

Financial Statements
Years Ended
December 31, 2009 and 2008



PHYSICIANS *for* PEACE

FOUNDED 1989

Goodman
& COMPANY

Certified Public Accountants
Specialized Services
Business Solutions

Physicians for Peace Foundation

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Report of Independent Auditors

Board of Trustees
Physicians for Peace Foundation

We have audited the accompanying statement of financial position of *Physicians for Peace Foundation* as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of *Physicians for Peace Foundation*. 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 *Physicians for Peace Foundation's* December 31, 2008 financial statements and, in our report dated September 11, 2009, 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 *Physicians for Peace Foundation* as of December 31, 2009, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Goodman + Company, LLP

Virginia Beach, Virginia
May 27, 2010

As independent firm associated with
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Physicians for Peace Foundation

Statements of Financial Position

December 31, 2009 with Comparative Totals for 2008

Assets		2009	2008
Current assets			
Cash and cash equivalents	\$	559,474	\$ 866,834
Current portion of contributions receivable		35,200	25,769
Interest receivable		-	21,498
Inventory		650,129	3,465,911
Total current assets		1,244,803	4,380,012
Furniture and equipment - net		12,600	32,367
Investments		9,497,005	7,157,653
Contributions receivable - net of current portion		53,073	61,758
Deposits		10,832	7,172
		\$ 10,818,313	\$ 11,638,962
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$	55,775	\$ 114,616
Security deposit		1,600	-
Total current liabilities		57,375	114,616
Net assets			
Unrestricted		539,487	3,764,777
Unrestricted - board designated		9,457,005	6,897,653
Temporarily restricted		724,446	601,916
Permanently restricted		40,000	260,000
Total net assets		10,760,938	11,524,346
		\$ 10,818,313	\$ 11,638,962

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

Physicians for Peace Foundation

Statements of Activities

Year Ended December 31, 2009 with Comparative Totals for 2008

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total	Total 2008
Public support, revenue, and other income					
In-kind contributions - supplies	\$ 10,161,081	\$ -	\$ -	\$ 10,161,081	\$ 10,679,390
Contributions	1,456,229	647,469	-	2,103,698	1,272,905
In-kind contributions - services and other	1,111,987	-	-	1,111,987	987,269
Investment income	255,974	-	-	255,974	367,907
Special events revenue	107,310	-	-	107,310	279,869
Realized and unrealized investment gains (losses)	1,624,749	-	-	1,624,749	(3,226,438)
Rental income	3,310	-	-	3,310	-
Net assets released from restrictions	544,939	(544,939)	-	-	-
Total public support, revenue and other income	15,265,579	102,530	-	15,368,109	10,360,902
Expenses					
Program services					
East Asian Pacific Affairs	9,847,542	-	-	9,847,542	698,827
African Affairs	4,111,121	-	-	4,111,121	3,034,708
Program service support	556,679	-	-	556,679	559,516
Western Hemisphere Affairs	348,584	-	-	348,584	7,079,573
Near Eastern Affairs	260,046	-	-	260,046	85,646
South Asian Affairs	44,322	-	-	44,322	69,495
European and Eurasian Affairs	11,910	-	-	11,910	22,630
Total program services	15,180,204	-	-	15,180,204	11,550,395
Supporting services					
Management and general	479,843	-	-	479,843	599,976
Fundraising	471,470	-	-	471,470	1,002,242
Total supporting services	951,313	-	-	951,313	1,602,218
Total expenses	16,131,517	-	-	16,131,517	13,152,613
Change in net assets	(865,938)	102,530	-	(763,408)	(2,791,711)
Transfers of net assets	200,000	20,000	(220,000)	-	-
Net assets - beginning of year	10,662,430	601,916	260,000	11,524,346	14,316,057
Net assets - end of year	\$ 9,996,492	\$ 724,446	\$ 40,000	\$ 10,760,938	\$ 11,524,346

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

Physicians for Peace Foundation
Statements of Functional Expenses

Year Ended December 31, 2009 with Comparative Totals for 2008

	Western Hemisphere Affairs	African Affairs	East Asian Pacific Affairs	European and Eurasian Affairs	Near Eastern Affairs	South Asian Affairs	Program Support	Program Expenses	Fundraising	Management and General	Supporting Services	Expenses Total	Total 2008
In-kind donations	\$ 183,528	\$ 3,082,285	\$ 9,747,290	\$ -	\$ -	\$ -	\$ -	\$ 13,013,103	\$ -	\$ -	\$ -	\$ 13,013,103	\$ 9,213,422
Donated services	90,312	681,179	49,628	7,885	218,626	28,117	-	1,075,747	-	-	-	1,075,747	976,425
Salaries and benefits	-	-	-	-	-	-	265,552	265,552	294,307	163,996	458,303	723,855	713,844
Travel	-	167,013	31,500	4,025	19,649	13,006	27,474	262,667	11,283	2,000	13,283	275,950	385,257
Consulting fees	-	159,634	-	-	-	-	37,499	197,133	-	-	-	197,133	370,559
Rent	-	-	-	-	-	-	-	-	-	83,377	83,377	83,017	83,017
Contract labor	55,596	6,900	-	-	-	-	40	62,536	10,900	-	10,900	73,436	69,144
Employer's portion of benefits	-	7,127	-	-	-	-	18,699	25,826	18,117	29,057	47,174	73,000	78,178
Warehouse support	-	-	-	-	-	-	59,522	59,522	-	-	-	59,522	36,779
Medical supplies and equipment	803	-	-	-	21,771	3,199	24,336	58,233	-	-	-	58,233	53,555
Warehouse rent and utilities	-	-	8,124	-	-	-	56,405	56,405	-	-	-	56,405	31,624
Payroll taxes	-	-	-	-	-	-	15,057	15,057	19,619	17,154	36,773	51,830	54,174
Investment expenses	-	-	-	-	-	-	-	-	-	49,813	49,813	49,813	58,700
Direct mail appeals	-	-	-	-	-	-	-	-	45,416	-	45,416	45,416	82,246
Special events	-	-	-	-	-	-	-	-	41,960	-	41,960	42,285	143,244
Public relations	-	325	-	-	-	-	35,102	35,427	634	-	634	36,061	45,381
Mission support	17,845	3,792	11,000	-	-	-	-	32,637	-	-	-	32,637	33,677
Office stationary and supplies	500	2,116	-	-	-	-	441	3,057	-	23,113	23,113	26,170	21,048
Equipment rental	-	-	-	-	-	-	-	-	-	20,289	20,289	20,289	19,900
Depreciation	-	-	-	-	-	-	-	-	-	19,767	19,767	19,767	19,954
Other office expense	-	-	-	-	-	-	-	-	-	8,269	16,934	19,292	13,031
Professional fees	-	-	-	-	-	-	2,358	2,358	8,665	18,325	18,325	18,325	22,280
Retirement	-	-	-	-	-	-	6,021	6,021	5,351	6,701	12,052	18,073	42,806
Telephone and telecommunication	-	-	-	-	-	-	7,848	7,848	8,023	1,501	9,524	17,372	33,588
Trustee expense	-	-	-	-	-	-	-	-	-	13,521	13,521	13,521	17,498
Repairs and maintenance	-	-	-	-	-	-	-	-	-	6,967	6,967	6,967	7,603
Dues and fees	-	-	-	-	-	-	-	-	-	5,940	5,940	5,940	3,833
Other insurance	-	-	-	-	-	-	-	-	-	5,009	5,009	5,009	24,237
Promotion and other	-	-	-	-	-	-	-	-	-	4,195	4,195	4,195	2,367
Delivery, freight, and postage	-	-	-	-	-	-	-	-	4,195	3,044	3,044	3,044	43,968
Uncollectible pledge expense	-	-	-	-	-	-	-	-	3,000	-	3,000	3,000	110,000
Advertising	-	750	-	-	-	-	-	-	-	-	-	750	5,721
Strategic plan development	-	-	-	-	-	-	-	-	-	-	-	-	178,855
Government relations	-	-	-	-	-	-	-	-	-	-	-	-	90,909
Collateral materials	-	-	-	-	-	-	-	-	-	-	-	-	54,435
Education	-	-	-	-	-	-	-	-	-	-	-	-	9,701
Gifts/flowers	-	-	-	-	-	-	-	-	-	-	-	-	1,815
Taxes and licenses	-	-	-	-	-	-	-	-	-	-	-	-	258

\$ 348,584 \$ 4,111,121 \$ 9,847,542 \$ 11,910 \$ 260,046 \$ 44,322 \$ 556,679 \$ 15,180,204 \$ 471,470 \$ 479,843 \$ 951,313 \$ 16,131,517 \$ 13,152,613

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

Physicians for Peace Foundation

Statements of Cash Flows

Years Ended December 31,	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (763,408)	\$ (2,791,711)
Adjustments to reconcile to cash from operating activities:		
Depreciation	19,767	19,954
Net realized and unrealized gains on investments	(1,624,749)	3,226,438
Reinvested interest and dividends	(252,293)	(364,124)
Uncollectible pledge expense	3,000	110,000
Change in:		
Contributions receivable	(3,746)	(37,407)
Interest receivable	(58)	1,184
Inventory	2,815,782	(1,468,112)
Deposits	(3,660)	(5,845)
Accounts payable and accrued expenses	(58,841)	74,433
Security deposit	1,600	-
Net cash from operating activities	133,394	(1,235,190)
Cash flows from investing activities		
Purchase of furniture and equipment	-	(7,679)
Proceeds from sale of investments	560,635	7,454,223
Purchase of investments	(1,001,389)	(5,989,674)
Net cash from investing activities	(440,754)	1,456,870
Net change in cash and cash equivalents	(307,360)	221,680
Cash and cash equivalents - beginning of year	866,834	645,154
Cash and cash equivalents - end of year	\$ 559,474	\$ 866,834

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

Physicians for Peace Foundation

Notes to Financial Statements

December 31, 2009

1. **Foundation and Nature of Activities**

Physicians for Peace Foundation (Foundation) is a private, not-for-profit, medical education organization founded in 1989 to further the cause of world peace and international friendship. The Foundation, which is based in Virginia, has conducted numerous medical education programs in various countries for the past two decades with a focus on teaching, long-term sustainability, and self-sufficiency.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation reports 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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Inventory

Inventory is composed primarily of pharmaceuticals, medical supplies, personal care items and other commodities and is stated at the lower of cost, determined using the average cost method of valuation, or market. Approximately \$623,000 or 96% of inventory at December 31, 2009 consisted of eye glasses and supplies for prosthetic limbs.

Investments

The Foundation's investments consist of various cash and cash equivalents, equity securities, and mutual funds maintained in different investment brokerage accounts. Also, included in the Foundation's investment portfolio is an approximately 7% interest in a limited liability company that actively owns and trades debt and equity securities and other financial instruments. The Foundation's investments are reported at their fair values. Unrealized and realized gains and losses on investments are recognized in the statement of activities as increases or decreases in unrestricted net assets.

Contributions

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Contributions receivable consist of unconditional promises to give that are expected to be collected in future years and are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Management reviews contributions receivable yearly to determine the need for any allowance. Once management determines that a receivable is unlikely to be collected, an allowance is provided. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that no allowance was needed as of December 31, 2009.

Furniture and Equipment

Furniture and equipment are recorded at cost, or if donated, such assets are capitalized at the estimated fair market value at the date of receipt. It is the Foundation's policy to capitalize all purchases of property and equipment above \$1,000. When assets are sold or otherwise disposed, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture	5 - 7 years
Software	5 years

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations unless designated by the Board of Trustees.

Unrestricted - board designated net assets consist of net assets designated by the Board of Trustees for use in building the quasi-endowment.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of assets whose use is stipulated by donors for specific operating purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permits the Foundation to expend the income generated in accordance with the provisions of the agreement.

In-Kind Contributions - Supplies

The Foundation receives donations of pharmaceuticals, medical supplies, personal care items and other commodities for use in relief and development programs. Such gifts are recorded at their estimated fair market value at the date of donation and were valued at \$10,161,081 during 2009.

Donated Services

The Foundation records donated services which consists of time spent by doctors, nurses, and other health practitioners in clinical and educational areas of the Foundation's programs. Donated services are recorded at the respective fair market values when the services are received and were valued at \$1,111,987 during 2009.

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 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. Actual results could differ from those estimates.

Advertising Costs

The Foundation follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for 2009 was \$750.

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, and pledge receivables.

At times, the Foundation has cash deposits in financial institutions in excess of the amount insured by agencies of the federal government. In monitoring this credit risk, the Foundation periodically evaluates the stability of these financial institutions.

At December 31, 2009, the Foundation's uninsured cash deposits and investments over the Federal Insurance Corporation (FDIC) limit of \$250,000 were approximately \$9,947,000. At December 31, 2009, four pledges represent 97% of the outstanding contributions receivable balance.

Functional Allocation of Expenses

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

Tax Status

The Foundation has been granted exemption by the Internal Revenue Service (IRS) from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation did not have any unrelated business income for 2009.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by fund. 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 Foundation's detailed financial statements for 2008 from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 27, 2010, the date the financial statements were available to be issued.

3. Contributions Receivable

Contributions receivable consist of unconditional promises to give. Contributions receivable are as follows:

Amounts due in:	
Less than one year	\$ 35,200
One to five years	55,000
	<hr/> 90,200
Less - discount	(1,927)
	<hr/>
Total contributions receivable	\$ 88,273

The discount is calculated using risk free rates ranging from of .82% - 4.92%

4. Investments

Investments consist of the following:

Cash equivalents	\$ 324,086
Mutual funds	2,127,306
Equity securities	969,382
Managed investments	6,076,231
	<hr/>
	\$ 9,497,005

Investment return consists of the following:

Interest and dividends	\$ 252,293
Realized gains (losses)	(371,006)
Unrealized gains (losses)	1,995,755
	<hr/>
Total	\$ 1,877,042

Investment fees were \$49,813 for 2009.

Proceeds, gross gains and losses realized from the sales of securities were as follows:

Proceeds	\$	560,635
Gross gains	\$	184,030
Gross losses	\$	555,036

5. Fair Value Measurements

The Foundation follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (levels 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation's financial instruments consisted the following at December 31, 2009:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ 324,086	\$ -	\$ -	\$ 324,086
Equity securities	969,382	-	-	969,382
Mutual funds	2,127,306	-	-	2,127,306
Managed investments	-	6,076,231	-	6,076,231
Contributions receivable	-	-	88,273	88,273
	<u>\$ 3,420,774</u>	<u>\$ 6,076,231</u>	<u>\$ 88,273</u>	<u>\$ 9,585,278</u>

Fair value for level 1 is based upon quoted market prices. Fair value for level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

The Foundation has determined that the managed investments are level 2 inputs. The investments are held within a limited liability company and the value the investments are its proportionate share of the total portfolio of the assets. The managed investments consist of traditional investment securities which are presented on the limited liability company's audited financial statements ranging from a level 1 to level 2. There are no alternative investments, and management of the Foundation is of the belief that the fair values of the managed investments are based on quoted prices for similar instruments in active markets. Level 3, primarily consists of contribution receivables which are discounted to reflect the time value of money. Annually, management reviews the receivables for collectibility and determines an appropriate discount rate based upon market conditions.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table is a rollforward of the statement of financial position amounts for financial instruments classified by the Foundation within level 3 of the valuation hierarchy defined above:

Fair value January 1, 2009	\$ 87,527
New contribution receivables	25,000
Contribution receivable payments	(25,200)
Write-offs of contributions receivable	(3,000)
Change in discount	3,946
	<hr/>
Fair value December 31, 2009	\$ 88,273

6. Furniture and Equipment

Furniture and equipment consist of the following:

Equipment	\$ 16,504
Furniture	28,931
Software	63,949
	<hr/>
	109,384
Less - accumulated depreciation	(96,784)
	<hr/>
	\$ 12,600

Depreciation expense for 2009 was 19,767.

7. Commitments

The Foundation has operating leases for office equipment and the facility it uses. Minimum rental payments under the noncancelable operating leases are as follows:

2010	\$ 113,277
2011	36,404
2012	<u>15,264</u>
	<u>\$ 164,945</u>

Rent expense for 2009 was \$154,325.

In order to minimize its cost, the Foundation subleases a portion of its warehouse to a tenant. The operating lease is for a term of one year at \$800 per month expiring August 2010. Sublease income from this agreement was \$3,310 during 2009.

8. Net Assets

Net assets consist of the following:

Unrestricted:	
Unrestricted	\$ 539,487
Unrestricted - board designated	<u>9,457,005</u>
Total unrestricted	<u>\$ 9,996,492</u>
Temporarily restricted:	
Time restricted pledges:	\$ 88,273
Program specific:	
Western Hemisphere	231,677
African Affairs	212,780
General program	156,247
South Asian	15,599
East Asian Pacific	12,444
Near Eastern Affairs	<u>7,426</u>
Total temporarily restricted	<u>\$ 724,446</u>
Permanently restricted:	
General endowment	<u>\$ 40,000</u>

9. Employee Retirement Plan

The Foundation maintains a 403(b) defined contribution retirement plan for eligible employees. All employees who are 18 years of age and older are eligible for the plan after one year of service. Employees may contribute 20% of gross salary subject to maximum amounts allowable under the Internal Revenue Code. The Foundation will match an additional 2.5% of an employee's contribution. The Foundation incurred \$18,073 in pension expense for 2009.

10. Net Assets Released from Restrictions

During 2009, \$544,939 of net assets were released from restrictions by incurring expenses satisfying the restricted purposes.

11. Endowment Funds

The Foundation's endowment consists of funds which are included in investments. These funds are donor-restricted endowment funds and were established for a variety of purposes. As required by U.S. Generally Accepted Accounting Principles (GAAP), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor intent and the organization's overall resources and charitable purpose. Based on their interpretation of law and in compliance with donor intent, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment.

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 Foundation in a manner consistent with the standard of prudence prescribed by the state UPMIFA law. The Foundation appropriates expenditures from time-to-time as a specific need arises. Previously, accumulations on endowment funds with no purpose restriction were classified as unrestricted net assets. The interpretation of the new law did not result in any reclassifications from unrestricted net assets due to the Foundation having previously expended all earnings from the endowment assets.

A summary of the activity in endowment fund for the year ended December 31, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (54,890)	\$ -	\$ 260,000	\$ 205,110
Investment return:				
Investment income	5,775	-	-	5,775
Net appreciation (realized and unrealized gain)	54,890	-	-	54,890
Total investment return	60,665	-	-	60,665
Appropriation of endowment:				
Assets for expenditures	(5,775)	-	-	(5,775)
Other changes:				
Transfers	-	-	(220,000)	(220,000)
Endowment net assets, end of year	\$ -	\$ -	\$ 40,000	\$ 40,000

In accordance with state UPMIFA law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (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 Foundation, and (7) the investment policies of the Foundation.

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the executive committee, the endowment assets are invested in a manner that is intended to maximize long-term growth using a balanced approach with less than full stock market risk and volatility.

To satisfy its long-term rate-of-return objectives, the Foundation 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).

12. Transfers of Net Assets

During 2009, \$20,000 was transferred from the endowment fund to temporarily restricted net assets per the donor's consent. Furthermore, \$200,000 was transferred to board designated - unrestricted from the permanently restricted endowment. This transfer was necessary based on a further review of the limited documentation obtained with the original gift. The original documentation does not contain a permanent restriction as originally interpreted.

13. Effect of Current Economic Conditions on Contributions and Grants

The Foundation received approximately 87% of its revenues from contributions in 2009. Approximately \$70,000 was contributed by board members of the Foundation. Five donors accounted for 70% of all cash contributions and three companies contributed 86% of the total in-kind contributions - supplies during the year. The ability of certain Foundation contributors to continue providing amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions. While management believes the Foundation has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

14. Subsequent Events

During 2010, the Foundation signed a four-year agreement worth approximately \$30,000 for the licensing rights in order to continue use of its accounting and fundraising software. Additionally, the Foundation signed a six-year lease for use of an office facility commencing August 2010 for approximately \$95,000 per year.

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