

OKC PC USER'S GROUP, INC.
OKLAHOMA CITY, OKLAHOMA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

DECEMBER 31, 2002

OKC PC USER'S GROUP, INC.

DECEMBER 31, 2002

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HAMILTON & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Members of the
Oklahoma Society of CPAs and the American Institute of CPAs

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
OKC PC User's Group, Inc.
Center 3000 Building, Suite 201
Oklahoma City, Oklahoma 73112

We have audited the accompanying statement of assets, liabilities and net assets arising from cash transactions of OKC PC User's Group, Inc. as of December 31, 2002, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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.

As described in Note A, these financial statements were prepared on the basis of cash receipts and disbursements, except that the statements include a provision for depreciation of equipment. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets arising from cash transactions of OKC PC User's Group, Inc. as of December 31, 2002, and its revenue, expenses, and changes in net assets and cash flows for the year then ended, on the basis of accounting described in Note A.

Hamilton & Associates, Inc.

Hamilton & Associates, Inc.
Oklahoma City, Oklahoma
June 5, 2003

OKC PC USER'S GROUP, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
(ARISING FROM CASH TRANSACTIONS)

As of December 31, 2002

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 54,720
INVESTMENTS	
Certificate of deposit	11,830
PROPERTY AND EQUIPMENT	
Furniture, computer equipment and improvements	100,521
Less Accumulated Depreciation	<u>(94,496)</u>
	6,025
OTHER ASSETS	
Lease Deposit	2,773
 TOTAL ASSETS	 <u><u>\$ 75,348</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	\$ -
NET ASSETS	
Unrestricted	75,348
Temporarily Restricted	<u>\$ -</u>
TOTAL NET ASSETS	75,348
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 75,348</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

OKC PC USER'S GROUP, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
(ARISING FROM CASH TRANSACTIONS)
FOR THE YEAR ENDED DECEMBER 31, 2002

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Member dues	\$ 66,341	\$ -	\$ 66,341
Member sales & services	7,970		7,970
Senior Net	5,703		5,703
Concession sales	425		425
Donations	49		49
Interest income	747		747
Total revenues	81,235	-	81,235
PROGRAM EXPENSES AND ADMINISTRATION OVERHEAD:			
Concessions expense	556		556
Insurance	649		649
Lease - office space	35,007		35,007
Telephone	1,309		1,309
Office expense/supplies	779		779
Postage	1,499		1,499
General meeting/promotions	2,998		2,998
Resource center/library	5,418		5,418
Senior net	599		599
Monitor	4,857		4,857
Legal & accounting	2,720		2,720
Other overhead	2,437		2,437
Depreciation	9,606		9,606
Total expenses	68,434	-	68,434
Change in net assets	12,801	-	12,801
Net assets, beginning of year	62,547		62,547
Net assets, end of year	\$ 75,348	\$ -	\$ 75,348

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

OKC PC USER'S GROUP, INC.
STATEMENT OF CASH FLOWS
(ARISING FROM CASH TRANSACTIONS)
FOR THE YEAR ENDED DECEMBER 31, 2002

Cash flows from program activities:	
Increase in net assets	\$ 12,801
Adjustments to reconcile increase in net assets to net cash used by program activities	
Depreciation	<u>9,606</u>
Net cash provided by program activities	<u>22,407</u>
Cash flows from investing activities:	
Equipment purchases	(7,864)
Interest earnings on certificate of deposit	<u>(157)</u>
Net cash used by investing activities	(8,021)
Increase in Cash and Cash Equivalents	14,386
Cash and Cash Equivalents, beginning of period	<u>40,334</u>
Cash and Cash Equivalents, end of period	<u><u>\$ 54,720</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

OKC PC USER'S GROUP, INC.
Notes to Financial Statements
December 31, 2002

Note A – Significant Accounting Policies

Nature of Operations

The mission of the OKC PC User's Group, Inc. ("OKCPCUG") is to foster the enjoyment and use of personal computer products by the general public. It was incorporated on July 25, 1988 and filed for exemption from Federal Income Tax under IRC Sec. 501 (c)(3) effective January 3, 1991. Its main area of program activity is in Oklahoma City, Oklahoma.

The motto of the organization "Computer Users Helping Computer Users" is reflected in the wide spectrum of computer subjects, presentations by vendors, and Special Interest Groups ("SIG's") maintained by the group. The group conducts a general meeting of its membership and the public on a monthly basis. It maintains a Resource Center in a large commercial office complex for use by the membership and the public. Daytime classes for senior citizens are one focus of the group.

Basis of Accounting

The OKC PC User's Group, Inc. prepares its financial statements using the cash basis of accounting. The cash basis of accounting is a basis of accounting other than the standard of generally accepted accounting principles ("GAAP") established by the accounting profession. Under the cash basis, revenues are generally recognized when collected and expenses when paid. These financial statements are not intended to present the financial position of the OKC PC User's Group, Inc. in conformity with GAAP. Financial statements prepared using the accrual method of accounting would recognize revenues when earned and expenses when incurred.

Income Taxes

The OKC PC User's Group, Inc. is exempt from income taxes under the provisions of Sec. 501 (c)(3) of the Internal Revenue Code of 1986 (the "Code"). Under those provisions, the group will not pay federal or state income taxes except on its unrelated business taxable income as defined by the Code, if any. Annual returns required by tax exempt entities are filed with the Internal Revenue Service and state tax authorities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows arising from cash transactions, the OKC PC User's Group, Inc. considers all highly liquid assets (demand deposits, cash, savings, and short term investments with original maturities of (3) months or less) as a cash equivalent with the exception of restricted funds. See Note D.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting includes the uses of estimates that affect the financial statements. Actual results could differ from those estimates.

OKC PC USER'S GROUP, INC.
Notes to Financial Statements
December 31, 2002

Note A – Significant Accounting Policies (continued)

Related Party Transactions

There were no material related party transactions during the period covered by the financial statements. Office supplies *deminimus* were purchased from time to time from a party related to a board member.

Note B – Property and Equipment

Property and equipment (furniture, computer equipment, and leasehold improvements) are recorded at cost or fair market value as of the date purchased or donated to the group. Maintenance and repairs which do not improve or extend the useful lives of the assets are expensed as incurred. Additions and improvements are capitalized. Upon retirement the cost or donated value and associated accumulated depreciation are removed from the respective accounts and the difference is included in revenue or expense.

Depreciation is computed over the estimated lives of assets on the method(s) used for income tax purposes, which are reasonable for a computer related organization. Estimated useful lives vary from 5- 10 years.

Note C – Donations to 501 (c)(3) Organizations

Under the Articles of Organization governing the OKC PC User's Group, Inc. and the Internal Revenue Code of 1986, the group is permitted to make charitable contributions to other organization's similarly classified under Sec. 501 (c)(3). During the year ending December 31, 2002 the group did not make any in-kind contributions.

Note D – Restricted Cash – CD

The Certificate of Deposit principle, \$10,000, reflected in the financial statements is required security under a lease agreement for office space with the present landlord of the group. Compounded interest of \$1,830 is available to the corporation on demand.

Note E – Obligations Under Leases

The Corporation leases office space under an operating lease with a five-year term expiring September 30, 2003. Minimum lease payments are as follows:

2003	\$26,457
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Rent expense for the year ended December 31, 2002 was \$35,007.