 2002 and was required to submit an OMB Circular A-133 report. There were no findings or reportable conditions included in the report.

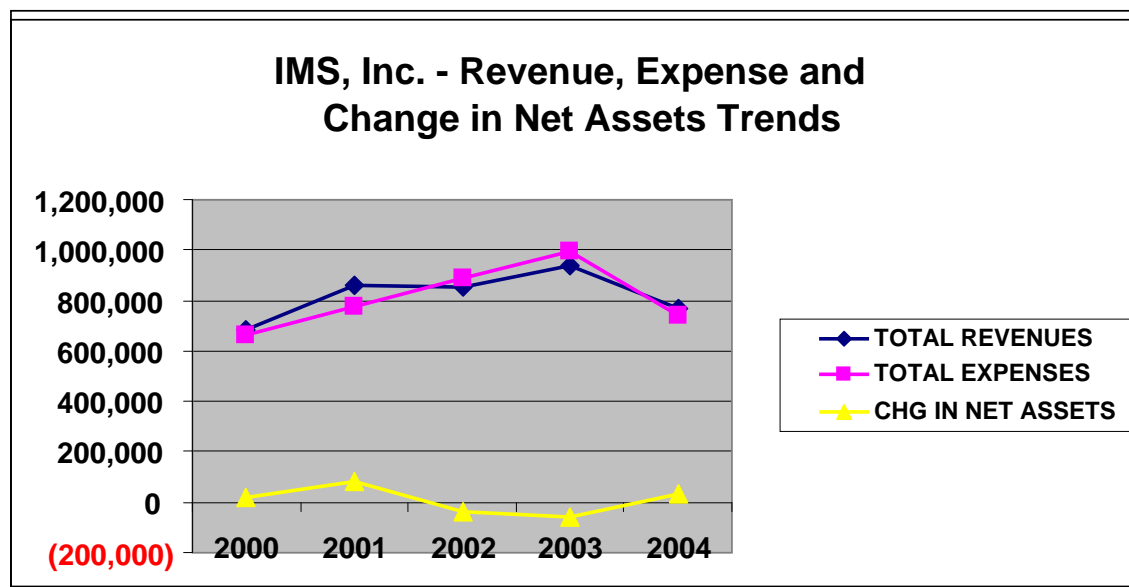
REVENUE AND EXPENSE TRENDS



The Revenues, Expenses and Change in Net Assets and the five year trends are presented in the table and chart shown below.

TABLE 1

	2000	2001	2002	2003	2004
Revenues	686,283	859,973	851,360	939,751	768,918
Expenses	664,323	776,638	889,134	997,077	738,010
Chg in NA	21,960	83,335	(37,774)	(57,326)	30,908
Margin	3.2%	9.7%	(4.4%)	(6.1%)	4.0%



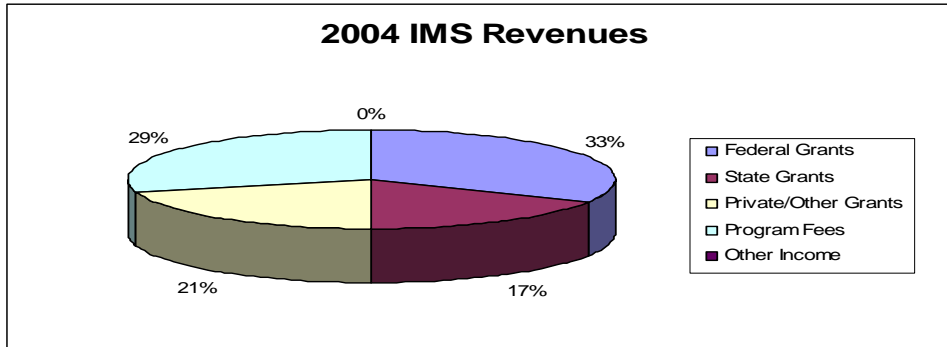
IMS derives the majority of its revenues from federal grants, state grants, private grants, and program fees. IMS program fees are mostly derived from home buyer education and counseling services, homeownership seminars, and buyer advocacy services. The revenues for the periods included in this analysis are shown in the table below.

TABLE 2

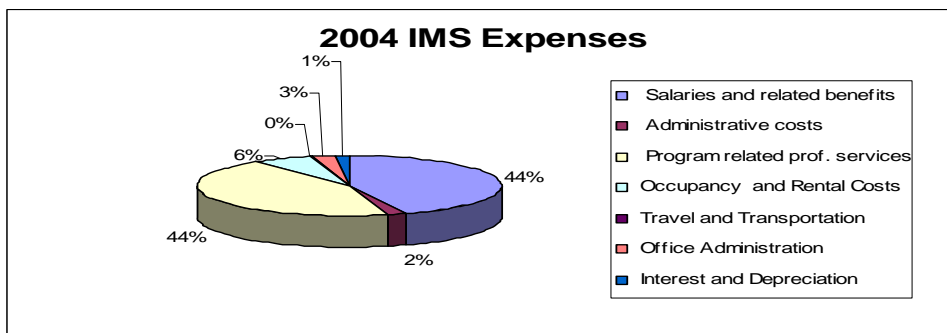
REVENUES	2000	2001	2002	2003	2004
Federal Grants	88,000	88,000	88,000	450,254	249,401
State Grants	286,561	434,377	445,956	160,596	134,027
Private/Other Grants	183,240	185,500	84,500	39,485	161,448
Program Fees	126,289	149,712	231,034	289,025	223,942
Other Income	2,193	2,384	1,870	391	100
TOTAL	686,283	859,973	851,360	939,751	768,918

Revenues showed an increase from the year 2000 through 2003 before revenues declined sharply in 2004 (18%). From 2000 to 2001 revenues increased \$173,690 (25%). The majority of this is due to a substantial increase in its state housing grants. These grants increased \$147,816 (52%)

from 2000 to 2001. Program fees also increased \$23,423 (19%). Revenues from 2001 to 2002 show a slight decrease of \$8,613 (1%). Housing grants increased \$11,579 (27%) and Program fees increased \$81,322 (54%). These increases were offset by a \$101,000 (54%) decrease in private/other grants. Revenues from 2002 to 2003 increased \$88,391 (10%). The sharp increase in overall revenues can be attributed to IMS receiving a \$450,254 HUD Grant from the HOME Program. Program Fees increased \$57,991 (25%). These increases help offset a \$285,360 (85%) reduction in the housing grants from the State. Revenues from 2003 to 2004 decreased by \$170,833 (18%). All revenues showed a decline in 2004 with the exception of the Private/Other Grants which increased \$121,963 (308%).



From 2000 to 2003, total expenditures increased by \$332,754 (50%). This steady increase of expenditures followed the upward trend in revenues during this period. Total expenditures exceeded revenues for 2002 and 2003. Expenditures decreased sharply in 2004. Program expenses and Salaries/Wages were the two largest expenses. Program expenses were 60% of total expenses in 2000, 57% in 2001, 51% in 2002, 57% in 2003, and 43% in 2004. Salaries/Wages were 24% of total expenses in 2000, 28% in 2001, 31% in 2002, 28% in 2003, and 35% in 2004.



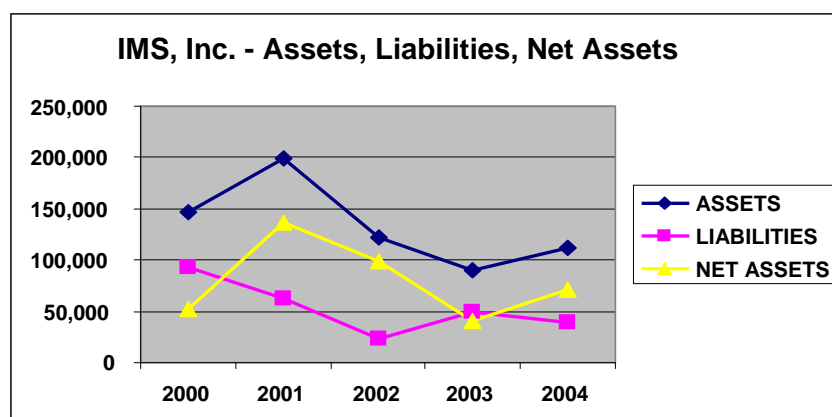
Net Assets increased by \$83,335 (158%) from 2000 to 2001 but decreased in 2002 and 2003 by \$37,774 (28%) and \$57,326 (58%). The decline in net assets for 2002 and 2003 can be attributed to sharp increases in total expenditures. Net assets increased by \$30,908 (75%) in 2003. While revenues in 2004 decreased, the total expenditures were reduced by \$259,067 (26%), thus creating the increase in net assets for the year.

BALANCE SHEET TRENDS

The following Table and Graph represents the Assets, Liabilities, and Net Assets balances and trends for the period 2000 through 2004.

TABLE 3

	2000	2001	2002	2003	2004
ASSETS	146,193	199,086	121,832	90,207	111,302
LIABILITIES	93,444	63,002	23,522	49,223	39,410
NET ASSETS	52,749	136,084	98,310	40,984	71,892



From the year 2000 to 2001 there was a significant increase in cash, which is attributed to the \$83,335 increase in net assets from operations and the sale of investment real estate. The \$54,214 note payable was paid off from the investment real estate sale proceeds as well. For 2002 and 2003, Unrestricted Net Assets and cash decreased as total expenditures exceeded revenues. Additional cash was provided through the use of two lines of credit. The outstanding line of credit balances as of December 31, 2003 was \$42,356. The 2004 year appears to have stabilized the organization a bit. Unrestricted Net Assets increased by a modest \$30,908 and Cash increased by \$16,703. The line of credit balances were reduced by \$7,678.

The following Table presents key Liquidity and Leverage ratios for the period 2000 through 2004.

TABLE 4

RATIO	2000	2001	2002	2003	2004
Current Ratio	1.4	2.9	3.6	1.2	2.3
Days of Cash	28	78	18	3	13
Debt to Net Assets	177%	46%	24%	120%	55%



Liquidity ratios help the assessment of an organization's ability to meet its short term financial obligations with cash or assets that can be quickly converted to cash. The current ratio for IMS failed to reach the recommended benchmark of 1.5 to 1 in the years 2000 and 2003 by very narrow margins. The Days of Cash measurement provides an estimated number of days expenditures which could be paid based on the amount of cash currently on hand. IMS failed to reach the benchmark of 90 days for any of the periods covered in this analysis. The debt to net assets measurement indicates that the organization is in a strong position concerning debt. It is well under the recommended benchmark of 300% for all years.

2005 INTERIM FINANCIAL DATA

On December 12, 2005 interim financial information was received for the eleven months ended November 30, 2005. IMS is reporting revenue of \$529,160 and expenditures of \$487,686 resulting in a \$41,474 operating profit through November 2005. The budgeted operating profit for the same period was \$50,979 resulting in a budget deficit of \$9,505. It should be noted that based on previous periods the expenses reported through November 2005 appear to be incomplete. No depreciation expense has been recorded and several other expense areas appear to be lagging when compared to previous audit periods. The current ratio is 3.2 to 1 and the debt to net assets of 36% continues to be a strong point for IMS. However, days of cash continue to lag way behind the current benchmark of 90 days. IMS is showing 15 days of cash for the eleven months ended November 30, 2005.

CONCLUSION



IMS has had some difficulty in maintaining adequate revenues in excess of expenditures. The years 2002 and 2003 showed operating losses due to large increases in total expenditures. However, IMS showed improvement in 2004 in this area as the organization reported substantial reduction of expenditures. Total expenditures were 96 per cent of total revenues in 2004 and routinely averaged more than 90 per cent for all periods. This would indicate that IMS is operating on very thin cash balances and must rely on its various lines of credit to support its activities. IMS also is highly dependent on federal and state grants for the bulk of its operating revenues. Any changes in this funding would have a significant impact on its operating results. It would serve IMS well to continue developing alternate sources of revenues to help sustain its operating and program activities.

**IMS, INC. – FINANCIAL ANALYSIS
SUPPLEMENTAL INFORMATION**

KEY DEMOGRAPHIC INFORMATION

	MEDIAN HOME VALUE	MEDIAN HOUSEHOLD INCOME	MEDIAN RENT	RENTAL VACANCY RATE	HOMEOWNER VACANCY RATE
CITY	95,674	32,291	592	6.6	2.1
COUNTY	123,599	39,067	621	5.8	1.4
USA	147,275	43,336	679	8.0	1.7

SCHEDULE OF GRANT REVENUE

	2000	2001	2002	2003	2004
FEDERAL					
CDBG Block Grant	88,000	88,000	88,000		50,461
HOME Grant				450,254	198,940
STATE					
State – Points Place	46,542	11,000			
State – All Points	240,019	423,377	468,735	160,596	121,171
State – Lighthouse Point					12,856
OTHER					
Contract Revenues	18,240	42,000			
Special Revenues	76,000	42,500			
Founder’s Grant	89,000	101,000	84,500	39,485	122,450
Fannie Mae Foundation					9,000
Mortgage Insurance Fees					5,000
Counseling Fees					24,998
	557,801	707,877	641,235	650,335	544,876

SCHEDULE OF EXPENDITURES

	2000	2001	2002	2003	2004
Salaries and Wages	158,306	218,637	276,662	281,220	256,048
Fringe Benefits	39,373	57,049	68,927	70,180	59,794
Temp Services	4,176		3,506		
Program Expenses	399,024	438,968	457,681	572,461	314,319
Professional Fees	26,654	13,139	6,283	5,150	15,488
Occupancy	7,973	11,723	29,408	32,950	31,364
Equip. Rent & Rep.	4,119	13,917	18,016	9,172	14,611
Travel & Trans.	1,864	1,666	2,524	2,020	1,642
Office Admin.	17,753	16,205	19,359	14,772	19,179
Interest	1,531	534		663	982
Depreciation	3,550	4,800	6,768	8,489	8,288
	664,323	776,638	889,134	997,077	721,715

BALANCE SHEET SCHEDULE

	2000	2001	2002	2003	2004
CURRENT ASSETS					
Cash & Cash Equivalents	54,653	164,555	43,857	9,490	26,193
Deposits and Advances	0	0	1,825	1,825	1,825
Investments in Real Estate	50,000	0	0	0	0
Grants Receivables	26,588	16,716	38,183	49,414	62,094
TOTAL	131,241	181,271	83,865	60,729	90,112
FIXED ASSETS					
Furniture and Equipment	29,710	37,373	64,293	64,293	64,293
Less: Accum. Depreciation	(14,758)	(19,558)	(26,326)	(34,815)	(43,103)
TOTAL	14,952	17,815	37,967	29,478	21,190
TOTAL ASSETS	146,193	199,086	121,832	90,207	111,302

CURR. LIABILITIES					
Accounts Payable	813	1,480	600	0	670
Advances & Deposits	33,728	52,519	15,128	2,000	3,000
Notes Payable – Current	54,213	0	0	42,356	34,678
Accrued Expenses	4,690	9,003	7,794	4,867	1,062
TOTAL	93,444	63,002	23,522	49,223	39,410
NET ASSETS					
Unrestricted	52,749	136,084	98,310	40,984	71,892
TOTAL LIAB & NA	146,193	199,086	121,832	90,207	111,302

GLOSSARY OF RATIO CALCULATIONS

CURRENT RATIO - current assets divided by current liabilities.

DAYS OF CASH – cash & equivalents divided by total expenses less depreciation plus current portion of long term debt divided by 365 days.

DEBT TO NET ASSETS – total liabilities divided by net assets.