

WILD SALMON CENTER

**Audited Consolidated
Financial Statements**

**For the Years Ended
December 31, 2010 and 2009**



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA

Susan J. Marks, CPA

Mark A. Clift, CPA

Karin S. Wandtke, CPA

Sang Ahn, CPA

*Jill Oswald
Principal*

*Dennis C. Johnson, CPA
of counsel*

*James R. McDonald, CPA
of counsel*

To the Board of Directors
Wild Salmon Center
Portland, Oregon

We have audited the accompanying consolidated statements of financial position of Wild Salmon Center (a nonprofit organization) as of December 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Wild Salmon Center'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Wild Salmon Center 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 of America.

McDonald Jacobs, P.C.

March 18, 2011

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 3,368,953	\$ 3,629,100
Cash held for purchase of land	-	198,256
Investments	25,263	-
Investments held for purchase of land	-	309,375
Accounts receivable	2,812	3,905
Pledges receivable, net	796,983	1,315,362
Prepaid expenses, deposits, and supplies	262,450	54,200
Property and equipment, net	<u>109,487</u>	<u>156,172</u>
 TOTAL ASSETS	 <u>\$ 4,565,948</u>	 <u>\$ 5,666,370</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 276,330	\$ 232,572
Deferred revenue	-	2,743
Note payable	<u>31,886</u>	<u>68,398</u>
Total liabilities	<u>308,216</u>	<u>303,713</u>
Net assets:		
Unrestricted:		
Undesignated	878,445	955,506
Property and equipment, net	64,673	61,046
Board designated	<u>775,000</u>	<u>775,000</u>
Total unrestricted	<u>1,718,118</u>	<u>1,791,552</u>
Temporarily restricted:		
Time and purpose restricted	2,526,686	3,544,377
Restricted property and equipment, net	<u>12,928</u>	<u>26,728</u>
Total temporarily restricted	<u>2,539,614</u>	<u>3,571,105</u>
 Total net assets	 <u>4,257,732</u>	 <u>5,362,657</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,565,948</u>	 <u>\$ 5,666,370</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Grants and contributions	\$ 761,020	\$ 4,277,738	\$ 5,038,758	\$ 718,792	\$ 5,828,986	\$ 6,547,778
Program revenue	-	80,351	80,351	-	28,827	28,827
Donated materials and services	34,874	115,506	150,380	29,359	113,831	143,190
Interest income	10,070	10,018	20,088	12,648	12,167	24,815
Net realized/ unrealized gains (losses)	(48)	(1,323)	(1,371)	(24)	7,096	7,072
Other income	6,777	-	6,777	3,397	-	3,397
Net assets released from restrictions:						
Satisfaction of purpose restrictions	5,513,781	(5,513,781)	-	5,321,459	(5,321,459)	-
Total revenue	<u>6,326,474</u>	<u>(1,031,491)</u>	<u>5,294,983</u>	<u>6,085,631</u>	<u>669,448</u>	<u>6,755,079</u>
Expenses:						
Program services:						
North America Program	1,381,740	-	1,381,740	1,044,460	-	1,044,460
Western Pacific Network	2,825,642	-	2,825,642	3,037,355	-	3,037,355
Sustainable Fisheries and Markets	572,019	-	572,019	319,460	-	319,460
Conservation Science	600,446	-	600,446	713,193	-	713,193
Total program services	<u>5,379,847</u>	<u>-</u>	<u>5,379,847</u>	<u>5,114,468</u>	<u>-</u>	<u>5,114,468</u>
General and administrative	449,866	-	449,866	510,268	-	510,268
Development and fundraising	570,195	-	570,195	489,173	-	489,173
Total expenses	<u>6,399,908</u>	<u>-</u>	<u>6,399,908</u>	<u>6,113,909</u>	<u>-</u>	<u>6,113,909</u>
Change in net assets from operations	(73,434)	(1,031,491)	(1,104,925)	(28,278)	669,448	641,170
Land contributed to land trust	-	-	-	(936,241)	-	(936,241)
Change in net assets	(73,434)	(1,031,491)	(1,104,925)	(964,519)	669,448	(295,071)
Net assets:						
Beginning of year	<u>1,791,552</u>	<u>3,571,105</u>	<u>5,362,657</u>	<u>2,756,071</u>	<u>2,901,657</u>	<u>5,657,728</u>
End of year	<u>\$ 1,718,118</u>	<u>\$ 2,539,614</u>	<u>\$ 4,257,732</u>	<u>\$ 1,791,552</u>	<u>\$ 3,571,105</u>	<u>\$ 5,362,657</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from grants, contracts, and contributions	\$ 5,557,137	\$ 6,509,437
Other cash receipts	88,221	37,666
Interest received	20,088	31,887
Cash paid to employees and suppliers	(6,332,806)	(5,993,818)
Cash paid for interest	<u>(2,697)</u>	<u>(6,474)</u>
Net cash provided by (used in) operating activities	<u>(670,057)</u>	<u>578,698</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	305,433	184,951
Purchases of investments	(22,692)	(499,768)
Additions to property and equipment	<u>(34,575)</u>	<u>(17,996)</u>
Net cash provided by (used in) investing activities	<u>248,166</u>	<u>(332,813)</u>
Cash flows from financing activities:		
Cash held for purchase of land	-	198,256
Principal payments on note payable	<u>(36,512)</u>	<u>(67,699)</u>
Net cash provided by (used in) financing activities	<u>(36,512)</u>	<u>130,557</u>
Net increase (decrease) in cash and cash equivalents	(458,403)	376,442
Cash and cash equivalents - beginning of year	<u>3,827,356</u>	<u>3,450,914</u>
Cash and cash equivalents - end of year	<u><u>\$ 3,368,953</u></u>	<u><u>\$ 3,827,356</u></u>
Cash and cash equivalents	\$ 3,368,953	\$ 3,629,100
Cash held for purchase of land	<u>-</u>	<u>198,256</u>
	<u><u>\$ 3,368,953</u></u>	<u><u>\$ 3,827,356</u></u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (1,104,925)	\$ (295,071)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,856	100,993
Loss on sale and disposition of property and equipment	1,404	1,089
Net realized/unrealized (gain) loss on investments	1,371	5,442
Land contributed to land trust	-	936,241
Funds received for purchase of land	-	(198,256)
(Increase) decrease in:		
Accounts and pledges receivable	519,472	157,172
Prepaid expenses, deposits, and supplies	(208,250)	9,059
Increase (decrease) in:		
Accounts payable and accrued expenses	43,758	(140,714)
Deferred revenue	<u>(2,743)</u>	<u>2,743</u>
Net cash provided by (used in) operating activities	<u><u>\$ (670,057)</u></u>	<u><u>\$ 578,698</u></u>

See notes to consolidated financial statements.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wild Salmon Center (the Organization or WSC), founded in 1992, is an incorporated association whose mission is to identify, understand and protect the best wild salmon ecosystems of the Pacific Rim. The Organization devises and implements practical strategies, based on the best science, to protect forever these extraordinary places and their biodiversity. The Organization's Board of Directors and staff include experts in salmon management and conservation from Russia and the United States. The Organization receives support primarily from public and private foundations. Two grantors provided approximately 57% of WSC's support for 2010 and three grantors provided approximately 58% of WSC's support for 2009.

The Organization's primary programs include:

- **North America Program:** The North America Program conducts conservation activities in the states of Oregon, Washington, and Alaska while cultivating partnerships in California, Idaho, and British Columbia, Canada. Through extensive collaboration with public and private partners, the Program focuses on building and leading diverse coalitions to ensure the long-term abundance, viability, and diversity of North America's strongest remaining salmon populations. Projects range from leadership on community-based conservation in the Olympic Peninsula (Washington) to actively opposing threats posed by resource extraction activities in the Nushagak/Kvichak (Alaska) and Tillamook (Oregon) strongholds. In addition to these 'place based' activities, the North America Program's principal effort is leading development of the North American Salmon Stronghold Partnership (NASSP). Designed as a complement to ongoing investments in salmon recovery, NASSP is a public-private partnership conceived to accelerate the protection and restoration of the best remaining North American salmon ecosystems.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Organization, Continued

- **Western Pacific Network:** The Western Pacific Network is working to ensure effective long-term protection of network sites in Russia. This program conducts conservation activities in Kamchatka, on Sakhalin Island, in the Russian Far East, and is in the early stages on the island of Hokkaido in Japan. Principal activities of the Network include protected area designation and management in Kamchatka, establishment of and long-term protection for habitat in the Russian Far East and in Japan, and the empowerment of local stakeholders in these areas so that they can be effective in their conservation efforts.
- **Sustainable Fisheries and Markets:** The Sustainable Fisheries and Markets program is working to employ market-based approaches to support sustainable fisheries in the Western Pacific.
- **Conservation Science:** The Conservation Science program is working to establish salmon stronghold priorities, which will drive agenda setting for non-governmental organizations, governmental bodies and scientific institutions. WSC is developing a Salmon Conservation Toolkit to analyze river basins at the global, regional and local scales. The toolkit will address the needs for effective conservation planning, decision support, and prioritizations. The Organization is also building, through the State of the Salmon, wild salmon management goals and principals, and establishing standards to be adopted by governments, regional governmental entities and non-governmental organizations, which will be sufficient to ensure the long term abundance, diversity and sustainability of wild Pacific salmon.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Consolidated Financial Presentation

The consolidated financial statements include the accounts of Wild Salmon Center WSC and North Pacific Salmon Trust (collectively, the Organization), a nonprofit organization established to facilitate one of WSC's programs. All inter-organization transactions and balances have been eliminated.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less, at the time of purchase, to be cash equivalents.

Investments

Investments in marketable securities are stated at fair market value.

Accounts and Pledges Receivable

Accounts and pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to the change in net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. At December 31, 2010 and 2009 all amounts were deemed collectible, therefore there is no allowance.

Property and Equipment

Additions to property and equipment with values exceeding \$500 are capitalized. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred Revenue

Income from contract advances is deferred and recognized over the periods during which the work is performed.

Grants and Contributions

Grants and other contributions of cash and other assets are reported as unrestricted support unless they are received with donor restrictions that limit their use. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Materials and Services

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Organization's activities.

The Organization reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. Donated professional services approximating \$138,000 and \$139,000 were charged to program expenses for the years ended December 31, 2010 and 2009, respectively.

Many of the Organization's daily operation are staffed by volunteers. These volunteer services, which have not been recognized in the accompanying financial statements since the criteria for recording these contributed services have not been met, totaled approximately 1,440 and 2,400 hours in 2010 and 2009, respectively.

Functional Allocation of Expenses

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

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Taxes

Wild Salmon Center and North Pacific Salmon Trust are exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and applicable state law. There is no provision for income taxes in the accompanying financial statements as the Organizations have no activities subject to unrelated business income tax. The Organizations are not private foundations.

Self Funded Unemployment Insurance

The Organization is self insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as prepaid expenses and are reduced by claims outstanding at year end.

Reclassifications

Certain amounts in the 2009 financial statements were reclassified to conform to the current year presentation. The most significant reclassifications relate to the Conservation Finance and Government Affairs program expenses totaling \$612,838 which were reclassified: \$222,520 to the North America Program and \$390,318 to Western Pacific Network.

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.

Subsequent Events

The Organization has evaluated all subsequent events through March 18, 2011, the date the financial statements were available to be issued.

2. INVESTMENTS

Investments at December 31, 2010 and 2009 consist of municipal bonds and are carried at fair value. At December 31, 2009, the investments were restricted for the purchase of land. At December 31, 2010, the investments are unrestricted.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

3. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2010 and 2009 are unsecured and due as follows:

	<u>2010</u>	<u>2009</u>
Due within one year	\$ 739,843	\$ 1,160,562
Due in two to five years	<u>60,000</u>	<u>170,000</u>
	799,843	1,330,562
Less discount on long-term pledges	<u>2,860</u>	<u>15,200</u>
Net pledges receivable	\$ <u>796,983</u>	\$ <u>1,315,362</u>

Long-term pledges are discounted to present value at a rate of 5%.

Conditional multi-year grants contingent on performance and matching requirements approximate \$650,000 at December 31, 2010, and accordingly, are not reported in the consolidated financial statements. The grants will be recorded as revenue when the conditions have been substantially met.

4. PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Office furniture and equipment	\$ 177,703	\$ 164,131
Computer equipment	322,333	312,449
Leasehold improvements	50,232	42,356
Expedition equipment	<u>5,977</u>	<u>5,977</u>
	556,245	524,913
Less accumulated depreciation	<u>446,758</u>	<u>368,741</u>
Net property and equipment	\$ <u>109,487</u>	\$ <u>156,172</u>

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

5. NOTE PAYABLE

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

	<u>2010</u>	<u>2009</u>
Note payable to Wells Fargo Bank in monthly installments of \$3,273 including interest at 5.25%, through November 2011; secured by furniture and equipment.	\$ <u>31,886</u>	\$ <u>68,398</u>

Current maturities of note payable are as follows:

December 31, 2011	\$ <u>31,886</u>
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6. CONDITIONAL GRANTS PAYABLE

WSC has conditional multi-year sub-grants contingent on performance and other requirements. Future obligations under these grant agreements approximated \$296,000 at December 31, 2010, and accordingly, are not reported in the consolidated financial statements. The obligation will be recorded when the conditions have been substantially met.

7. BOARD DESIGNATED NET ASSETS

Board designated net assets are held as an Operating Reserve Fund and totaled \$775,000 at December 31, 2010 and 2009.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted to the following programs:

	<u>2010</u>	<u>2009</u>
Conservation Science	\$ 638,190	\$ 340,180
Sustainable Fisheries and Markets	428,713	716,155
West Pacific Network	1,178,114	1,667,893
North America Program	<u>294,597</u>	<u>846,877</u>
Total temporarily restricted net assets	\$ <u>2,539,614</u>	\$ <u>3,571,105</u>

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

9. LAND CONTRIBUTED TO LAND TRUST

During 2004, the Organization acquired 255 acres of land along Elk Creek in Clallam County, Washington. The land was carried at cost and subject to restrictive covenants which require that it be used only for salmon recovery and conservation purposes. The land was donated to the North Olympic Land Trust in June of 2009, and is reported as a non-operating expense in the Organization's statement of activities.

10. RELATED PARTY TRANSACTIONS

The Organization has a contract with one organization in which a Board member serves on both WSC's Board and the contracting organization's Board. In addition, WSC also has a contract with a company that sub-grants to an organization that is managed by an employee's son. The Organization had contract service expenses to these two entities totaling \$87,200, of which approximately \$19,000 was payable at December 31, 2010. Also, WSC purchased approximately \$9,900 of equipment from a company owned by an employee. Additionally, amounts totaling \$11,400 for consulting fees were paid to a Board member during both 2010 and 2009.

Board members contribute to the Organization. Contributions from these individuals totaled \$180,000 in 2010 (\$175,000 receivable) and \$235,000 in 2009 (\$25,000 receivable).

11. EMPLOYEE BENEFIT PLANS

The Organization has defined contribution salary deferral plans (401(k) and 403(b)) covering all full-time employees based in the United States. Under the plans, these employees are eligible to contribute to one of the plans after six months of employment. Employees may contribute up to the statutory limit of their pre-tax earnings each period and the Organization will match employee contributions up to seven percent. The Organization's contributions to the plans during 2010 and 2009 were \$102,428 and \$103,089, respectively.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

12. LEASE COMMITMENTS

The Organization leases its Portland office facilities under two agreements expiring September 30, 2010 (Suite 290) and July 31, 2011 (Suite 300). Monthly base rent for the main office area, (Suite 300, is \$8,740 and is subject to an annual rate increase equal to the Consumer Price Index. Monthly rent for Suite 290 is \$1,320. Beginning October 1, 2010 Suite 290 continued to be leased on a month-to-month basis. The Organization also leases various office equipment under operating leases expiring between 2011 and 2014. The Organization also leases additional space and equipment on a month-to-month basis and short-term leases.

Total rent expense approximated \$135,000 and \$175,000 for 2010 and 2009, respectively.

Approximate future minimum lease payments under non-cancelable leases are as follows:

Years ending December 31, 2011	\$	70,480
2012		625
2013		625
2014		<u>200</u>
	\$	<u>71,930</u>

13. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances in excess of insured limits were approximately \$1,795,000 and \$2,135,000 at December 31, 2010 and 2009, respectively.

Credit risk for pledges receivable is concentrated as well with 70% (four organizations) and 60% (three organizations) comprising the balances December 31, 2010 and 2009, respectively. In addition, the majority of the balances are receivable from organizations and individuals located within the same geographic region and are unsecured.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010 and 2009

14. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	<u>Fair value</u>	<u>Level 1</u>
<u>2010</u>		
Investments - municipal bonds	\$ 25,263	\$ 25,263
<u>2009</u>		
Investments - municipal bonds	309,375	309,375

Fair value of municipal bonds is determined by reference to quoted market prices and other relevant information generated by market transactions.