

**THE V FOUNDATION**  
**September 30, 2009 and 2008**  
**Financial Statements**  
**With**  
**Independent Auditor's Report**



## **Independent Auditor's Report**

Board of Directors  
The V Foundation  
Cary, North Carolina

We have audited the accompanying statements of financial position of The V Foundation as of September 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 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 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 The V Foundation as of September 30, 2009 and 2008, 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.

*Frazer Frost, LLP*

Certified Public Accountants

Little Rock, Arkansas  
February 16, 2010

THE V FOUNDATION

Statements of Financial Position

September 30, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	\$ 11,011,434	\$ 12,262,839
Certificates of deposit	2,627,141	-
Pledges receivable, net of allowance	2,214,078	1,904,841
Accounts receivable	596,250	58,000
Inventory	823	607
Prepaid expenses	43,492	46,590
Total current assets	<u>16,493,218</u>	<u>14,272,877</u>
Property and equipment		
Furniture and equipment	78,301	79,240
Less accumulated depreciation	<u>(67,694)</u>	<u>(61,461)</u>
Property and equipment, net	<u>10,607</u>	<u>17,779</u>
Other assets		
Pledge receivables - long-term, net of allowance	2,966,695	3,316,299
Investments designated for long-term use	16,857,023	15,253,205
Intangible assets - finite-lived, net of amortization	410	584
Total other assets	<u>19,824,128</u>	<u>18,570,088</u>
Total assets	<u>\$ 36,327,953</u>	<u>\$ 32,860,744</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 13,014	\$ 42,340
Grants payable	<u>10,161,417</u>	<u>8,067,166</u>
Total current liabilities	<u>10,174,431</u>	<u>8,109,506</u>
Long-term liabilities		
Grants payable	<u>9,378,702</u>	<u>8,092,137</u>
Net assets		
Unrestricted	(2,565,877)	(581,750)
Temporarily restricted	1,765,883	655,500
Permanently restricted	<u>17,574,814</u>	<u>16,585,351</u>
Total net assets	<u>16,774,820</u>	<u>16,659,101</u>
Total liabilities and net assets	<u>\$ 36,327,953</u>	<u>\$ 32,860,744</u>

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

**THE V FOUNDATION**

**Statements of Activities and Changes in Net Assets**

**For the Years Ended September 30, 2009 and 2008**

	2009			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 7,154,123	\$ 1,970,543	\$ 989,463	\$ 10,114,129
Special events, net of expenses	2,043,272	-	-	2,043,272
Investment income, net of expenses	466,032	-	-	466,032
Net realized and unrealized gains (losses) on investments designated for long-term use	<u>822,180</u>	<u>-</u>	<u>-</u>	<u>822,180</u>
	10,485,607	1,970,543	989,463	13,445,613
Net assets released from restrictions				
Satisfaction of program restrictions	<u>860,160</u>	<u>(860,160)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>11,345,767</u>	<u>1,110,383</u>	<u>989,463</u>	<u>13,445,613</u>
Expenses				
Program	12,519,830	-	-	12,519,830
Management and general	348,463	-	-	348,463
Fund-raising	<u>461,601</u>	<u>-</u>	<u>-</u>	<u>461,601</u>
Total expenses	<u>13,329,894</u>	<u>-</u>	<u>-</u>	<u>13,329,894</u>
Changes in net assets	(1,984,127)	1,110,383	989,463	115,719
Net assets - beginning of year	<u>(581,750)</u>	<u>655,500</u>	<u>16,585,351</u>	<u>16,659,101</u>
Net assets - end of year	<u>\$ (2,565,877)</u>	<u>\$ 1,765,883</u>	<u>\$ 17,574,814</u>	<u>\$ 16,774,820</u>

2008			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 9,180,196	\$ 1,200,429	\$ 2,020,692	\$ 12,401,317
2,254,497	-	-	2,254,497
385,679	-	-	385,679
<u>(2,936,595)</u>	<u>-</u>	<u>-</u>	<u>(2,936,595)</u>
8,883,777	1,200,429	2,020,692	12,104,898
804,179	(804,179)	-	-
<u>9,687,956</u>	<u>396,250</u>	<u>2,020,692</u>	<u>12,104,898</u>
11,427,051	-	-	11,427,051
363,308	-	-	363,308
484,976	-	-	484,976
<u>12,275,335</u>	<u>-</u>	<u>-</u>	<u>12,275,335</u>
(2,587,379)	396,250	2,020,692	(170,437)
<u>2,005,629</u>	<u>259,250</u>	<u>14,564,659</u>	<u>16,829,538</u>
<u>\$ (581,750)</u>	<u>\$ 655,500</u>	<u>\$ 16,585,351</u>	<u>\$ 16,659,101</u>

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

**THE V FOUNDATION**

**Statements of Functional Expenses**

**For the Years Ended September 30, 2009 and 2008**

	2009			
	<u>Program</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Grant expense	\$ 11,705,595	\$ -	\$ -	\$ 11,705,595
Direct fund-raising	-	-	31,708	31,708
Personnel expenses				
Salaries and wages	277,872	177,591	214,447	669,910
Payroll taxes	17,569	13,095	15,812	46,476
Employee benefits	68,652	32,696	39,481	140,829
Occupancy expenses				
Rent	29,531	8,992	10,858	49,381
Maintenance	5,506	1,677	2,024	9,207
Utilities	7,724	2,352	2,840	12,916
Insurance	7,146	2,176	2,627	11,949
Office expenses				
Credit card processing	46,313	14,102	17,028	77,443
Data processing and online servicing	25,966	7,906	9,547	43,419
Licenses	2,972	903	1,094	4,969
Other supplies and expenses	7,624	2,323	2,805	12,752
Professional fees	48,981	14,914	18,010	81,905
Travel related expenses	44,601	13,581	16,399	74,581
Public relations and advertising	37,010	11,269	22,333	70,612
Printing and postage				
Postage and shipping	23,791	7,244	8,749	39,784
Printing, copying and stationary	33,481	10,195	12,313	55,989
Bad debt expense	125,103	26,109	31,911	183,123
Depreciation	4,289	1,306	1,577	7,172
Amortization	104	32	38	174
	<u>\$ 12,519,830</u>	<u>\$ 348,463</u>	<u>\$ 461,601</u>	<u>\$ 13,329,894</u>

2008			
<u>Program</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
\$ 10,534,386	\$ -	\$ -	\$ 10,534,386
-	-	23,733	23,733
277,897	166,055	200,222	644,174
14,570	11,603	13,990	40,163
59,154	34,407	41,487	135,048
26,992	9,427	11,366	47,785
5,002	1,747	2,106	8,855
9,635	3,365	4,058	17,058
6,153	2,073	2,499	10,725
41,490	14,491	17,472	73,453
12,135	4,238	5,110	21,483
2,605	910	1,097	4,612
4,248	1,482	1,788	7,518
61,727	21,558	25,994	109,279
47,297	16,519	19,917	83,733
11,867	4,144	22,231	38,242
25,470	8,896	10,726	45,092
41,648	14,546	17,543	73,737
239,593	46,037	61,454	347,084
5,084	1,776	2,141	9,001
98	34	42	174
<u>\$ 11,427,051</u>	<u>\$ 363,308</u>	<u>\$ 484,976</u>	<u>\$ 12,275,335</u>

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

## Statements of Cash Flows

For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Changes in net assets	\$ 115,719	\$ (170,437)
Adjustments to reconcile changes in net assets provided by operating activities		
Depreciation	7,172	9,001
Amortization of intangibles	174	174
Net unrealized and realized (gains) losses on investments designated for long-term use	(822,180)	2,936,595
Changes in operating assets and liabilities		
Pledges receivable	40,367	(1,180,200)
Accounts receivable	(538,250)	1,487,855
Inventory	(216)	1,347
Prepaid expenses	3,098	(22,935)
Accounts payable and accrued expenses	(29,326)	(812,142)
Grants payable	<u>3,380,816</u>	<u>3,639,303</u>
Net cash provided by operating activities	<u>2,157,374</u>	<u>5,888,561</u>
Cash flows from investing activities		
Purchase of furniture and equipment	-	(8,448)
Purchase of certificates of deposit	(2,627,141)	-
Purchase of investments designated for long-term use	(7,224,464)	(8,950,120)
Proceeds from sale of investments restricted for long-term use	<u>6,442,826</u>	<u>7,588,371</u>
Net cash used by investing activities	<u>(3,408,779)</u>	<u>(1,370,197)</u>
Increase (decrease) in cash and cash equivalents	(1,251,405)	4,518,364
Cash and cash equivalents - beginning of year	<u>12,262,839</u>	<u>7,744,475</u>
Cash and cash equivalents - end of year	<u>\$ 11,011,434</u>	<u>\$ 12,262,839</u>

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

## Notes to Financial Statements

September 30, 2009 and 2008

1. Summary of Significant Accounting Policies

- a. **Nature of organization** – The V Foundation (the “Foundation”) was incorporated on February 12, 1993 as a nonprofit, charitable organization dedicated to saving lives by helping to find a cure for cancer. The Foundation’s mission is to generate broad based support for cancer research and to create an urgent awareness among all Americans of the importance of the war against cancer. The Foundation accomplishes its mission through advocacy, education, fund-raising and philanthropy.
- b. **Financial statement presentation** – The Foundation reports information regarding its financial position according to three classes of net assets: permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Permanently restricted net assets represent net assets resulting from contributions where use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Temporarily restricted net assets represent net assets resulting from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation. All other net assets are considered to be unrestricted.
- c. **Revenues** – Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- d. **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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. **Cash and cash equivalents** – For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- f. **Accounts receivable** – Accounts receivable consist of contributions receivable and are stated at the amount the Foundation expects to collect. The Foundation uses the allowance method to determine uncollectible accounts. The allowance is based on prior years’ experience and management’s analysis of the account. Accounts are charged off to the allowance when management deems the account will not be collectible. Past due status is based on how recently payments have been made on the account. While management believes the Foundation’s processes effectively address its exposure to doubtful accounts, changes in specific donor conditions may require adjustments to the allowance recorded by the Foundation. The Foundation’s allowance for doubtful accounts was \$278,810 and \$308,084 at September 30, 2009 and 2008, respectively.

## Notes to Financial Statements

September 30, 2009 and 2008

1. Summary of Significant Accounting Policies (cont.)

- g. **Inventory** – Inventory is valued at the lower of cost, as determined on a first-in, first-out basis, or market.
- h. **Property and equipment** – Property and equipment (including capital lease assets) purchased are stated at cost or fair market value at the date of donation in-kind in excess of \$500. Depreciation is recorded using the straight-line method over the estimated useful lives of three to seven years. The estimated fair value of donated property is recorded as contributions income and fixed assets in the period received.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, the cost and related accumulated depreciation accounts are relieved and any related gains or losses are included in operations.

- i. **Long-lived assets** – The Foundation reviews the carrying value of property and equipment for impairment whenever certain triggering events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying amount exceeds the fair value of assets. The factors considered by management in performing this assessment include operating results, trends, prospects, as well as the effects of obsolescence, demand, competition and other economic factors. Based on management's assessment, no triggering events or changes in circumstances occurred during the years ended September 30, 2009 or 2008.
- j. **Investments designated for long-term use** – The Foundation records all publicly traded marketable equity securities and all debt securities at fair value based upon quoted market prices at the statements of financial position date, with realized and unrealized gains and losses being reported in the statements of activities and changes in net assets. The Board of Directors has designated investments to support the operations of future years.

The Foundation also holds stock in nonpublicly traded companies and values these securities at cost. The aggregate carrying amount of these investments was \$104,373 and \$87,500 at September 30, 2009 and 2008, respectively. The fair value of these investments has not been estimated because there are no triggering events or changes in circumstances that may have a significant adverse effect on their value, and the Foundation is exempt from estimating fair value under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-325, "Investments," and Statement of Financial Accounting Standards ("SFAS") No. 126, "Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities."

- k. **Amortization of copyrights and trademarks** – The cost of copyrights and trademarks is amortized on a straight-line basis over a period of 15 years. Amortization of these assets totaled \$174 for the year ended September 30, 2009 and 2008. Future amortization is expected to approximate \$174, \$174 and \$62 for 2010, 2011 and 2012, respectively.

## Notes to Financial Statements

September 30, 2009 and 2008

1. Summary of Significant Accounting Policies (cont.)

- l. **Income taxes** – The Foundation is exempt from federal income taxes in accordance with Internal Revenue Code Section 501c(3) and a similar state statute, except for any unrelated business income. Since there was no unrelated business income during the years ended September 30, 2009 or 2008, no provision for income taxes is reflected in these financial statements.
- m. **Contributions** – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.
- n. **Recognition of program grants** – Program grants and the corresponding grants payable are recognized at the time the grant award letter is sent to the recipient. All grants are payable in less than five years. Grants to be awarded more than one year in the future are discounted at an appropriate rate commensurate with the risk involved.
- o. **In-kind donations** – Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.
- p. **Functional expenses** – Expenses are charged to programs based on direct expenditures incurred. Any expenditure not directly chargeable is allocated to programs based on management's estimate.
- q. **Advertising** – The Foundation expenses advertising as incurred. Advertising expense was \$500 and \$1,708 for the years ended September 30, 2009 and 2008, respectively.
- r. **Recent accounting pronouncements** – In June 2006, the Financial Accounting Standards Board ("FASB") issued ASC 740-10, "Accounting for Uncertainty in Income Taxes", most commonly known as FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. On December 30, 2008, the FASB issued FIN 48-3, which gave the Foundation an election to defer the implementation date of FIN 48 until fiscal years beginning after December 15, 2008. The Foundation has chosen to defer the application of this pronouncement.

## Notes to Financial Statements

September 30, 2009 and 2008

1. Summary of Significant Accounting Policies (cont.)

- s. **Codification** – In June 2009, the FASB issued ASC 105-10, “The FASB Accounting Standards Codification™ and the Hierarchy of the Generally Accepted Accounting Principles,” to become the source of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB to be applied by nongovernmental entities. ASC 105-10 became effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of ASC 105-10 did not have a material impact on the Foundation’s financial statements.
- t. **Reclassifications** – Certain reclassifications have been made to the 2008 amounts in order for them to conform to the 2009 presentation. These reclassifications had no impact on the changes in net assets for the year ended September 30, 2008.

2. Pledges Receivable

Pledges receivable relate to amounts owed from endowed pledges and events held to support the Foundation. The Foundation does not require collateral to substantiate these pledges. An allowance for uncollectible pledges is provided based on management’s evaluation of potential uncollectible pledges receivable at year end. Management’s estimate of the allowance for uncollectible pledges was \$278,810 and \$308,084 at September 30, 2009 and 2008, respectively. Since a significant portion of the outstanding pledges are not expected to be realized for a number of years, the pledge receivables have been discounted to the present value.

Pledges receivable are summarized as follows:

	<u>2009</u>	<u>2008</u>
Unconditional promises expected to be collected in		
Less than one year	\$ 2,214,078	\$ 1,904,841
One year to five years	3,035,814	3,810,493
Greater than five years	<u>47,500</u>	<u>137,417</u>
	5,297,392	5,852,751
Less unamortized discount (1.024%)	<u>(116,619)</u>	<u>(631,611)</u>
	5,180,773	5,221,140
Current portion	<u>2,214,078</u>	<u>1,904,841</u>
Long-term portion	<u>\$ 2,966,695</u>	<u>\$ 3,316,299</u>

## Notes to Financial Statements

September 30, 2009 and 2008

3. Investments

The Foundation's investments consist of the following:

	<u>2009</u>	<u>2008</u>
Marketable securities		
Carried at fair value		
U.S. Treasury securities	\$ 3,026,547	\$ 3,277,119
Corporate debt securities	3,204,188	2,375,330
Equity securities	10,053,984	9,384,717
Mutual funds	-	66,928
Accrued interest	67,931	61,611
Other	400,000	-
Equity securities at cost	<u>104,373</u>	<u>87,500</u>
 Total marketable securities	 <u>\$ 16,857,023</u>	 <u>\$ 15,253,205</u>

The following summarizes the investment return and its classification in the statements of activities and changes in net assets:

	<u>2009</u>	<u>2008</u>
Investment income, net of expense		
Dividends and interest	\$ 598,746	\$ 625,267
Investment expenses	<u>(132,714)</u>	<u>(239,588)</u>
	<u>466,032</u>	<u>385,679</u>
 Net realized and unrealized gains (losses) on investments designated for long-term use		
Net realized gains (losses)	(1,078,651)	298,824
Net unrealized gains (losses)	<u>1,900,831</u>	<u>(3,235,419)</u>
	<u>822,180</u>	<u>(2,936,595)</u>
 Net investment income (loss)	 <u>\$ 1,288,212</u>	 <u>\$ (2,550,916)</u>

## Notes to Financial Statements

September 30, 2009 and 2008

4. Property and Equipment

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 31,673	\$ 31,673
Office equipment	<u>46,628</u>	<u>47,567</u>
	78,301	79,240
Less allowance for accumulated depreciation	<u>(67,694)</u>	<u>(61,461)</u>
	<u>\$ 10,607</u>	<u>\$ 17,779</u>

5. Grants Payable

Grants payable are summarized as follows:

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 10,161,417	\$ 8,067,166
One year to five years	<u>9,783,333</u>	<u>8,644,751</u>
	19,944,750	16,711,917
Less discount (3.25%)	<u>(404,631)</u>	<u>(552,614)</u>
	19,540,119	16,159,303
Current portion	<u>10,161,417</u>	<u>8,067,166</u>
Long-term portion	<u>\$ 9,378,702</u>	<u>\$ 8,092,137</u>

Additionally, the Foundation has committed to match certain grants to be awarded by another nonprofit foundation in future years of up to \$500,000. These amounts are not included in grants payable as of September 30, 2009 because that nonprofit foundation has yet to be awarded the grants.

6. Restrictions on Net Assets

Permanently restricted net assets represent contributions made by donors who have restricted the use of their contributions to provide funding for The V Foundation Endowment Fund. The V Foundation Endowment Fund has been established to provide funding for the operations of the Foundation from the earnings on restricted assets.

The V Foundation Endowment Fund contributions totaled \$989,463 and \$2,020,692 for the years ended September 30, 2009 and 2008, respectively.

## Notes to Financial Statements

September 30, 2009 and 2008

6. **Restrictions on Net Assets (cont.)**

Temporarily restricted net assets represent contributions and event income that has been restricted for use by the donors. Restricted contributions and event income totaled \$1,970,543 and \$1,200,429 for the years ended September 30, 2009 and 2008, respectively.

7. **Retirement Plan**

The Foundation maintains a Simple IRA plan for its eligible employees. The Foundation matches up to 3% of each participating employee's compensation. The expense was \$22,091 and \$20,414 for the years ended September 30, 2009 and 2008, respectively.

8. **Special Events**

During 2009 and 2008, ESPN, Inc. (a cable television network) held several special events with the specific objective of promoting and publicizing the charitable, educational and research activities of the Foundation. Net proceeds to the Foundation from these events totaled \$846,835 and \$763,499 for the years ended September 30, 2009 and 2008, respectively.

In July 2009 and 2008, the Foundation held its annual Wine Celebration in Napa Valley, California. A specific objective of the celebration was to promote and publicize the charitable, educational and research activities of the Foundation. The Foundation received net proceeds from the dinners and auctions held during the Wine Celebration of \$1,061,646 and \$1,372,008 for the years ended September 30, 2009 and 2008, respectively.

The Foundation received contributions of \$134,791 and \$118,989 for the years ended September 30, 2009 and 2008, respectively, from the Jimmy V. Celebrity Golf Classic, a separate but affiliated organization.

The amounts due from these special events were \$596,250 and \$58,000 at September 30, 2009 and 2008, respectively, and are included in accounts receivable on the statements of financial position. No portion of these amounts was older than 90 days for either year. No finance charges were accrued.

9. **Lease Commitments**

The Foundation leases a postage machine under an operating lease agreement, which expires in 2012. During the year ended September 30, 2009, the Foundation began leasing software under an operating lease agreement which expires in 2012. The Foundation also leases its office space under an operating lease agreement which expires in 2011. Rent expense for the Foundation under these lease agreements totaled \$49,381 and \$47,785 for the years ended September 30, 2009 and 2008, respectively.

## Notes to Financial Statements

September 30, 2009 and 2008

9. Lease Commitments (cont.)

A schedule of future minimum lease payments under all of the Foundation's operating leases as of September 30, 2009 is as follows:

2010	\$	68,555
2011		68,555
2012		<u>25,685</u>
	\$	<u>162,795</u>

10. Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of pledge receivables with a variety of donors and cash and cash investments deposited with financial institutions and credit associations.

At September 30, 2009 and 2008 and at various times throughout these years, the Foundation maintained cash and cash investment balances with financial institutions in excess of Federal Deposit Insurance Corporation insured limits.

Pledge receivables are from individuals throughout the United States and abroad. A substantial portion of the Foundation's revenues and support is derived from donor pledges. The Foundation is exposed to risk of fluctuations in capital markets and other economic factors.

During 2008, the Foundation recognized program grants to three recipients that represented 19% of grant expense.

11. Endowments

The Foundation's endowments consist of one individual fund established for providing long-term stability and utilization of its earnings for funding of the operations of the Foundation. Its endowments represent donor-restricted endowment funds. There are no funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

## Notes to Financial Statements

September 30, 2009 and 2008

11. Endowments (cont.)

The Board of Directors of the Foundation 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 Foundation 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 unrestricted net assets to be appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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
- (7) The investment policies of the Foundation

Endowment net asset and activity is as follows:

<u>Donor-restricted</u>	<u>Permanently Restricted</u>
Endowment assets at September 30, 2007	\$ 14,564,659
Contributions	<u>2,020,692</u>
Endowment assets at September 30, 2008	16,585,351
Contributions	<u>989,463</u>
Endowment assets at September 30, 2009	<u>\$ 17,574,814</u>

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets. There were no such deficiencies as of September 30, 2009 or 2008.

## Notes to Financial Statements

September 30, 2009 and 2008

11. **Endowments (cont.)***Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending 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 or for a donor-specified period(s), as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results certificates of deposit while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives*

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). The Foundation 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 as managed by the Foundation's Endowment Association.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a policy of appropriating for distribution each year based upon the prior year's investment earnings of the related endowment. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a moderate rate. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

12. **Fair Value Measurements**

The Foundation partially adopted SFAS No. 157 (now known as ASC 820-10), effective October 1, 2008 for financial assets and financial liabilities measured on a recurring basis. SFAS No. 157 applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis. SFAS No. 157 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurement be classified and disclosed in one of the following three categories:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

## Notes to Financial Statements

September 30, 2009 and 2008

12. Fair Value Measurements (cont.)

- **Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain corporate debt securities and derivative contracts.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. 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 value requires significant management judgment or estimation. This category generally includes long-term derivative contracts and real estate.

In accordance with SFAS No. 157, the following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended September 30, 2009 quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)	Total
U.S. Treasury securities	\$ -	\$ 3,026,547	\$ -	\$ 3,026,547
Corporate debt securities	-	3,204,188	-	3,204,188
Equity securities	10,053,984	-	-	10,053,984
Other	-	67,931	504,373	572,304
	<u>\$ 10,053,984</u>	<u>\$ 6,298,666</u>	<u>\$ 504,373</u>	<u>\$ 16,857,023</u>

13. Subsequent Events Evaluation Date

Management has determined the date of issuance of the financial statements is appropriate for determination of subsequent event disclosure. As of February 16, 2010, management has determined that there are no subsequent events which require disclosure in the financial statements.