THE HOPE PROGRAM
(A Non-Profit Corporation)

Financial Statements

June 30, 2002
(With Comparative Totals for June 30, 2001)
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
The HOPE Program
Brooklyn, New York

We have audited the accompanying statement of financial position of The HOPE Program (A Non-Profit Corporation) as of June 30, 2002, and the related Statements of Activities, Functional Expenses by Natural Classification and Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation’s June 30, 2001 financial statements and in our report dated October 15, 2001, we expressed an unqualified opinion on those financial statements.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The HOPE Program as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

November 14, 2002

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THE HOPE PROGRAM  
(A Non-Profit Corporation)  

Statements of Financial Position  

June 30, 2002  
(With Comparative Totals for June 30, 2001)  

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents – Note 1</td>
<td>$461,261</td>
<td>$622,118</td>
</tr>
<tr>
<td>General operating cash</td>
<td>500,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Designated reserve fund – Note 8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash and Cash Equivalents</strong></td>
<td>$961,261</td>
<td>$922,118</td>
</tr>
<tr>
<td>Investments and restricted cash – Note 1 and 4</td>
<td>249,187</td>
<td>232,318</td>
</tr>
<tr>
<td>Contributions receivable – Note 7</td>
<td>275,307</td>
<td>57,300</td>
</tr>
<tr>
<td>Property, equipment and leasehold improvements, net – Notes 1, 2 and 10</td>
<td>478,184</td>
<td>51,571</td>
</tr>
<tr>
<td>Prepaid expenses and other assets – Note 11</td>
<td>69,164</td>
<td>5,149</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$2,033,103</td>
<td>$1,268,456</td>
</tr>
</tbody>
</table>

| **LIABILITIES** |         |         |
| Accounts and accrued expense payable | $45,003  | $4,960  |
| Accrued rent – Note 1                | 51,338   | -       |
| Advance payable – Note 12             | 45,122   | -       |
| **Total Liabilities**                | $141,553 | 4,960   |

| **NET ASSETS** |         |         |
| Unrestricted:  |         |         |
| General operating | 1,039,729 | 557,733 |
| Designated Reserve Fund – Note 8     | 500,000  | 300,000  |
| **Total Unrestricted**               | 1,539,729 | 857,733 |
| Restricted:                             |         |         |
| Temporarily restricted – Note 5       | 140,971  | 194,913  |
| Permanently restricted – Note 6        | 210,850  | 210,850  |
| **Total Restricted**                  | 351,821  | 405,763  |
| **Total Net Assets**                  | 1,891,550 | 1,263,496 |
| **Total Liabilities and Net Assets**  | $2,033,103 | $1,268,456 |

See accompanying notes to the financial statements.
THE HOPE PROGRAM  
(A Non-Profit Corporation)  

Statements of Activities  

Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)  

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th></th>
<th>2001</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Permanently Restricted</td>
<td>Total</td>
</tr>
<tr>
<td>REVENUES, INVESTMENT INCOME AND OTHER SUPPORT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundation &amp; corporate contributions – Notes 5, 7 and 10</td>
<td>$305,800</td>
<td>$797,680</td>
<td>$ -</td>
<td>$1,103,480</td>
</tr>
<tr>
<td>Individual contributions</td>
<td>159,541</td>
<td>-</td>
<td>-</td>
<td>159,541</td>
</tr>
<tr>
<td>Government grants – Note 7 and 10</td>
<td>82,416</td>
<td>240,142</td>
<td>-</td>
<td>322,558</td>
</tr>
<tr>
<td>Other not-for-profit organizations</td>
<td>-</td>
<td>7,500</td>
<td>-</td>
<td>7,500</td>
</tr>
<tr>
<td>Investment income</td>
<td>14,450</td>
<td>-</td>
<td>-</td>
<td>14,450</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restrictions</td>
<td>1,099,264</td>
<td>(1,099,264)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenues, Investment Income and Other Support</td>
<td>1,661,471</td>
<td>(53,942)</td>
<td>-</td>
<td>1,607,529</td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>828,189</td>
<td>-</td>
<td>-</td>
<td>828,189</td>
</tr>
<tr>
<td>Management and general</td>
<td>77,031</td>
<td>-</td>
<td>-</td>
<td>77,031</td>
</tr>
<tr>
<td>Fund raising</td>
<td>74,255</td>
<td>-</td>
<td>-</td>
<td>74,255</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>979,475</td>
<td>-</td>
<td>-</td>
<td>979,475</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>681,996</td>
<td>(53,942)</td>
<td>-</td>
<td>628,054</td>
</tr>
<tr>
<td>Net Assets at Beginning of Year</td>
<td>857,733</td>
<td>194,913</td>
<td>210,850</td>
<td>1,263,496</td>
</tr>
<tr>
<td>Net Assets at End of Year - Notes 5 and 6</td>
<td>$1,539,729</td>
<td>$140,971</td>
<td>$210,850</td>
<td>$1,691,550</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
THE HOPE PROGRAM
(A Non-Profit Corporation)

Schedule of Functional Expenses by Natural Classification
Year Ended June 30, 2002
(With Comparative Totals for June 30, 2001)

<table>
<thead>
<tr>
<th>Supporting Services</th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fund Raising</th>
<th>June 30, 2002 Total</th>
<th>June 30, 2001 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$416,197</td>
<td>$50,755</td>
<td>$40,605</td>
<td>$507,557</td>
<td>$415,626</td>
</tr>
<tr>
<td>Payroll taxes and related benefits</td>
<td>81,037</td>
<td>8,066</td>
<td>6,992</td>
<td>96,095</td>
<td>75,918</td>
</tr>
<tr>
<td>Professional fees</td>
<td>12,274</td>
<td>2,111</td>
<td>10,765</td>
<td>25,150</td>
<td>11,976</td>
</tr>
<tr>
<td>Psychological services</td>
<td>30,741</td>
<td>-</td>
<td>-</td>
<td>30,741</td>
<td>34,657</td>
</tr>
<tr>
<td>Rent – Notes 1 and 3</td>
<td>119,603</td>
<td>6,645</td>
<td>6,645</td>
<td>132,893</td>
<td>62,963</td>
</tr>
<tr>
<td>Insurance</td>
<td>13,492</td>
<td>1,343</td>
<td>1,164</td>
<td>15,999</td>
<td>11,486</td>
</tr>
<tr>
<td>Stipends</td>
<td>33,170</td>
<td>-</td>
<td>-</td>
<td>33,170</td>
<td>22,647</td>
</tr>
<tr>
<td>Cleaning, maintenance &amp; equipment rental</td>
<td>12,408</td>
<td>1,235</td>
<td>1,070</td>
<td>14,713</td>
<td>12,572</td>
</tr>
<tr>
<td>Printing &amp; postage</td>
<td>2,214</td>
<td>479</td>
<td>1,154</td>
<td>3,847</td>
<td>4,604</td>
</tr>
<tr>
<td>Telephone</td>
<td>9,479</td>
<td>944</td>
<td>818</td>
<td>11,241</td>
<td>8,320</td>
</tr>
<tr>
<td>Food expense – Note 10</td>
<td>25,621</td>
<td>-</td>
<td>-</td>
<td>25,621</td>
<td>29,677</td>
</tr>
<tr>
<td>Program expenses</td>
<td>25,162</td>
<td>-</td>
<td>-</td>
<td>25,162</td>
<td>19,885</td>
</tr>
<tr>
<td>Video project</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,010</td>
</tr>
<tr>
<td>Office expense</td>
<td>10,827</td>
<td>1,078</td>
<td>934</td>
<td>12,839</td>
<td>12,775</td>
</tr>
<tr>
<td>Relocation expense</td>
<td>7,356</td>
<td>919</td>
<td>919</td>
<td>9,194</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>8,477</td>
<td>1,452</td>
<td>1,452</td>
<td>11,381</td>
<td>11,505</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>20,131</td>
<td>2,004</td>
<td>1,737</td>
<td>23,872</td>
<td>17,859</td>
</tr>
</tbody>
</table>

Total Expenses: $828,189 $77,031 $74,255 $979,475 $772,480

See accompanying notes to the financial statements.
THE HOPE PROGRAM  
(A Non-Profit Corporation)  

Statements of Cash Flows  
Years Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)  

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>$ 628,054</td>
<td>$ 60,240</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>23,872</td>
<td>17,859</td>
</tr>
<tr>
<td>Net realized and unrealized losses on investments</td>
<td>12,525</td>
<td>8,577</td>
</tr>
<tr>
<td>Increase (decrease) in cash flows due to changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>(218,007)</td>
<td>(23,400)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(64,015)</td>
<td>(1,958)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>40,133</td>
<td>660</td>
</tr>
<tr>
<td>Accrued rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>473,900</td>
<td>61,978</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM FINANCING ACTIVITIES** |          |          |
| Advance payable                  | 45,122   | -        |
| Net Cash Provided by Financing Activities            | 45,122   | -        |

| **CASH FLOWS FROM INVESTING ACTIVITIES** |          |          |
| Purchase of property, equipment and leasehold improvements Investments | (450,485) | (12,282) |
| Net Cash Used by Investing Activities            | (479,879) | (23,567) |
| Net Increase in Cash and Cash Equivalents        | 38,143   | 38,411   |
| Cash and Cash Equivalents at Beginning of Year    | 922,118  | 883,707  |
| Cash and Cash Equivalents at End of Year          | $ 961,261| $ 922,118|

See accompanying notes to the financial statements.
THE HOPE PROGRAM  
(A Non-Profit Corporation) 

Notes to Financial Statements 

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 

Organization 

The HOPE Program ("Corporation") is a non-profit corporation incorporated pursuant to the laws of the State of New York on March 6, 1985. The purpose of The HOPE Program is to empower individuals living in poverty to achieve self sufficiency and to inform practices and policy by sharing research and solutions. The Corporation is located in downtown Brooklyn. 

Comparative Financial Information 

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information 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 the Corporation's financial statements for the year ended June 30, 2001, from which the summarized information was derived. Certain prior year items in the financial statements have been reclassified to conform to the current year presentation. 

Principles of Accounting and Basis of Presentation 

The accompanying financial statements include all accounts of the Corporation and have been prepared on the accrual basis of accounting in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 116 "Accounting for Contributions Received and Contributions Made" and SFAS No. 117 "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 116, the Corporation distinguishes the contributions it receives as being permanently restricted, temporarily restricted or unrestricted depending on donor-imposed restrictions, if any. Under SFAS No. 117, the net assets, revenues, gains and expenses of the Corporation are classified based on the existence or absence of donor-imposed restrictions as permanently restricted, temporarily restricted or unrestricted. 

Contributions 

Contributions received are recorded as permanently restricted when a donor-imposed restriction stipulates that the contribution be maintained permanently, as in the case of permanent endowments. Contributions received are recorded as temporarily restricted if the donor-imposed restrictions either expire by the passage of time or the contributions are to be used for a specified program purpose.
THE HOPE PROGRAM
(A Non-Profit Corporation)

Notes to Financial Statements

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers money market
funds and all unrestricted highly liquid debt instruments with an initial maturity of three
months or less to be cash equivalents, except for money market funds held by brokers for
long-term purposes.

Investments

The Corporation accounts for its investments in accordance with SFAS No. 124,
"Accounting for Certain Investments Held by Not-for-Profit Organizations." The
Corporation reports its investments at fair value. The fair values are determined by using
market quotations.

Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit
risk consist of cash held in financial institutions. At times such funds may exceed the
amount of insurance provided on them.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are recorded at cost less accumulated
depreciation. Depreciation is computed using the straight-line method over the estimated
useful lives of the respective assets.

Rents

The Corporation leases real property under a lease expiring October 31, 2011. The
difference between rental payments actually due under the lease and rent expense
calculated on the straight-line basis is reflected in the accompanying financial statements
as accrued rent. For the year ended June 30, 2002, the adjustment to record rent on a
straight-line basis totaled approximately $51,000 which resulted in an increase in
expenses in the same amount. The annual rent expense on a straight-line basis will be
approximately $154,000 per year in future years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally
accepted in the United States of America requires management to make estimates and
assumptions that affect certain reported amounts and disclosures. Accordingly, actual
results could differ from those estimates.
THE HOPE PROGRAM
(A Non-Profit Corporation)

Notes to Financial Statements

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing The HOPE Program services and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Income Tax Status

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

NOTE 2: PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of June 30, property, equipment and leasehold improvements, net of accumulated depreciation, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment</td>
<td>$159,325</td>
<td>$161,821</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$388,421</td>
<td>$76,023</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>$547,746</td>
<td>$237,744</td>
</tr>
<tr>
<td></td>
<td>$478,184</td>
<td>$51,571</td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended June 30, 2002 and 2001 totaled $23,872, and $17,859, respectively.

NOTE 3: RENT

The Corporation leased space on a month-to-month lease for approximately $4,600 per month from St. Ann and Holy Trinity Episcopal Church through June 13, 2002. The Corporation entered into a lease agreement for new space at One Smith Street, Brooklyn, NY and they moved on June 14, 2002. The lease term is from December 21, 2001 to October 31, 2011. Pursuant to the terms of the new lease, the Corporation's minimum obligations for future rental payments for the years ended June 30, are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$133,875</td>
</tr>
<tr>
<td>2004</td>
<td>137,891</td>
</tr>
<tr>
<td>2005</td>
<td>142,026</td>
</tr>
<tr>
<td>2006</td>
<td>146,289</td>
</tr>
<tr>
<td>Thereafter</td>
<td>925,249</td>
</tr>
<tr>
<td></td>
<td>$1,485,332</td>
</tr>
</tbody>
</table>
THE HOPE PROGRAM  
(A Non-Profit Corporation)  

Notes to Financial Statements

NOTE 4: INVESTMENTS

As of June 30, the fair value of investments is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments restricted for permanent endowment (Merrill Lynch CMA Money Fund and ML Banking Advantage)</td>
<td>$95,610</td>
<td>$78,377</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>153,577</td>
<td>153,941</td>
</tr>
<tr>
<td></td>
<td>$249,187</td>
<td>$232,318</td>
</tr>
<tr>
<td>Investment income is comprised of the following:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$11,608</td>
<td>$14,684</td>
</tr>
<tr>
<td>Dividend income</td>
<td>15,367</td>
<td>29,497</td>
</tr>
<tr>
<td>Realized and Unrealized loss</td>
<td>(12,525)</td>
<td>(8,577)</td>
</tr>
<tr>
<td></td>
<td>$14,450</td>
<td>$35,604</td>
</tr>
</tbody>
</table>

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted Net Assets consist of cash contributions restricted by donors for specific program services.

NOTE 6: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted Net Assets consist of a $210,850 for a permanent endowment, $200,000 from the Clark Foundation and $10,850 from miscellaneous donors. The investment income from this endowment is unrestricted.

NOTE 7: CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2002 and 2001, in the amounts of $275,307 and $57,300, respectively, were reported as income in their respective fiscal years, in accordance with generally accepted accounting principles, although they are not collected until the following fiscal years. These amounts are reported in the Statement of Activities as follows:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation &amp; corporate contributions</td>
<td>$6,950</td>
<td>$35,000</td>
</tr>
<tr>
<td>Government grants</td>
<td>266,357</td>
<td>22,300</td>
</tr>
<tr>
<td></td>
<td>$275,307</td>
<td>$57,300</td>
</tr>
</tbody>
</table>
THE HOPE PROGRAM
(A Non-Profit Corporation)

Notes to Financial Statements

NOTE 8: DESIGNATED RESERVE FUND

The HOPE Program’s Board of Directors established a $300,000 Designated Reserve Fund, as of June 30, 2001, solely for use in emergency situations, with the approval of the Board.

As of June 30, 2002 the Board designated a $200,000 increase in the reserve fund for a total of $500,000.

NOTE 9: SAVINGS INCENTIVE MATCH PLAN

The Corporation has a savings incentive match plan ("SIMPLE") for its employees. Participation in the savings part of the plan is voluntary. Employees are automatically eligible to participate after a two month probationary period, provided there is a reasonable expectation they will receive at least $5,000 in compensation for the calendar year. The Corporation will contribute a matching contribution to each eligible employee’s SIMPLE IRA equal to the employee’s salary reduction contributions up to a limit of 3% of the employee’s compensation.

NOTE 10: IN-KIND SUPPORT

Government grants includes in-kind contributions received by The HOPE Program during fiscal year June 30, 2002 of $14,800 from the United Way of New York City ("UWNYC"). The UWNYC provides support to The HOPE Program in the form of a line of credit to purchase nutritious foods through approved vendors. These food purchases made by The HOPE Program are paid directly by UWNYC. The amounts reflected in the accompanying financial statements as Government grants are offset by like amounts included in program services as food expense.

Foundations and corporate contribution includes in-kind contributions received by The HOPE Program during fiscal year June 30, 2002 from Furniture Rental Associates ("FRA"). FRA contributed furniture to The HOPE Program with an approximate value of $11,000. This furniture is included in property, equipment and leasehold improvements on the Statement of Financial Position.
THE HOPE PROGRAM  
(A Non-Profit Corporation)  

Notes to Financial Statements

NOTE 11: PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security deposits</td>
<td>$45,750</td>
<td>$2,000</td>
</tr>
<tr>
<td>Deferred leasing expense</td>
<td>19,627</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid insurance</td>
<td>3,787</td>
<td>3,149</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$69,164</strong></td>
<td><strong>$5,149</strong></td>
</tr>
</tbody>
</table>

Deferred leasing expense represent legal fees relating to lease negotiations and preparation, and are amortized using the straight-line method, over the term of the lease.

NOTE 12: ADVANCE PAYABLE

The Department of Social Services of the Human Resources Administration on behalf of the City of New York (the "Department") advanced The HOPE Program $45,122 pursuant to an agreement entered into on December 4, 2001. Under the contract The HOPE Program shall repay the full amount of the advance to the Department, prior to the termination of the contract, in a time, manner, and form acceptable to the Department. The advance has no specified due date and must be held in an interest bearing account. Accrued interest may be paid to the Department or may be applied as a credit, at the direction of the Department. The contract terminates September 2006.