

PARADOX, INC.
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2006

REGAN, GRACE & KERLEY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial statements:	
Statement of financial position	2
Statement of activities	3
Statement of functional expenses	4
Statement of cash flows	5
Notes to financial statements	6-7

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Paradox, Inc.
Crofton, Maryland 21114

We have audited the accompanying statements of financial position of Paradox, Inc. as of December 31, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paradox Inc., as of December 31, 2006, and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Regan Shore & Galley, PA CPAs

January 10, 2007

PARADOX, INC.
STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2006

ASSETS

CURRENT ASSETS:	
Cash	\$ 5,092
Accounts receivable	<u>3,320</u>
TOTAL CURRENT ASSETS	<u>8,412</u>
PROPERTY & EQUIPMENT:	
Furniture and equipment	6,422
Less accumulated depreciation	<u>4,755</u>
NET PROPERTY AND EQUIPMENT	<u>1,667</u>
TOTAL ASSETS	<u>\$ 10,079</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	<u>\$ 3,154</u>
TOTAL CURRENT LIABILITIES	<u>3,154</u>
NET ASSETS	
Unrestricted	<u>6,925</u>
TOTAL NET ASSETS	<u>6,925</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,079</u>

See accompanying notes and independent auditors' report.

PARADOX, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>
REVENUE AND SUPPORT:	
Contributions	\$ 7,012
Program service revenue	39,378
Miscellaneous income	<u>79</u>
Total Revenue and Support	<u>46,469</u>
EXPENSES:	
Program services	53,430
Supporting services	
Management and general	1,416
Fundraising	<u>479</u>
Total Expenses	<u>55,325</u>
CHANGES IN NET ASSETS	(8,856)
NET ASSETS, BEGINNING OF YEAR	<u>15,781</u>
NET ASSETS, END OF YEAR	<u><u>\$ 6,925</u></u>

See accompanying notes and independent auditors' report.

PARADOX, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services	Management and General	Fundraising	Total
Accounting	\$ -	\$ 842	\$ -	\$ 842
Concert expenses	832	-	-	832
Contractual services	6,485	-	145	6,630
Depreciation expense	1,129	-	-	1,129
Design fees	250	-	-	250
Entry fees	50	-	-	50
Food & snacks	372	-	10	382
Insurance - general	614	-	-	614
Miscellaneous	100	57	80	237
Office supplies	452	40	-	492
Postage	166	208	-	374
Printing and copying	1,761	-	-	1,761
Salaries	39,767	201	201	40,169
Staff travel	334	18	-	352
Tax on personal property	-	50	-	50
Training and staff development	308	-	-	308
Website	810	-	43	853
	<u>\$ 53,430</u>	<u>\$ 1,416</u>	<u>\$ 479</u>	<u>\$ 55,325</u>

See accompanying notes and independent auditors' report.

PARADOX, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (8,856)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	1,129
Changes in:	
Accounts receivable	430
Accounts payable	<u>3,154</u>
Net cash provided (used) by operating activities	<u>(4,143)</u>
CASH FLOWS USED BY INVESTING ACTIVITIES:	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:	-
NET INCREASE (DECREASE) IN CASH	(4,143)
CASH, BEGINNING OF YEAR	<u>9,235</u>
CASH, END OF YEAR	<u><u>\$ 5,092</u></u>

See accompanying notes and independent auditors' report.

PARADOX, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE A: Summary of Significant Accounting Policies

Nature of Business

Paradox, Inc. (The "program") is a tax exempt 501 (c)(3) organization incorporated January 2, 2003. The objectives of the Program are to provide video graphic services to religious organizations and provide devotional and worship opportunities, spiritual counseling, and vocational training to artist. The Program is supported mainly by fees for services and donations.

The Program's headquarters is located in Crofton, Maryland.

Cash Equivalents

For purposes of the statement of cash flows, the Program considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost and is being depreciated using the straight line and declining balance methods over estimated useful lives of five to ten years. There are no limitations on the Paradox's use of the property and equipment.

Financial Statement Presentation

The presentation of the Programs' financial statements have been prepared to comply with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Program is required 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.

Income Taxes

The Program is a not-for-profit organization exempt from taxes under Section 501 (c)(3) of the Internal Revenue Code. The Program is subject to income taxes on non-related business income.

Functional Allocation of Expenses

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

PARADOX, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

NOTE A: Summary of Significant Accounting Policies (continued)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the revenues and expenses.

NOTE B: Concentration of Credit Risk

Concentration of Credit Risk for Cash Held in Bank

The Program maintains cash balances in banks, which are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006 the Program has no uninsured balances.

NOTE C: Accounts Receivable

Accounts are charged to bad debt expense, as they are deemed uncollectible based upon a periodic review of the accounts. For the year ended December 31, 2006, no allowance for uncollectible accounts was considered necessary.

NOTE D: Contributed Services and Materials

The Organization's programs are furthered through the contribution of time by a number of unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements as the value of such services is not objectively determinable.