

HORIZONS FOUNDATION

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31, 2010 AND 2009**

**Ghaffari Zaragoza LLP
CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Horizons Foundation
San Francisco, California

We have audited the accompanying statements of financial position of Horizons Foundation as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 basic 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 Horizons Foundation as of December 31, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Ghaffari Zaragoza LLP

June 17, 2011
Oakland, California

Horizons Foundation

Statements of Financial Position
At December 31, 2010 and 2009

	2010	2009 Restated
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	528,126	\$ 1,075,459
Investments (Note 4)	2,599,536	3,025,367
Grants receivable (Note 5)	191,525	344,830
Pledges receivable	33,893	4,983
Other receivables	48,494	46,371
Prepaid expenses	19,317	19,859
Total Current Assets	3,420,891	4,516,869
Grants receivable beyond one year (Note 5)	-	164,025
Investments restricted for long-term purposes (Note 4)	4,211,810	3,698,465
Property and equipment (Note 6)	17,665	-
Deposits and other assets	16,158	17,841
Total Assets	\$ 7,666,524	\$ 8,397,200
LIABILITIES		
Current Liabilities:		
Grants payable	-	\$ 110,000
Accounts payable and accrued expenses, including current portion of lease payable	43,582	34,397
Accrued paid leave	69,456	72,767
Agency funds	290,026	91,803
Total Current Liabilities	403,064	308,967
Lease payable	6,025	-
Total Liabilities	409,089	308,967
NET ASSETS		
Unrestricted		
Available for operations	2,575,259	2,583,587
Designated as Endowment	29,470	29,470
Total unrestricted	2,604,729	2,613,057
Temporarily restricted (Note 7)	646,896	1,553,896
Permanently restricted (Note 8)	4,005,810	3,921,280
Total Net Assets	7,257,435	8,088,233
Total Liabilities and Net Assets	\$ 7,666,524	\$ 8,397,200

See notes to financial statements

Horizons Foundation

Statements of Activities
Years Ended December 31, 2010 and 2009

	Year Ended December 31, 2010				Year Ended December 31, 2009 (Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT								
Contributions from individuals	\$ 813,210	\$ 12,211	\$ 94,530	\$ 919,951	\$ 1,146,864	\$ -	\$ 10,365	\$ 1,157,229
Foundation and corporation grants	74,036	134,000	-	208,036	102,000	1,371,000	-	1,473,000
Bequests	192,952	-	-	192,952	6,952	-	-	6,952
Fundraising event income	318,489	-	-	318,489	-	-	-	-
Fundraising event expense	(137,125)	-	-	(137,125)	-	-	-	-
Fundraising event, net	181,364	-	-	181,364	-	-	-	-
Net assets released from restrictions:								
Purpose accomplished	1,469,735	(1,459,735)	(10,000)	-	1,538,966	(1,538,966)	-	-
Total Support	2,731,297	(1,313,524)	84,530	1,502,303	2,794,782	(167,966)	10,365	2,637,181
REVENUE								
Fees for services	-	-	-	-	35,000	-	-	35,000
Interest and dividends	17,976	83,048	-	101,024	57,051	54,142	-	111,193
Net gain (loss) from investments	152,738	323,476	-	476,214	247,511	471,106	-	718,617
Other income	16,585	-	-	16,585	29,525	-	-	29,525
Total Revenue	187,299	406,524	-	593,823	369,087	525,248	-	894,335
Total Support and Revenue	2,918,596	(907,000)	84,530	2,096,126	3,163,869	357,282	10,365	3,531,516
EXPENSES								
Program Services:								
Grantmaking	2,136,015	-	-	2,136,015	2,073,133	-	-	2,073,133
Capacity building	9,585	-	-	9,585	14,244	-	-	14,244
Promoting philanthropy	127,302	-	-	127,302	129,458	-	-	129,458
Total program Services	2,272,902	-	-	2,272,902	2,216,835	-	-	2,216,835
Supporting Services:								
Management and general	243,868	-	-	243,868	332,409	-	-	332,409
Fundraising	410,154	-	-	410,154	348,879	-	-	348,879
Total Supporting Services	654,022	-	-	654,022	681,288	-	-	681,288
Total Expenses	2,926,924	-	-	2,926,924	2,898,123	-	-	2,898,123
Change in net assets	(8,328)	(907,000)	84,530	(830,798)	265,746	357,282	10,365	633,393
Net assets at beginning of year, restated (Note 9)	2,613,057	1,553,896	3,921,280	8,088,233	2,347,311	1,196,614	3,910,915	7,454,840
Net assets at end of year	<u>\$ 2,604,729</u>	<u>\$ 646,896</u>	<u>\$ 4,005,810</u>	<u>\$ 7,257,435</u>	<u>\$ 2,613,057</u>	<u>\$ 1,553,896</u>	<u>\$ 3,921,280</u>	<u>\$ 8,088,233</u>

See notes to financial statements

Horizons Foundation

Statements of Cash Flows Years Ended December 31, 2010 and 2009

	2010	2009 Restated
Cash flows from operating activities:		
Change in net assets	(\$830,798)	\$633,393
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	3,960	4,629
Net gain (loss) from investments	(476,214)	(718,617)
Contributions restricted for long-term purposes	(94,530)	(10,365)
(Increase) decrease in operating assets:		
Receivables	286,297	(35,576)
Prepays	542	(15,643)
Deposits	1,683	(242)
Increase (decrease) in operating liabilities:		
Grants payable	(110,000)	(91,000)
Agency funds	198,223	91,803
Accounts payable and accrued expenses	3,466	58,242
Net cash used by operating activities	(1,017,371)	(83,376)
Cash flows from investing activities:		
Purchase of investments	(1,767,625)	(1,860,744)
Purchase of equipment	(11,348)	0
Proceeds from sale and maturities of investments	2,156,325	2,268,780
Net cash provided by investing activities	377,352	408,036
Cash flows from financing activities:		
Proceeds from borrowings	275,000	275,000
Principal payments on borrowings	(275,000)	(275,000)
Principal payments on capital leases	(1,844)	0
Permanently restricted contributions received	94,530	10,365
Net cash provided by financing activities	92,686	10,365
Net increase (decrease) in cash and cash equivalents	(547,333)	335,025
Cash and cash equivalents at beginning of year	1,075,459	740,434
Cash and cash equivalents at end of year	\$528,126	\$1,075,459
Supplemental information:		
Interest paid	\$7,660	\$6,372
Equipment acquired through capital leases	\$10,277	\$0

See notes to financial statements

Horizons Foundation

Statement of Functional Expenses
Year Ended December 31, 2010

	Program Services			Supporting Services			Total
	Grant-making	Capacity Building	Promoting Philanthropy	Management & General	Fundraising	Shared Expenses	
Grants	\$ 1,796,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,796,893
Salaries	165,384	-	40,489	107,151	202,277	43,657	558,958
Payroll taxes	12,861	-	3,156	8,736	15,649	3,428	43,830
Employee benefits (Note 10)	11,735	-	5,563	5,937	24,310	6,434	53,979
Total personnel	189,980	-	49,208	121,824	242,236	53,519	656,767
Professional services	74,227	9,075	375	55,574	57,806	2,525	199,582
Supplies	15,497	201	9,765	1,557	17,126	5,488	49,634
Occupancy	-	-	-	-	-	59,609	59,609
Equipment rental and maintenance	518	-	-	518	1,918	26,282	29,236
Insurance	-	-	-	4,003	-	2,679	6,682
Telephone	145	2	129	193	270	7,156	7,895
Postage	52	-	-	42	1,237	4,016	5,347
Printing	-	307	1,324	169	27,295	2,535	31,630
Promotion	175	-	-	-	2,999	10,850	14,024
Travel	634	-	670	161	4,324	1,223	7,012
Investment fees	22,630	-	-	50	85	-	22,765
Other fees	-	-	-	8,897	12,726	-	21,623
Other expenses	135	-	2,550	2,946	410	564	6,605
Interest expense	-	-	-	6,931	-	729	7,660
Depreciation	-	-	-	-	-	3,960	3,960
Allocation of shared expenses	35,129	-	63,281	41,003	41,722	(181,135)	-
Total other expenses	149,142	9,585	78,094	122,044	167,918	(53,519)	473,264
Total	\$ 2,136,015	\$ 9,585	\$ 127,302	\$ 243,868	\$ 410,154	\$ -	\$ 2,926,924

See notes to financial statements

Horizons Foundation

Statement of Functional Expenses
Year Ended December 31, 2009

	Program Services			Supporting Services			Total
	Grant-making	Capacity Building	Promoting Philanthropy	Management & General	Fundraising	Shared Expenses	
Grants	\$ 1,797,674	\$ 14,244	\$ -	\$ -	\$ -	\$ -	\$ 1,811,918
Salaries	155,523	-	40,646	116,060	184,027	44,018	540,274
Payroll taxes	12,380	-	3,236	5,697	14,649	3,504	39,466
Employee benefits (Note 10)	10,237	-	4,623	6,744	23,989	5,631	51,224
Total personnel	178,140	-	48,505	128,501	222,665	53,153	630,964
Professional services	\$ 30,778	\$ -	\$ -	\$ 145,620	\$ 31,356	\$ 1,109	\$ 208,863
Supplies	737	-	8,008	181	23,494	4,453	36,873
Rent	-	-	-	-	-	74,907	74,907
Equipment rental and maintenance	-	-	-	1,574	2,694	19,681	23,949
Insurance	-	-	-	4,761	-	2,320	7,081
Telephone	197	-	111	281	52	6,655	7,296
Postage	112	-	136	20	3,385	5,357	9,010
Printing	-	-	1,325	-	3,738	3,301	8,364
Promotion	-	-	775	-	1,699	13,760	16,234
Travel	1,625	-	302	229	2,732	1,454	6,342
Investment fees	21,533	-	-	-	125	-	21,658
Other fees	365	-	-	6,232	10,055	389	17,041
Other expenses	-	-	2,750	1,838	379	624	5,591
Interest expense	-	-	-	7,403	-	-	7,403
Depreciation	-	-	-	-	-	4,629	4,629
Allocation of shared expenses	41,972	-	67,546	35,769	46,505	(191,792)	-
Total other expenses	97,319	-	80,953	203,908	126,214	(53,153)	455,241
Total	\$ 2,073,133	\$ 14,244	\$ 129,458	\$ 332,409	\$ 348,879	\$ -	\$ 2,898,123

See notes to financial statements

Horizons Foundation

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Note 1 - Organization

Horizons Foundation (the Foundation) is a public community foundation created in 1980. The Foundation is dedicated to serving the lesbian, gay, bisexual and transgender (LGBT) community primarily within the nine-county San Francisco Bay Area. The Foundation's principal objectives are to encourage philanthropic activism within and for the LGBT community and to provide financial and technical assistance for nonprofit organizations serving the LGBT community.

The Foundation's office is located in San Francisco, California, and its activities are primarily supported by contributions and grants from individuals, private foundations and corporations.

Note 2 – Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of the accompanying financial statements:

- a) Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- b) Investments – Investments are recorded at fair value. Investments received through gifts are recorded at the estimated fair value at the date of donation. Investment income and net gains and losses from investment of permanently restricted gifts are reported as increases in temporarily restricted net assets until appropriated by the Board of Directors or spent for their restricted purposes.
- c) Grants and Pledges Receivable - Grants and pledges receivable represent unconditional commitments receivable in future periods stated at the net realizable amount that management expects to collect. Management uses specific identification method for establishing allowance for uncollectible receivables.
- d) Fixed Assets and Depreciation – All acquisitions of property and equipment in excess of \$1,000 are capitalized. Fixed assets are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided over the estimated useful lives of the assets, generally three to seven years, using the straight-line method of depreciation.

Horizons Foundation

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

- e) Agency Funds – Agency funds represent funds transferred to the Foundation by other nonprofit organizations that have specified themselves as the beneficiary. These funds are accounted for as assets and liabilities on the financial statements. However, the Foundation maintains legal ownership of the assets and has variance power.
- f) Income Tax Status – The Foundation is recognized as a public charity exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code section of the California Revenue and Taxation Code, is subject to income tax. Effective January 1, 2009 the Foundation adopted the FASB guidance on Accounting for Uncertainty in Income Taxes. The Foundation takes the position that its activities continue to be directly related to its tax exempt purpose, and it consequently did not recognize any increase or decrease in liability for unrecognized tax benefits taken in the current or prior periods.
- g) Basis of Presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, current support and net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations, including \$2,612,509 and \$3,078,445 at December 31, 2010 and 2009, respectively, in donor advised funds. Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has variance power; that is, the ultimate discretion over the use of these funds lies with the Board of Directors. Thus, such funds represent unrestricted net assets to the Foundation.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. As described in Note 2b above, this class of net assets also includes un-appropriated unrestricted earnings on the Foundation's permanently restricted funds.

Horizons Foundation

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Permanently restricted net assets are restricted by the donor for investment in perpetuity. The income from such invested assets, including net realized and unrealized gains is available to support the activities of the Foundation.

- h) Basis of Accounting – The financial statements of the Foundation have been prepared using the accrual method of accounting whereby income is recorded when earned and expenses when incurred.
- i) Restricted and Unrestricted Income – Contributions are reported as income when received or when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities.

The Foundation reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

- j) Allocation of Expenses – The Foundation allocates two types of costs to its program and supporting activities: shared and communications. Shared costs, primarily related to the operation and maintenance of the office facility, are allocated based on the number of full-time equivalent positions in each activity; communications costs are allocated based on management's estimate of benefit derived from various communication activities, such as E-news, Insider Briefings, Press releases, events, etc.
- k) Grants to Others – Grants are recorded as expenses after they are approved by the Board of Directors and grant agreements are executed. Grants payable represents the present value of future commitments of the Foundation.

Horizons Foundation

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

- 1) 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates reflected in the Foundation’s financial statements include valuation of investments, valuation of grants receivable, and the functional allocation of expenses. Actual results could differ from those estimates.

Note 3 – Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash and investments with high credit quality financial institutions. At times, the account balances may exceed the institution’s federally insured limits. The uninsured cash and cash equivalents were \$594,090 and \$871,211 at December 31, 2010 and 2009, respectively. The Foundation has not experienced any losses in such accounts.

Note 4 – Investments

The investments of the Foundation included:

	<u>12/31/2010</u>	<u>12/31/2009</u>
Money market funds	1,621,360	\$1,756,385
Mutual funds	926,018	692,651
Equity securities	2,419,404	2,495,115
Notes and bonds	<u>1,844,564</u>	<u>1,779,681</u>
	\$6,811,346	\$6,723,832
Investments restricted for long-term purposes	<u>(4,211,810)</u>	<u>(3,698,465)</u>
Current investments	<u>\$2,599,536</u>	<u>\$3,025,367</u>

Horizons Foundation

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Note 5 – Grants Receivable

Grants are expected to be realized in the following periods:

	<u>12/31/10</u>	<u>12/31/09</u>
In one year or less	\$191,525	\$344,830
Between one and five years	<u>0</u>	<u>164,025</u>
	\$191,525	\$508,855
Less:		
Allowance for uncollectible pledges	(0)	(0)
	<u>\$191,525</u>	<u>\$508,855</u>

Grants receivable at December 31, 2010 include unconditional promises from three private foundations.

Note 6– Property and Equipment

Property and equipment consisted of:

	<u>12/31/2010</u>	<u>12/31/2009</u>
Furniture and equipment	\$94,073	\$95,553
Software	17,212	11,111
Leasehold improvements	4,613	4,613
Leased equipment	10,277	0
Accumulated depreciation	<u>(108,510)</u>	<u>(111,277)</u>
	<u>\$17,665</u>	<u>\$0</u>

Horizons Foundation

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	<u>12/31/2010</u>	<u>12/31/2009</u>
LGBT seniors	\$194,703	\$278,347
Leadership development	194,637	369,500
Grantmaking	133,007	202,360
Endowed funds	70,551	15,652
Marriage initiative	38,997	561,000
Planned giving officer	15,000	20,161
Capacity building and promoting philanthropy	0	66,376
General operating expenses of future periods	<u>0</u>	<u>40,500</u>
	<u>\$646,895</u>	<u>\$1,553,896</u>

Note 8 – Endowment Funds:

Permanently restricted net assets consist of the Foundation's Endowment Fund (the Endowment), whose purpose is to provide support in meeting the operating and program needs of the Foundation.

The Board of Directors of Horizons Foundation has interpreted the State laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. As a result there are three classes of donor restricted endowment net assets: The permanently restricted amount includes original and subsequent donations, and accumulations of net income to the permanent endowment when prescribed by the donor. The remaining net income portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in accordance with the Foundation's spending policy. The Foundation has adopted investment and spending policies, approved by its Board of Directors, for its endowment funds as follows:

Spending Policy – The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value of the previous three years,

Horizons Foundation

Notes to Financial Statements Years Ended December 31, 2010 and 2009

measured as of December 31 of each year. If a donor's gift instrument expressly allows the spending of additional amounts or expressly allows the invasion of principal in certain circumstances, the Foundation may spend such amounts.

Investment Return Objectives, Risk Parameters and Strategies – The Foundation's investment policy for its endowment assets adhere to a) preservation and safety of principal; and b) capital appreciation and income. Over the long term, the investment process seeks to achieve total return equal to or exceeding that of a benchmark portfolio consisting of 60% equities and 40% fixed income. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund's investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by type of fund was as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<u>At December 31, 2010</u>				
Donor restricted	\$0	\$70,551	\$4,005,811	\$4,076,362
Underwater endowment funds	(184,073)	0	0	(184,073)
Board designated	<u>29,470</u>	<u>0</u>	<u>0</u>	<u>29,470</u>
Total	<u>\$(154,603)</u>	<u>\$70,551</u>	<u>\$4,005,811</u>	<u>\$3,921,759</u>
<u>At December 31, 2009</u>				
Donor restricted	\$0	\$15,652	\$3,921,280	\$3,936,932
Underwater endowment funds	(359,740)	0	0	(359,740)
Board designated	<u>29,470</u>	<u>0</u>	<u>0</u>	<u>29,470</u>
Total	<u>\$(330,270)</u>	<u>\$15,652</u>	<u>\$3,921,280</u>	<u>\$3,606,662</u>

Horizons Foundation

Notes to Financial Statements Years Ended December 31, 2010 and 2009

Change in Endowment net assets for the year ended December 31, 2010:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$(330,270)	\$15,652	3,921,280	\$3,606,662
Investment return:				
Interest and dividends	0	83,048	0	83,048
Net gains (realized and unrealized)	<u>0</u>	<u>323,476</u>	<u>0</u>	<u>323,476</u>
Total investment return	0	406,524	0	406,524
Contributions	0	0	84,531	84,531
Recovery of prior accumulated losses	175,667	(175,667)	0	0
Appropriation of endowment for expenditures	<u>0</u>	<u>(175,958)</u>	<u>0</u>	<u>(175,958)</u>
Endowment net assets, ending	<u>\$(154,603)</u>	<u>\$ 70,551</u>	<u>\$4,005,811</u>	<u>\$3,921,759</u>

Change in Endowment net assets for the year ended December 31, 2009:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$(659,070)	\$ 0	\$3,901,915	\$3,242,845
Investment return:				
Interest and dividends	0	54,142	0	54,142
Net gains (realized and unrealized)	<u>0</u>	<u>471,106</u>	<u>0</u>	<u>471,106</u>
Total investment return	0	525,248	0	525,248
Contributions	0	0	19,365	19,365
Recovery of prior accumulated losses	328,800	(328,800)	0	0

Horizons Foundation

Notes to Financial Statements Years Ended December 31, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Appropriation of endowment For expenditures	0	(180,796)	0	(180,796)
Endowment net assets, ending	<u>\$(330,270)</u>	<u>\$15,652</u>	<u>\$3,921,280</u>	<u>\$3,606,662</u>

Note 9 – Restatement of Beginning Balances

Net assets at December 31, 2008 and 2009 have been adjusted to correct the following:

1. Reclassification of agency funds in the amount of \$91,803;
2. Reclassification of donor designated Endowment funds in the amount of \$29,470;
3. Reclassification of \$11,940 in contributions within net asset classes; and
4. To record \$44,496 in approved additional time-off.

The effects of these adjustments on the financial statements were as follows:

	<u>As stated</u>	<u>Reclassification</u>	<u>As restated</u>
Foundation and corporation grants	\$1,553,000	\$(80,000)	\$1,473,000
Interest and dividends	122,996	(11,803)	111,193
Agency funds	0	91,803	91,803
Unrestricted net assets – Available for operations at 12/31/09	2,640,023	(56,436)	2,583,587
Unrestricted net assets – Designated for Endowment at 12/31/09	0	29,470	29,470
Temporarily restricted net assets at 12/31/09	1,562,759	(8,863)	1,553,896
Permanently restricted net assets at 12/31/09	4,021,750	(100,470)	3,921,280
Unrestricted net assets – Available for operations at 12/31/08	2,329,781	(11,940)	2,317,841
Unrestricted net assets – Designated for Endowment at 12/31/08	0	29,470	29,470
Temporarily restricted net assets at 12/31/08	1,193,674	2,940	1,196,614
Permanently restricted net assets at 12/31/08	\$3,931,385	\$(20,470)	\$3,910,915

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Notes to Financial Statements
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Note 10 – Retirement Plan

The Foundation provides a defined contribution retirement plan to all of its employees under Section 403(b) of the Internal Revenue Code. Total contributions by the Foundation to this plan during the years ended December 31, 2010 and 2009 were \$10,929 and \$7,535, respectively.

Note 11 - Commitments under Operating Lease

At December 31, 2010, the Foundation leased certain equipment under non-cancelable operating lease arrangements. Subsequent to that date but prior to the issuance date of the financial statements, the Foundation entered into a non-cancelable lease arrangement for its new office facility. The minimum future payments on these lease arrangements at December 31, 2010 were as follows:

Year ending December 31, 2011	\$39,666
Year ending December 31, 2012	62,996
Year ending December 31, 2013	71,136
Year ending December 31, 2014	70,963
Year ending December 31, 2015 and beyond	<u>116,160</u>
	<u>\$360,921</u>

Total rent expense during the years ended December 31, 2010 and 2009 were \$55,859 and \$77,789, respectively.

Note 12 – Line of Credit

The Foundation has a secured line of credit from a financial institution in the amount of \$375,000. The security for this line of credit includes all equipment, inventory, accounts and investments and the annual interest rate is prime rate of the bank plus 1.25%. The balance of this line of credit was \$0 at December 31, 2010 and 2009.

Note 13 – Subsequent Events

Management has evaluated subsequent events through June 17, 2011, the date on which the financial statements were available to be issued. For the restated financial statements, the Foundation evaluated subsequent events through June 17, 2011, the date which the restated financial statements were issued.

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Notes to Financial Statements
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Note 14 – Fair Value Measurements

Fair values of assets measured on a recurring were as follows:

	<u>Fair value measurements using</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	<u>Fair Value</u>
<u>December 31, 2010:</u>			
Cash & Money market	\$1,621,360	\$0	\$1,621,360
Trading securities	2,419,404	0	2,419,404
Mutual funds	926,018	0	926,018
Fixed Income	<u>181,517</u>	<u>1,663,047</u>	<u>1,844,564</u>
	<u>\$5,148,299</u>	<u>\$1,663,047</u>	<u>\$6,811,346</u>
<u>December 31, 2009:</u>			
Cash & Money market	\$1,756,385	\$0	\$1,756,385
Trading securities	2,495,115	0	2,495,115
Mutual funds	692,651	0	692,651
Fixed Income	<u>0</u>	<u>1,779,681</u>	<u>1,779,681</u>
	<u>\$4,944,151</u>	<u>\$1,779,681</u>	<u>\$6,723,832</u>

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. All assets have been valued using a market approach. There were no changes in the valuations techniques during the current year.