

PAWS CHICAGO
FINANCIAL REPORT
DECEMBER 31, 2010 AND 2009

BANSLEY AND KIENER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

O'HARE PLAZA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PAWS Chicago
Chicago, Illinois

We have audited the accompanying statements of financial position of PAWS Chicago (a nonprofit corporation) as of December 31, 2010 and 2009, and the related statements of activities 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. 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 PAWS Chicago as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Bansley and Kiener, L.L.P.

Certified Public Accountants

May 26, 2011

PAWS CHICAGOSTATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

<u>A S S E T S</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 4,329,612	\$ 3,359,046
Investments (Note 2)	6,208,119	3,904,614
Unconditional promises to give, net (Note 3)	3,117,087	1,958,577
Accounts receivable	145,733	104,210
Inventories (Note 4)	50,113	35,429
Prepaid expenses	76,869	36,482
Property and equipment, net (Note 5)	<u>9,185,798</u>	<u>9,175,311</u>
Total assets	<u>\$ 23,113,331</u>	<u>\$ 18,573,669</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Accounts payable	\$ 418,136	\$ 268,224
Deferred Revenue	17,075	40,445
Accrued payroll and taxes	<u>51,343</u>	<u>3,482</u>
Total liabilities	<u>486,554</u>	<u>312,151</u>
Net assets (Note 6)		
Unrestricted	11,215,588	10,936,993
Temporarily restricted	11,296,535	7,241,299
Permanently restricted	<u>114,654</u>	<u>83,226</u>
Total net assets	<u>22,626,777</u>	<u>18,261,518</u>
Total liabilities and net assets	<u>\$ 23,113,331</u>	<u>\$ 18,573,669</u>

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGO

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010						2009					
	UNRESTRICTED			Temporarily Restricted	Permanently Restricted	Total	UNRESTRICTED			Temporarily Restricted	Permanently Restricted	Total
	Operations	Board Restricted	Total				Operations	Board Restricted	Total			
REVENUE												
Program service fees:												
Adoption center	\$ 546,533	\$ -	\$ 546,533	\$ -	\$ -	\$ 546,533	\$ 488,760	\$ -	\$ 488,760	\$ -	\$ -	\$ 488,760
Admission center	12,262	-	12,262	-	-	12,262	24,420	-	24,420	-	-	24,420
Spay/neuter clinic	755,003	-	755,003	-	-	755,003	727,990	-	727,990	-	-	727,990
Contributions	1,984,417	332,991	2,317,408	3,845,750	30,000	6,193,158	2,027,975	489,446	2,517,421	942,183	30,000	3,489,604
Contributions - in kind	759,890	-	759,890	-	-	759,890	714,821	-	714,821	-	-	714,821
Investment income	125	-	125	224,265	1,428	225,818	286	161	447	127,707	900	129,054
Unrealized gain (loss) on investments	-	-	-	527,742	-	527,742	-	-	-	702,258	-	702,258
Special events	1,943,284	-	1,943,284	-	-	1,943,284	1,845,587	-	1,845,587	-	-	1,845,587
Advertising income	45,265	-	45,265	-	-	45,265	44,050	-	44,050	-	-	44,050
Net assets released from restrictions (Note 7)	542,521	-	542,521	(542,521)	-	-	210,250	-	210,250	(210,250)	-	-
Total revenue	6,589,300	332,991	6,922,291	4,055,236	31,428	11,008,955	6,084,139	489,607	6,573,746	1,561,898	30,900	8,166,544
EXPENSES												
Program services:												
Adoption center	1,544,936	-	1,544,936	-	-	1,544,936	1,334,383	-	1,334,383	-	-	1,334,383
Admission center	1,231,429	-	1,231,429	-	-	1,231,429	1,320,470	-	1,320,470	-	-	1,320,470
Spay/neuter clinic	1,555,474	-	1,555,474	-	-	1,555,474	1,522,705	-	1,522,705	-	-	1,522,705
Humane education	611,160	-	611,160	-	-	611,160	536,584	-	536,584	-	-	536,584
	4,942,999	-	4,942,999	-	-	4,942,999	4,714,142	-	4,714,142	-	-	4,714,142
Supporting services:												
Management and general	209,795	-	209,795	-	-	209,795	147,363	-	147,363	-	-	147,363
Special events	1,214,485	-	1,214,485	-	-	1,214,485	1,060,562	-	1,060,562	-	-	1,060,562
Fundraising	276,417	-	276,417	-	-	276,417	189,476	-	189,476	-	-	189,476
	1,700,697	-	1,700,697	-	-	1,700,697	1,397,401	-	1,397,401	-	-	1,397,401
Total expenses	6,643,696	-	6,643,696	-	-	6,643,696	6,111,543	-	6,111,543	-	-	6,111,543
Change in net assets	(54,396)	332,991	278,595	4,055,236	31,428	4,365,259	(27,404)	489,607	462,203	1,561,898	30,900	2,055,001
Net assets at beginning of year	10,058,212	878,781	10,936,993	7,241,299	83,226	18,261,518	10,085,616	389,174	10,474,790	5,679,401	52,326	16,206,517
Net assets at end of year	\$10,003,816	\$1,211,772	\$11,215,588	\$11,296,535	\$ 114,654	\$22,626,777	\$10,058,212	\$ 878,781	\$10,936,993	\$ 7,241,299	\$ 83,226	\$18,261,518

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGOSTATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,294,170	\$ 1,236,455
Cash received from contributors	6,994,075	6,062,327
Interest income received	225,818	129,054
Cash paid to employees and suppliers	<u>(5,578,961)</u>	<u>(5,218,597)</u>
Net cash provided by operating activities	<u>2,935,102</u>	<u>2,209,239</u>
Cash flows from investing activities:		
Purchases of investment securities	(1,775,763)	(1,922,669)
Proceeds from property and equipment	56,290	-
Purchases of property and equipment	<u>(275,310)</u>	<u>(220,167)</u>
Net cash used in investing activities	<u>(1,994,783)</u>	<u>(2,142,836)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	<u>30,000</u>	<u>30,000</u>
Increase in cash	970,566	96,403
Cash at beginning of year	<u>3,359,046</u>	<u>3,262,643</u>
Cash at end of year	<u>\$ 4,329,612</u>	<u>\$ 3,359,046</u>
Reconciliation of change in net assets to cash provided by operating activities:		
Change in net assets	<u>\$ 4,365,259</u>	<u>\$ 2,055,001</u>
Adjustments:		
Unrealized (gain) on investments	(527,742)	(702,258)
Depreciation	208,533	200,518
Provision for doubtful pledges	(46,143)	24,229
Contributions restricted for long-term purposes	(30,000)	(30,000)
(Increase) decrease in:		
Contributed property and equipment	-	(6,502)
Unconditional promises to give	(1,112,367)	757,135
Accounts receivable	(41,523)	(89,210)
Inventories	(14,684)	1,912
Prepaid expenses	(40,386)	(1,273)
Increase (decrease) in:		
Accounts payable	149,664	(23,322)
Accrued payroll and taxes	47,861	(17,436)
Deferred revenue	<u>(23,370)</u>	<u>40,445</u>
Total adjustments	<u>(1,430,157)</u>	<u>154,238</u>
Net cash provided by operating activities	<u>\$ 2,935,102</u>	<u>\$ 2,209,239</u>

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

PAWS Chicago, a nonprofit corporation, was organized on January 29, 1998. PAWS Chicago seeks to end the killing of homeless pets by reducing unwanted litters, increasing adoptions and promoting responsible pet care. PAWS Chicago operates a shelter and facilitates foster care for homeless cats and dogs until they can be placed in loving homes. PAWS Chicago is reducing the city's tragic pet overpopulation problem by providing free and low-cost spay/neuter surgeries at the Lurie Spay/Neuter Clinic located in an area where the highest number of strays originate and where the largest number of residents are living at or below poverty level. PAWS Chicago's Humane Education and Community Outreach Program works in tandem with Chicago Alternative Policing Strategies (CAPS), local churches, schools and community groups to promote the humane treatment of animals and promote responsible pet care in communities reporting the highest incidence of strays, dog bites and crimes against/involving animals. PAWS Chicago has constructed a new Adoption & Humane Center to enable it to help even more homeless animals. PAWS Chicago hosts annual fundraising events to support its programs, increase awareness and recruit volunteers, and is supported entirely by private contributions.

Basis of Accounting

The financial statements of PAWS Chicago have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the valuation of contributed services received by the Organization.

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to Give

Unconditional promises to give are recognized as assets and revenue in the period the promise is received. Promises to give are recorded at net realizable value if expected to be collected in the current year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market.

Property, Equipment, and Depreciation

Property and equipment are recorded at cost, or if donated, at estimated fair value at date of acquisition. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Leasehold improvements are amortized on the straight-line method over the shorter of the estimated useful lives of the improvements or the terms of the related leases.

Depreciation of property and equipment is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	70
Leasehold improvements	5-20
Equipment	5-10

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. When assets are sold, retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, many volunteers also perform a variety of tasks throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under accounting principles were not met.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Evaluation of Subsequent Events

Management has evaluated subsequent events through May 26, 2011, the date the financial statements were available to be issued.

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

Note 2 – Investments

Investments at December 31, 2010 and 2009 are carried at fair value as determined by quoted market prices (Level 1 inputs) and are composed of the following:

	December 31, 2010			
	Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market	\$ 118,968	\$ -	\$ -	\$ 118,968
Mutual funds	3,089,720	772,329	-	3,862,049
Stocks	<u>2,067,992</u>	<u>272,248</u>	<u>(113,138)</u>	<u>2,227,102</u>
	<u>\$5,276,680</u>	<u>\$1,044,577</u>	<u>\$(113,138)</u>	<u>\$6,208,119</u>
	December 31, 2009			
	Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market	\$ 22,805	\$ -	\$ -	\$ 22,805
Mutual funds	2,582,133	343,376	-	2,925,509
Stocks	<u>895,980</u>	<u>73,454</u>	<u>(13,134)</u>	<u>956,300</u>
	<u>\$3,500,918</u>	<u>\$416,830</u>	<u>\$(13,134)</u>	<u>\$3,904,614</u>

Note 3 – Unconditional Promises to Give

Unconditional promises to give have been received in support of the spay/neuter clinic, the adoption center, and the endowment fund. Unconditional promises to give include the following:

	2010	2009
Promises to give beginning	\$ 2,272,820	\$ 3,141,011
Amount pledged during the year	3,265,475	370,000
Amount collected during the year	<u>(1,981,891)</u>	<u>(1,238,191)</u>
Promises to give ending	3,556,404	2,272,820
Less:		
Discounts to present value	(405,017)	(233,800)
Allowance for doubtful promises	<u>(34,300)</u>	<u>(80,443)</u>
Net promises to give	<u>\$ 3,117,087</u>	<u>\$ 1,958,577</u>

Unconditional promises to give at December 31, 2010 and 2009 are as follows.

Promises to give expected to be collected in:

	2010	2009
Less than one year	\$1,545,659	\$1,173,655
One to five years	<u>2,010,745</u>	<u>1,099,165</u>
	<u>\$3,556,404</u>	<u>\$2,272,820</u>

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

Note 4 – Inventories

Inventories at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Merchandise	\$28,301	\$25,901
Clinic Inventory	<u>21,812</u>	<u>9,528</u>
	<u>\$50,113</u>	<u>\$35,429</u>

Note 5 – Property, Equipment, and Depreciation

Property and equipment at December 31, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Land	\$2,125,569	\$2,125,569
Building	6,236,348	6,276,832
Leasehold improvements	1,071,582	1,071,582
Equipment	<u>547,107</u>	<u>396,264</u>
	9,980,606	9,870,247
Less accumulated depreciation	<u>903,468</u>	<u>694,936</u>
	9,077,138	9,175,311
Construction in Progress	<u>108,660</u>	<u>-</u>
	<u>\$9,185,798</u>	<u>\$9,175,311</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$208,533 and \$200,518, respectively.

The Organization is constructing a spay/neuter mobile van for the clinic. The total cost of the project is expected to be \$220,000.

Note 6 – Net Assets

Board-Designated Endowment

As of December 31, 2010 and 2009, the Board of Directors had designated \$1,211,772 and \$878,781, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization has not appropriated for distribution any of its board-designated endowment.

Composition of and changes in endowment net assets for the year ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Beginning designated balance	\$ 878,781	\$389,174
Contributions	332,991	489,446
Interest income	<u>-</u>	<u>161</u>
Ending designated balance	<u>\$1,211,772</u>	<u>\$878,781</u>

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

Note 6 – Net Assets (Continued)

Donor-Designated Endowment

As of December 31, 2010, the Organization's endowment consists of one donor-restricted endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Institute, (7) the Institute's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period of time. The endowment assets are invested in a manner to accept prudent levels of short and long-term volatility consistent with the near-term cash flow needs, funding level, and long-term liability structure of the investment portfolio.

To achieve long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of December 31, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
December 31, 2010				
Endowment Funds:				
Donor-restricted	\$ -	\$11,296,535	\$114,654	\$11,411,189
Board-designated	<u>1,211,772</u>	<u>-</u>	<u>-</u>	<u>1,211,772</u>
	<u>\$1,211,772</u>	<u>\$11,296,535</u>	<u>\$114,654</u>	<u>\$12,622,961</u>
December 31, 2009				
Endowment Funds:				
Donor-restricted	\$ -	\$ 7,241,299	\$ 83,226	\$ 7,324,525
Board-designated	<u>878,781</u>	<u>-</u>	<u>-</u>	<u>878,781</u>
	<u>\$ 878,781</u>	<u>\$ 7,241,299</u>	<u>\$ 83,226</u>	<u>\$ 8,203,306</u>

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 6 – Net Assets (Continued)

Changes in endowment net assets as of December 31, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
December 31, 2010				
Endowment Funds:				
Beginning of year	\$ 878,781	\$ 7,241,299	\$ 83,226	\$ 8,203,306
Contributions	332,991	3,845,750	30,000	4,208,741
Investment income	-	245,265	1,428	225,693
Net appreciation	-	527,742	-	527,742
Appropriated for expenditure	-	(542,521)	-	(542,521)
End of year	<u>\$1,211,772</u>	<u>\$11,296,535</u>	<u>\$114,654</u>	<u>\$12,622,961</u>
December 31, 2009				
Endowment Funds:				
Beginning of year	\$ 389,174	\$ 5,679,401	\$ 52,326	\$6,120,901
Contributions	489,446	942,183	30,000	1,461,629
Investment income	161	127,707	900	128,768
Net appreciation	-	702,258	-	702,258
Appropriated for expenditure	-	(210,250)	-	(210,250)
End of year	<u>\$ 878,781</u>	<u>\$ 7,241,299</u>	<u>\$ 83,226</u>	<u>\$8,203,306</u>

Temporarily Restricted Net Assets

Following is a summary of the activity in temporarily restricted net assets for the years ended December 31, 2010 and 2009:

	2010			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Spay/neuter clinic	\$ 71,745	\$ 783,214	\$255,606	\$ 599,353
Adoption center	<u>7,169,554</u>	<u>3,814,543</u>	<u>286,915</u>	<u>10,697,182</u>
	<u>\$7,241,299</u>	<u>\$4,597,757</u>	<u>\$542,521</u>	<u>\$11,296,535</u>
	2009			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Spay/neuter clinic	\$ 83,793	\$ 1,572	\$ 13,620	\$ 71,745
Adoption center	<u>5,595,608</u>	<u>1,770,576</u>	<u>196,630</u>	<u>7,169,554</u>
	<u>\$5,679,401</u>	<u>\$1,772,148</u>	<u>\$210,250</u>	<u>\$7,241,299</u>

Temporarily restricted net assets at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Cash	\$ 1,988,654	\$1,395,434
Investments	6,208,119	3,904,614
Unconditional promises to give	<u>3,099,762</u>	<u>1,941,251</u>
	<u>\$11,296,535</u>	<u>\$7,241,299</u>

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

Note 6 – Net Assets (Continued)

Permanently Restricted Net Assets

The following is a summary of permanently restricted net assets for the years ended December 31:

	<u>2010</u>	<u>2009</u>
General Endowment	<u>\$114,654</u>	<u>\$83,226</u>

Permanently restricted assets consist of the following:

	<u>2010</u>	<u>2009</u>
Cash	\$ 97,328	\$65,900
Unconditional promises to give	<u>17,326</u>	<u>17,326</u>
	<u>\$114,654</u>	<u>\$83,226</u>

When donors amend or clarify intent for applicable gifts and contributions reported in a previous fiscal year, revisions are separately reflected as donor designated changes within the statement of activities. Earnings on permanently restricted net assets may be used to support the general operations for the Organization.

Note 7 – Related Party Transactions

Contributions

The Organization received \$30,500 and \$36,700 in unrestricted contributions from corporations controlled by members of the board of directors during the years ended December 31, 2010 and 2009, respectively.

Contributed Services

The Organization received marketing, accounting, architectural and administrative services provided by employees of the related corporations. These services were valued at approximately \$207,500 and \$161,500 for 2010 and 2009, respectively.

Leases

The Organization utilizes space provided by various corporations that are controlled by certain members of the board of directors. The space is utilized for the spay/neuter clinic, and office space. Space and utility costs are valued at approximately \$35,000 and \$30,000 for 2010 and 2009, respectively. The space is occupied under leases which expire in September 2015.

Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of December 31, 2010 for each of the next five years and in the aggregate are:

<u>Year ending December 31,</u>	
2011	\$ 24,000
2012	24,000
2013	24,000
2014	24,000
2015	<u>16,000</u>
Total minimum future rental payments	<u>\$120,000</u>

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

Note 8 – Employee Benefit Plan

The Organization adopted a 401(k) savings plan covering substantially all employees that have completed the service requirement. For each year, the Board of Directors determines the amount of the discretionary contribution to be made to the Plan. No contributions were made for 2010 and 2009.

Note 9 – Fair Value Measurements

Information related to the Organization's assets measured at fair value on a recurring basis at December 31, 2010 and 2009 is as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2010				
Investment securities	\$6,208,119	\$6,208,119	\$ -	\$ -
Unconditional promises to give	<u>3,117,087</u>	<u>-</u>	<u>-</u>	<u>3,117,087</u>
Total	<u>\$9,325,206</u>	<u>\$6,208,119</u>	<u>\$ -</u>	<u>\$3,117,087</u>
December 31, 2009				
Investment securities	\$3,904,614	\$3,904,614	\$ -	\$ -
Unconditional promises to give	<u>1,958,577</u>	<u>-</u>	<u>-</u>	<u>1,958,577</u>
Total	<u>\$5,863,191</u>	<u>\$3,904,614</u>	<u>\$ -</u>	<u>\$1,958,577</u>

Fair values for investments are determined by quoted market prices. Fair Value of unconditional promises to give are determined by calculating the present values of estimated future pledge payments expected to be received, over the expected term of the agreements, using a discount rate of 6%.

Mutual funds included in investment securities above determine fair value using a calculated net asset value per share, or its equivalent. As of December 31, 2010, the fair value of the mutual funds was \$2,925,509, and there were no unfunded commitments related to these investments. These investments can be redeemed daily with no redemption notice required. This category of investments primarily includes investments in stocks, bonds, and short-term investments.

Assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	<u>2010</u>	<u>2009</u>
Unconditional promises to give:		
Beginning of year	\$ 1,958,577	\$ 2,739,941
New pledges	3,265,475	370,000
Pledge payments received	(1,750,182)	(1,223,612)
Provision for bad debts	(185,566)	(38,243)
Change in present value discount	<u>(171,217)</u>	<u>110,491</u>
End of year	<u>\$ 3,117,087</u>	<u>\$ 1,958,577</u>

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Note 10 – Functional Allocation of Expenses

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

Note 11 – Concentrations

The Organization maintains cash balances with three banks. Accounts at financial institutions may at times exceed the amount insured by the Federal Deposit Insurance Corporation.