THE CORPORATION FOR JEFFERSON'S POPLAR FOREST AND SUBSIDIARY

FINANCIAL REPORT

December 31, 2011

CONTENTS

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Corporation for Jefferson's
Poplar Forest and Subsidiary
Forest, Virginia

We have audited the accompanying consolidated statements of financial position of The Corporation for Jefferson's Poplar Forest and Subsidiary (the "Corporation") as of December 31, 2011 and 2010, and the related consolidated statements of activity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Corporation for Jefferson's Poplar Forest and Subsidiary as of December 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
June 13, 2012

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THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 360,276	$ 274,441
Investments (Note 4)	1,603,815	1,699,811
Contributions receivable, net of allowance for uncollectible contributions, $5,000 in 2011 and 2010 (Note 3)	6,343	17,976
Inventory	122,102	114,984
Other assets	85,369	140,248
Total current assets	2,177,905	2,247,460
CONTRIBUTIONS RECEIVABLE, long-term (Note 3)	1,849	3,174
PROPERTY AND EQUIPMENT, net (Notes 5 and 7)	12,660,908	12,742,214
HISTORIC COLLECTIONS	209,713	209,713
	$ 15,050,375	$ 15,202,561
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 100,395	$ 48,265
Line of credit (Note 6)	238,000	50,000
Current maturities of long-term debt (Note 7)	36,857	37,154
Accrued expenses	91,900	82,818
Total current liabilities	467,152	218,237
LONG-TERM DEBT, net of current maturities (Note 7)	890,157	927,031
Total liabilities	1,357,309	1,145,268
NET ASSETS		
Unrestricted:		
Current operations	11,786,388	12,069,722
Funds functioning as endowment (Note 8)	1,237,724	1,324,084
Total unrestricted net assets	13,024,112	13,393,806
Temporarily restricted (Note 2)	555,294	549,827
Permanently restricted (Notes 2 and 8)	113,660	113,660
Total net assets	13,693,066	14,057,293
	$ 15,050,375	$ 15,202,561

The Notes to Consolidated Financial Statements
are an integral part of these statements.

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITY
Years Ended December 31, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Gifts	$ 760,083	$ 247,325	$ -	$ 1,007,408	$ 673,300	$ 109,979	$ 50,000	$ 833,279
Government grants	94,468	5,989	-	100,457	192,345	-	-	192,345
Change in discount of contributions receivable	-	690	-	690	-	891	-	891
Visitation	392,110	-	-	392,110	366,254	-	-	366,254
Rental property (Note 9)	197,135	-	-	197,135	206,011	-	-	206,011
Investment income	29,577	2,410	-	31,987	28,318	202	-	28,520
Net unrealized and realized gains (losses) on investments	(56,946)	(38)	-	(56,984)	54,950	651	-	55,601
Miscellaneous	14,833	-	-	14,833	21,388	-	-	21,388
Loss on sale of property and equipment	(2,557)	-	-	(2,557)	(1,782)	-	-	(1,782)
Uncollectible contributions	-	-	-	-	(750)	-	-	(750)
Net assets released from restrictions:								
Satisfaction of program restrictions	239,909	(239,909)	-	-	219,658	(219,658)	-	-
Expiration of time restrictions	11,000	(11,000)	-	-	22,481	(22,481)	-	-
Total support and revenue	1,679,612	5,467	-	1,685,079	1,782,173	(130,416)	50,000	1,701,757
EXPENSES								
Program:								
Restoration	747,156	-	-	747,156	752,287	-	-	752,287
Visitation/interpretation	740,723	-	-	740,723	720,435	-	-	720,435
Supporting:								
Rental properties	129,040	-	-	129,040	143,300	-	-	143,300
Administrative	110,858	-	-	110,858	122,247	-	-	122,247
Public relations	75,983	-	-	75,983	87,449	-	-	87,449
Fundraising	245,546	-	-	245,546	258,016	-	-	258,016
Total expenses	2,049,306	-	-	2,049,306	2,083,734	-	-	2,083,734
CHANGE IN NET ASSETS	(369,694)	5,467	-	(364,227)	(301,561)	(130,416)	50,000	(381,977)
NET ASSETS								
Beginning	13,393,806	549,827	113,660	14,057,293	13,695,367	680,243	63,660	14,439,270
Ending	$ 13,024,112	$ 555,294	$ 113,660	$ 13,693,066	$ 13,393,806	$ 549,827	$ 113,660	$ 14,057,293

The Notes to Consolidated Financial Statements are an integral part of these statements.

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (364,227)	$ (381,977)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-cash gifts	(28,489)	(39,854)
Non-cash expenses	14,075	27,991
Depreciation	268,375	260,937
Loss on sale of property and equipment	2,557	1,782
Realized and unrealized (gains)/losses on investments	56,984	(55,601)
Contributions restricted for investment in endowment	-	(50,000)
Decrease (increase) in:		
Contributions receivable	12,958	34,375
Inventory	(7,118)	(28,175)
Other assets	54,879	(13,981)
Increase (decrease) in:		
Accounts payable	3,598	10,693
Accrued expenses	9,082	5,494
Net cash provided by (used in) operating activities	22,674	(228,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of investments	39,012	778,874
Proceeds from sale of property and equipment	1,385	-
Purchase of property and equipment, including collections	(128,065)	(302,818)
Net cash provided by (used in) investing activities	(87,668)	476,056
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from (payments on) line of credit, net	188,000	(110,000)
Principal payments on long-term debt	(37,171)	(35,113)
Contributions restricted for investment in endowment	-	50,000
Net cash provided by (used in) financing activities	150,829	(95,113)
Net increase in cash and cash equivalents	85,835	152,627
CASH AND CASH EQUIVALENTS		
Beginning	274,441	121,814
Ending	$ 360,276	$ 274,441
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 60,912	$ 61,739
NONCASH INVESTING ACTIVITY		
Gifts of property, including collections	$ 14,414	$ 11,863
Amounts in accounts payable for property and equipment	$ 59,010	$ 10,478

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

The mission of The Corporation for Jefferson's Poplar Forest (the "Corporation") is to preserve Thomas Jefferson's plantation and retreat for the educational and cultural benefit of the public and to inspire people to address the issues of today with Jefferson's spirit of creativity and curiosity. The Corporation solicits individuals, corporations, and foundations for contributions and grants.

The consolidated financial statements of the Corporation have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

<u>Principles of consolidation</u>:

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Poplar Forest Swim and Tennis Club, Inc. The Swim and Tennis Club was operating on the tract of land immediately west of the Jefferson house prior to 1993 when the Corporation purchased that historic property. All significant intercompany transactions have been eliminated in consolidation.

<u>Estimates</u>:

The preparation of the consolidated financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from the estimates that were used.

<u>Classification of net assets</u>:

The Corporation's net assets have been grouped into the following three classes:

Unrestricted Net Assets – Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, recognizing unrealized and realized gains and losses, and receiving dividends and interest from investing in income-producing assets; less expenses incurred in providing services, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets – Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations.

Permanently Restricted Net Assets – Permanently restricted net assets generally result from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire nor can be fulfilled or otherwise removed by the Corporation.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Classification of gifts:

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

The Corporation reports gifts of land, buildings, and equipment 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 Corporation reports expirations of donor restrictions as unrestricted when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Corporation considers cash and cash equivalents to include cash on hand and temporary investments purchased with an original maturity of three months or less.

The Foundation maintains deposits in financial institutions that at times exceed amounts covered by the U. S. Federal Deposit Insurance Corporation (FDIC). Management believes no significant risk exists with respect to these deposits.

Investments:

Investments are recorded at market value as of the balance sheet date. Net unrealized and realized gains and losses are reflected in the statement of activity. Gifts of investments are recorded at their fair value as of the date of gift.

Inventory:

Inventory of the Museum Shop is stated at the lower of cost or market on a first-in, first-out basis.

Property and equipment:

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts, less accumulated depreciation. Restoration costs are capitalized and depreciated while repairs and maintenance are charged to expense in the year incurred. The original costs of historic buildings are not depreciated. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Historic collections:

Works of art, antiques, and historical treasures are recorded at cost, if purchased or at their fair value at the date of gift. These collections do not include archaeological or architectural artifacts.

Contributed services:

A substantial number of unpaid volunteers have made significant contributions of their time to the Corporation as docents, laboratory assistants, and administrative assistants. The value of such services has not been determined and is not included in these financial statements.

Allocation of expenses:

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

Income taxes:

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Corporation has been classified as an organization that is not a private foundation under Section 509(a)(2). The wholly owned subsidiary is subject to federal and state income taxes. The subsidiary has a net operating loss carryforward of approximately $150,000 with expirations ranging from 2012 to 2031. For deferred tax purposes, a 100% valuation allowance has been recorded against the deferred tax asset. The Corporation's income tax and information returns for 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service.

Fair value disclosures:

Certain financial assets and liabilities are measured and reported on a fair value basis. Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The principles establish a fair value hierarchy that prioritizes each input to the valuation method used to measure fair value into one of the following three broad levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events:

Management has evaluated subsequent events through June 13, 2012, the date the financial statements were available to be issued.

Reclassifications:

Certain amounts in the 2010 financial statements have been reclassified to conform to the current year's presentation.

Note 2. Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2011	2010
Historical preservation and restoration	$ 405,084	$ 475,247
Archaeological research and interpretation	73,586	39,190
Visitor services	73,432	-
Promotional initiatives	1,000	-
Educational initiatives	-	5,555
Land acquisition	-	18,263
For periods after December 31, 2011	2,192	-
For periods after December 31, 2010	-	11,572
	$ 555,294	$ 549,827

Permanently restricted net assets consist of the following:

	2011	2010
Endowment investments	$ 63,660	$ 63,660
Antique tool collection held in perpetuity	50,000	50,000
	$ 113,660	$ 113,660

Note 3. Contributions Receivable

Contributions receivable are due as follows:

	2011	2010
Less than one year	$ 11,350	$ 23,578
One to five years	1,940	3,360
	13,290	26,938
Allowance for uncollectible contributions	(5,000)	(5,000)
Discount calculated at 2%	(98)	(788)
	$ 8,192	$ 21,150

(Continued)

Note 3. Contributions Receivable (Continued)

Approximately 75% of contributions receivable was due from two donors at December 31, 2011.

The Corporation has received other promises to give which are not recorded as receivables until certain expenses are incurred or matching contributions are received. These conditional promises consist of five grants with original awards totaling $614,064. The conditional portion of these grants remaining at December 31, 2011 totaled $345,900.

Note 4. Investments

Investments are stated at fair market value, generally based on quoted prices in active markets (Level 1 inputs, except for corporate bonds and certificates of deposit, which are Level 2 inputs) and are summarized as follows as of December 31:

	2011			2010		
	Cost	Fair Value	Unrealized Gains (Losses)	Cost	Fair Value	Unrealized Gains (Losses)
Endowment:						
Equity securities	$ 729,887	$ 758,005	$ 28,118	$ 743,567	$ 787,993	$ 44,426
Government bonds	120,713	126,384	5,670	128,070	123,680	(4,390)
Corporate obligations	135,994	131,737	(4,257)	139,259	135,144	(4,115)
Mutual funds:						
Equity	72,219	62,825	(9,394)	62,827	65,935	3,108
Bonds	136,920	127,582	(9,338)	127,028	123,666	(3,362)
Commodities	65,264	63,038	(2,226)	63,043	73,364	10,321
Short-term investments	31,813	31,813	-	80,029	80,029	-
	1,292,810	1,301,384	8,573	1,343,823	1,389,811	45,988
Other investments:						
Government bonds	-	-	-	310,000	310,000	-
Certificates of deposit	300,000	300,479	479	-	-	-
Short-term investments	1,952	1,952	-	-	-	-
	301,952	302,431	479	310,000	310,000	-
	$ 1,594,762	$ 1,603,815	$ 9,052	$ 1,653,823	$ 1,699,811	$ 45,988

Investment fees of $12,042 and $5,465 were paid during 2011 and 2010, respectively. Short-term investments are primarily invested in liquid investments with a securities company.

(Continued)

Note 5. Property and Equipment

Property and equipment consists of the following:

	2011	2010
Land and improvements	$ 6,283,330	$ 6,255,831
Buildings	9,387,917	9,358,712
Furniture, fixtures, and equipment	641,941	647,777
Vehicles	24,204	24,204
Construction in progress	106,370	-
	16,443,762	16,286,524
Less accumulated depreciation	3,782,854	3,544,310
	$ 12,660,908	$ 12,742,214

Historic buildings with a cost of $800,670 are not depreciated. Labor and benefits capitalized in property and equipment totaled $35,545 and $18,458 for the years ended December 31, 2011 and 2010, respectively.

Note 6. Line of Credit

At December 31, 2011, the Corporation had a line of credit with a bank which provided for short-term borrowings up to $1,000,000 at an interest rate of LIBOR plus 1.75% (effective rate 2.82%), subject to a minimum rate of 2.75%. This line is unsecured and requires the Corporation to maintain a minimum tangible net worth of $10,000,000 and unrestricted cash and marketable securities of at least $1,000,000 at all times. The line was in the process of being renewed at the date that the financial statements were available to be issued. Interest expense on the line totaled $6,315 and $5,909 for the years ended December 31, 2011 and 2010, respectively.

Note 7. Long-Term Debt

Long-term debt consists of:

	Final Maturity	2011	2010
Note payable, seller, 5.99%, payable $346 monthly including principal and interest, collateralized by certain equipment.	2012	$ 1,705	$ 5,627
Notes payable, bank, 5.6%, payable $7,233 monthly including principal and interest, balloon payment due June 2013, collateralized by certain real property.	2013	925,309	958,558
		927,014	964,185
Less principal amounts due within one year.		36,857	37,154
		$ 890,157	$ 927,031

(Continued)

Note 7. Long-Term Debt (Continued)

Aggregate principal payments are scheduled as follows:

2012	$ 36,857
2013	890,157
	$ 927,014

Note 8. Endowment

The Corporation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

During 2008, the Virginia General Assembly enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Corporation's Board of Trustees has interpreted UPMIFA 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 Corporation 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) any 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 Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purposes of the Corporation 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 Corporation
7. The investment policies of the Corporation

(Continued)

Note 8. Endowment (Continued)

Return objectives and risk parameters:

The Corporation has adopted investment and spending policies for the endowment fund that attempt to preserve and increase the real (inflation-adjusted) value of the fund and to provide a predictable and increasing distribution to carry out the purpose of the fund. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that outperform inflation by three percentage points each year. The Corporation expects its endowment funds, over time, to provide a total rate of return that exceeds the median of a generally accepted universe of similar funds.

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Corporation 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 Corporation targets a diversified asset allocation that places a greater emphasis on equity-based instruments to achieve its long-term return objectives within prudent risk constraints.

Spending policy:

The Corporation has a policy of appropriating annual distributions from the endowment fund equal to 4½ percent of the average of the market value of the fund on June 30 in each of the three preceding years.

Funds with deficiencies:

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. Such deficiencies, which result from unfavorable market fluctuations in combination with appropriations deemed prudent by the Board of Trustees, are reported in unrestricted net assets. There was $2,354 and $-0- in such deficiencies at December 31, 2011 and 2010, respectively.

Endowment composition by net classification:

	December 31, 2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted	$ -	$ -	$ 63,660	$ 63,660
Board-designated	1,240,078	-	-	1,240,078
Underwater allocation to operating	(2,354)	-	-	(2,354)
Total endowment	$ 1,237,724	$ -	$ 63,660	$ 1,301,384

(Continued)

Note 8. Endowment (Continued)

Endowment composition by net classification: (Continued)

	December 31, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ 2,067	$ 63,660	$ 65,727
Board-designated	1,324,084	-	-	1,324,084
Total endowment	$ 1,324,084	$ 2,067	$ 63,660	$ 1,389,811

Changes in endowment composition by net asset classification:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2010	$ 1,308,400	$ 1,909	$ 13,660	$ 1,323,969
Gift	-	-	50,000	50,000
Investment returns:				
Investment income	19,988	202	-	20,190
Net appreciation (realized and unrealized)	64,457	651	-	65,108
Total investment return	84,445	853	-	85,298
Appropriation of endowment assets for expenditure	(68,761)	(695)	-	(69,456)
Endowment net assets, December 31, 2010	1,324,084	2,067	63,660	1,389,811
Investment returns:				
Investment income	27,353	1,440	-	28,793
Net losses (realized and unrealized)	(54,530)	(2,870)	-	(57,400)
Total investment return	(27,177)	(1,430)	-	(28,607)
Appropriation of endowment assets for expenditure	(56,829)	(2,991)	-	(59,820)
Net assets reclassified to cover underwater funds	(2,354)	2,354	-	-
Endowment net assets, December 31, 2011	$ 1,237,724	$ -	$ 63,660	$ 1,301,385

(Continued)

Note 9. Rental Property Revenue

As lessor, the Corporation leases a golf course which comprises a portion of its real property. The lease was amended on February 1, 2011, to reduce the rent from $6,000 to $5,000 per month effective for the period beginning November 2010 and ending October 2011. The lease terminates January 31, 2018. The Corporation recognized $64,570 and $81,140 of revenue from the golf course lease in 2011 and 2010, respectively.

Currently the Corporation has not secured a tenant for the swim and tennis club property.

In addition, the Corporation leases certain other property on an annual basis for which revenue for 2011 and 2010 amounted to $132,565 and $124,871, respectively. The net investment in rental land and buildings, which are included in property and equipment, is as follows:

	Rental Property	
	2011	**2010**
Golf course – land and buildings, at cost	$ 580,823	$ 580,823
Swim and tennis club facility, at cost	353,828	387,602
Other property, at cost	1,532,663	1,528,194
Less accumulated depreciation	(861,808)	(843,503)
Net investment in rental properties	$ 1,605,506	$ 1,653,116

Note 10. Purchase Options

The Corporation has options to purchase surrounding properties in an effort to preserve significant sites as part of a long-range plan. Outstanding options allow the Corporation to have first refusal on properties as they are offered for sale at predetermined prices or terms of negotiation.

Note 11. Employee Benefits

The Corporation has a 401(k) retirement plan, which covers substantially all full-time employees. Under the plan, participating employees may elect to reduce their compensation by an amount up to the maximum limitation in the Internal Revenue Code, with such amount being contributed to the plan for their benefit. Additionally, the Corporation may contribute an amount determined annually by its Board of Directors.

The Corporation's share of contributions to the plan totaled $67,374 and $87,848 for 2011 and 2010, respectively.

(Continued)

Note 12. Natural Expenses

Functional expenses are composed of the following natural expenses:

	2011	2010
Compensation and benefits	$ 1,115,725	$ 1,150,354
Utilities, maintenance, and depreciation	366,236	372,444
Taxes and insurance	92,411	95,624
Postage, printing, and supplies	86,112	67,163
Cost of retail sales	75,482	56,242
Other	313,340	341,907
Total operating expenses	$ 2,049,306	$ 2,083,734

Note 13. Subsequent Event

In May 2012, the Corporation refinanced and consolidated its notes payable due June 2013 with a local lending institution. As part of this refinancing the Corporation obtained approximately $600,000 in cash. The new note payable is for $1.5 million and bears interest at 5%, which is subject to change not more often than once every three years, based on the three year treasury security yield. Payments are $8,833 monthly, including principal and interest, and the note matures on May 24, 2037.