ALIVE HOSPICE, INC.

FINANCIAL STATEMENTS
December 31, 2009 and 2008

ALIVE HOSPICE, INC.
Nashville, Tennessee

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CONTENTS

Crowe Horwath

Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Alive Hospice, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Alive Hospice, Inc. (the "Organization") as of December 31, 2009 and 2008, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Alive Hospice, Inc. as of December 31, 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.

As more fully described in Note 12, the 2008 financial statements have been restated to reflect the impact on accounts receivable, unrestricted net assets, and provision for uncollectible accounts related to the identification of uncollectible receivables to the correct periods.

Crowe Horwath LLP

Crowe Horwath LLP

South Bend, Indiana
March 30, 2010

ALIVE HOSPICE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	2009	(Restated) 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,385,073	$ 3,856,376
Accounts receivable, net	5,200,073	6,199,992
Assets limited as to use	244,677	245,327
Pledges receivable	138,123	33,500
Prepaid expenses	214,916	149,616
Other current assets	158,847	103,019
Total current assets	12,341,709	10,587,830
Pledges receivable, net	100,563	155,175
Investments	1,465,890	1,170,461
Property and equipment, net	12,654,518	13,541,619
Goodwill, net	554,293	569,870
	$ 27,116,973	$ 26,024,955
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term debt	$ 508,176	$ 506,805
Accounts payable	978,024	959,634
Accrued expenses	3,312,410	1,709,324
Total current liabilities	4,798,610	3,175,763
Long-term debt, less current maturities	2,006,018	2,273,195
Derivative liability - interest rate swap	12,626	36,241
	2,018,644	2,309,436
Net assets		
Unrestricted		
Undesignated	18,583,106	19,120,484
Board designated	304,599	243,134
Total unrestricted net assets	18,887,705	19,363,618
Temporarily restricted	329,856	176,138
Permanently restricted	1,082,158	1,000,000
Total net assets	20,299,719	20,539,756
	$ 27,116,973	$ 26,024,955

See accompanying notes to financial statements.

ALIVE HOSPICE, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years ended December 31, 2009 and 2008

	2009	(Restated) 2008
Unrestricted net assets		
Revenue		
Net patient service revenue	$ 30,921,942	$ 30,612,655
Contributions and fundraising	1,551,435	1,901,908
Investment income	52,351	90,008
Net realized losses on investments	(47,339)	(72,346)
Other revenue	40,005	14,761
Net assets released from restriction used for operations	85,324	52,844
Total operating revenue	32,603,718	32,599,830
Operating expenses		
Salaries and wages	15,457,399	14,927,503
Employee benefits	2,960,917	2,942,884
Contract labor	497,442	701,833
Purchased services	3,876,204	3,961,514
Pharmacy and medical supplies	3,705,623	3,446,542
Occupancy and equipment expense	1,913,298	2,014,750
Other	2,972,695	2,618,740
Depreciation	1,241,653	1,116,423
Amortization	15,577	53,223
Provision for uncollectible accounts	548,443	478,663
Interest	143,870	107,003
Total operating expenses	33,333,121	32,369,078
Change in unrestricted net assets from operations	(729,403)	230,752
Non-operating revenue and expenses		
Net unrealized gains (losses) on investments	229,875	(120,498)
Unrealized gain (loss) on interest rate swap agreement	23,615	(36,241)
Total non-operating revenue and expenses	253,490	(156,739)
Change in unrestricted net assets	(475,913)	74,013
Temporarily restricted net assets		
Contributions	132,620	17,995
Investment income	26,539	34,265
Net unrealized gains (losses) on investments	79,883	(208,533)
Net assets released from restriction used for operations	(85,324)	(52,844)
Change in temporarily restricted net assets	153,718	(209,117)
Permanently restricted net assets		
Contributions	82,158	-
Change in permanently restricted net assets	82,158	-
Change in net assets	(240,037)	(135,104)
Net assets at beginning of year, as previously reported	20,539,756	20,774,860
Correction of error in accounts receivable	-	(100,000)
Net assets at beginning of year, as restated	20,539,756	20,674,860
Net assets at end of year	$ 20,299,719	$ 20,539,756

See accompanying notes to financial statements.

ALIVE HOSPICE, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2009 and 2008

	2009	(Restated) 2008
Cash flows from operating activities		
Change in net assets	$ (240,037)	$ (135,104)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,257,230	1,169,646
Loss on disposal of property and equipment	6,562	12,211
Net realized and unrealized (gains) losses on investments	(262,419)	401,377
Provision for uncollectible accounts	548,443	478,663
Unrealized (gain) loss on interest rate swap agreement	(23,615)	36,241
Restricted contributions received	(82,158)	-
Changes in assets and liabilities		
Accounts receivable	457,816	(3,223,224)
Pledges receivable	(56,351)	54,996
Prepaid expenses	(65,300)	79,946
Other current assets	(55,828)	(22,552)
Accounts payable	18,390	125,833
Accrued expenses	1,603,086	(79,354)
Net cash from operating activities	3,105,819	(1,101,321)
Cash flows from investing activities		
Proceeds from sales of investments	559,552	584,063
Purchases of investments	(592,562)	(624,663)
Purchases of property and equipment	(361,114)	(2,435,756)
Net change in assets limited as to use	650	(334)
Net cash from investing activities	(393,474)	(2,476,690)
Cash flows from financing activities		
Borrowings of long-term debt	-	1,300,000
Payments on long-term debt	(265,806)	(889,444)
Proceeds from restricted contributions	82,158	-
Net cash from financing activities	(183,648)	410,556
Net change in cash and cash equivalents	2,528,697	(3,167,455)
Cash and cash equivalents at beginning of year	3,856,376	7,023,831
Cash and cash equivalents at end of year	$ 6,385,073	$ 3,856,376
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 141,565	$ 109,501

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Alive Hospice, Inc. (the "Organization") provides medical, psychological, and spiritual care to terminally ill patients and their families, located primarily in Middle Tennessee.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP 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. Areas where significant estimates are used in the accompanying financial statements include the allowance for doubtful accounts and the fair values of investment securities and other financial instruments. Actual results could differ from those estimates.

Financial Statement Presentation: The financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The unrestricted net assets are comprised of Board designated and unrestricted amounts. Board designated net assets are designated for various purposes based on the direction of the Organization's Board of Directors.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets at December 31, 2009 and 2008 represent pledges receivable, accumulated earnings on endowment funds, and donor-restricted funds designated for various programs offered by the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Permanently restricted net assets at December 31, 2009 and 2008 represent donor-restricted gifts that have been invested and are to be maintained in perpetuity, the earnings from which are temporarily restricted to support various programs offered by the Organization.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are either interest-bearing and federally insured up to $250,000 or non-interest bearing and fully guaranteed by the federal government. Additionally, for purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable: The accounts receivable balance represents the unpaid amounts billed to patients and third-party payors. Contractual adjustments, discounts, and an allowance for uncollectible accounts are recorded to report receivables for patient care services at net realizable value. Past due receivables are determined based on contractual terms. The Organization does not accrue interest on any of its accounts receivable. As of December 31, 2009 and 2008, approximately 92% and 84%, respectively, of the Organization's accounts receivable are from Medicare and Medicaid.

Allowance for Uncollectible Accounts: The allowance for uncollectible accounts is determined by management based upon the Organization's historical losses, specific patient circumstances, and general economic conditions. Periodically, management reviews patient accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with the internal collection policy. Management believes the allowance of $589,579 and $1,010,138 as of December 31, 2009 and 2008, respectively, is adequate to cover potential losses from uncollectible accounts.

Assets Limited as to Use: Assets limited as to use consist of cash and cash equivalents held by trustee. These amounts held by the trustee are stated at fair value. Income on the amounts held by the trustee is reported as interest income. At December 31, 2009 and 2008, amounts held by trustee for payment of current maturities of bonds payable and accrued interest payable totaling $244,677 and $245,327, respectively, are reported in current assets.

Pledges Receivable: Pledges receivable represent the remaining balance of unconditional promises to give that have not yet been paid. Pledges that are expected to be collected within one year or less are recorded at net realizable value. For pledges that are expected to be collected beyond one year, management has determined the difference between net realizable value and the present value of their estimated future cash flows to be immaterial to the financial statements. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

An allowance is made for uncollectible contributions based on management's expectations regarding collection of outstanding promises to give and the Organization's collection experience. Management believes the allowance of $12,000 as of December 31, 2009 and 2008 is adequate to cover potential losses from uncollectible accounts.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value based on quoted market prices or dealer quotes in the statements of financial position. These investments are initially recorded at cost if they were purchased or at their fair market value on the date of the gift if they were received as a donation. Unrealized gains and losses resulting from year-end adjustments are included in the statements of operations and changes in net assets.

Property and Equipment: Property and equipment are stated at cost or, if donated to the Organization, at their fair market value on the date of the gift. Additions and improvements over $500 are capitalized; expenditures for routine maintenance are charged to operations. Depreciation and amortization is provided over the estimated useful lives of the various classes of assets on the straight-line method.

Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets: On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of December 31, 2009 and 2008, management believes that no impairments existed.

Goodwill: Goodwill represents the excess of the purchase price over the fair value of net assets of businesses acquired, and is being amortized on a straight-line basis over 40 years. Recoverability is reviewed annually or sooner if events or changes in circumstances indicate that the carrying amount may exceed fair value.

Net Patient Service Revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Approximately 92% and 91% of the Organization's net patient service revenue was derived from the Medicare and Medicaid programs for the years ended December 31, 2009 and 2008.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions for estimated third-party payor settlements have been made in the financial statements for estimated contractual adjustments, representing the difference between the standard charges for services and estimated total payments to be received from third-party payors. These estimates are adjusted in future periods as final settlements are determined.

The Organization, like other health care providers, may be subject to investigations, regulatory action, lawsuits, and claims arising out of the conduct of its business, including the interpretation of laws and regulations governing the Medicare and Medicaid programs and other third-party payor agreements. At this time, no specific alleged violations, claims, or assessments have been made. Management intends to fully cooperate with any governmental agencies in requests for information. Noncompliance with laws and regulations can make the Organization subject to regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Hospice organizations are subject to two specific payment limit caps under the Medicare program. One limit relates to inpatient care days that exceed 20% of the total days of hospice care provided for the year. The Organization did not exceed the 20% cap related to inpatient days in 2009 and 2008. The second limit relates to an aggregate Medicare reimbursement cap calculated by the Medicare fiscal intermediary. The Organization did not exceed the Medicare cap for the years ended December 31, 2009 and 2008.

Charity Care: The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Organization does not expect payment, estimated charges for charity care are recorded in revenue with a corresponding offsetting amount. Charity care charges, at rates similar to those charged to patients and third parties, were $768,682 and $799,394 for the years ended December 31, 2009 and 2008, respectively.

Contributions: Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence of donor restrictions and the nature of such restrictions, if they exist.

When a donor 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 operations and changes in net assets as net assets released from restriction.

If a restriction is fulfilled in the same accounting period in which the contribution is received, the contribution is reported as unrestricted.

Donated Services: The value of time contributed by unpaid volunteers to the Organization has not been included in the financial statements. The value of donated tangible items is recorded at fair value at date of receipt.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments: The Organization's carrying amount for its financial instruments, which include accounts receivable, assets limited as to use, investments, accounts payable, interest rate swap, and long-term debt, approximates fair value.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2009 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2009. Management performed their analysis through March 30, 2010, the date the financial statements were available to be issued.

Income Taxes: The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

Current accounting standards require the Organization to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended December 31, 2009 and 2008, management has determined that the Organization does not have any tax positions that result in any uncertainties regarding the possible impact on the Organization's financial statements.

NOTE 2 - PLEDGES RECEIVABLE

The Organization recognizes unconditional promises to give at fair value in the period the promise is made. Pledges receivable are scheduled to be received over the following periods:

	2009	2008
Less than one year	$ 138,123	$ 33,500
One to five years	112,563	167,175
Total contributions	250,686	200,675
Allowance for uncollectible pledges	(12,000)	(12,000)
	$ 238,686	$ 188,675

Management has determined that any discount on pledges would be immaterial at December 31, 2009 and 2008. Management has recorded an allowance for uncollectible pledges of $12,000 at December 31, 2009 and 2008.

NOTE 3 - INVESTMENTS

Investments are recorded at fair market value and consisted of the following at December 31:

	2009	2008
Money market funds	$ 87,128	$ 70,544
Bond funds	482,650	334,601
Equity securities	896,112	765,316
	$ 1,465,890	$ 1,170,461

The following schedule summarizes the investment return for the years ended, December 31, 2009 and 2008:

	2009	2008
Interest and dividend income	$ 86,260	$ 132,939
Investment expenses	(7,370)	(8,666)
	$ 78,890	$ 124,273
Realized losses on investments	$ (47,339)	$ (72,346)
Unrealized gains (losses) on investments	$ 309,758	$ (329,031)

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Organization.

NOTE 4 - PROPERTY AND EQUIPMENT

The Organization's property and equipment, and the related accumulated depreciation at December 31, 2009 and 2008 are as follows:

	2009	2008
Land and improvements	$ 3,592,836	$ 3,592,836
Buildings and improvements	11,148,164	11,038,401
Office furniture and equipment	3,818,360	3,788,125
	18,559,360	18,419,362
Less: Accumulated depreciation	(5,904,842)	(4,877,743)
	$ 12,654,518	$ 13,541,619

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt at December 31, 2009 and 2008 is as follows:

	2009	2008
The Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee, Variable Rate Tax Exempt Revenue Bonds, Series 2001 (Alive Hospice, Inc. Project), certain principal prepayments required with final principal due August 1, 2019, with variable rate monthly interest payments (0.89% and 1.20% at December 31, 2009 and 2008, respectively), secured by a letter of credit which expires July 27, 2011. In the event the remarketing agents are unable to remarket the bonds, they become a demand note under the letter of credit and require repayment under the terms of the letter of credit. The Organization is required to meet financial and other covenants. At December 31, 2009 and 2008, the Organization was in compliance with all financial covenants.	$ 1,240,000	$ 1,480,000
Note payable to Avenue Bank, bearing interest at a fixed rate of 5%, secured by real property, with monthly principal and interest payments in the amount of $7,600, with final payment of principal due December 31, 2013. The Organization is required to meet financial and other covenants. At December 31, 2009 and 2008, the Organization was in compliance with all financial covenants.	1,274,194	1,300,000
	2,514,194	2,780,000
Less current maturities	508,176	506,805
	$ 2,006,018	$ 2,273,195

Scheduled principal repayments over the next four years are as follows:

2010	$ 508,176
2011	269,618
2012	271,133
2013	1,465,267

NOTE 5 - LONG-TERM DEBT (Continued)

On February 16, 2010, the Organization obtained a $2,500,000 line of credit with a maturity date of February 15, 2011.

NOTE 6 - INTEREST RATE SWAP AGREEMENT

The Organization also entered into a Master Agreement (swap) with Bank of America dated November 1, 1999, to fix the floating rate associated with the above variable rate Bonds. The fixed rate was established at 5.07%. The swap terminates on August 1, 2010. An unrealized gain on the swap agreement was incurred as of December 31, 2009, resulting in the recognition of a non-current liability (derivative liability - interest rate swap) of $12,626 in the statement of financial position and a corresponding gain of $23,615 reported in the statement of operations and changes in net assets for 2009. An unrealized loss on the swap agreement was incurred as of December 31, 2008, resulting in the recognition of a non-current liability (derivative liability - interest rate swap) of $36,241 in the statement of financial position and a corresponding loss of $36,241 reported in the statement of operations and changes in net assets for 2008.

NOTE 7 - LEASE COMMITMENTS

The Organization leases office space and certain equipment under various noncancellable operating leases. The leases expire on various dates through 2013, with aggregate minimum rentals as follows:

2010	$ 739,799
2011	355,312
2012	219,155
2013	26,054
	$ 1,340,320

Total rental expense for all operating leases was $746,974 and $802,656 for the years ended December 31, 2009 and 2008, respectively.

NOTE 8 - RETIREMENT PLAN

The Organization provides a defined contribution 403(b) retirement plan. Employees meeting certain eligibility requirements can participate in the plan to the extent allowed under ERISA. The plan also provides for discretionary contributions by the Organization. Participants are immediately vested in their voluntary contributions plus related earnings; whereas, participants are fully vested in the Organization contributions plus related earnings after four years of service. No contributions were made for the years ended December 31, 2009 and 2008.

NOTE 9 - FUNCTIONAL EXPENSES

Expenses by functional classification for the years ended, December 31, 2009 and 2008 are as follows:

	2009	2008
Program services	$ 26,229,962	$ 25,739,425
General and administrative	6,740,146	6,081,182
Fundraising	363,013	548,471
	$ 33,333,121	$ 32,369,078

NOTE 10 - ENDOWMENT ASSETS

Overview: The Organization's endowments consist of one fund that holds investments in securities traded on the public markets. The endowments are made up of temporarily restricted and permanently restricted assets. As required by U.S. GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Organization's Board of Directors has determined the requirements of Tennessee's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to center around the preservation of the fair value of the original investment as of the date of the asset transfers. Investments resulting from donations directing that they be invested in perpetuity are classified as permanently restricted. The earnings generated by these investments are classified as unrestricted or temporarily restricted depending on the donors' stipulations. The temporarily restricted net assets are reclassified as unrestricted upon their appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Tennessee's version of UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate its endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization 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 Organization
(7) The investment policies of the Organization

NOTE 10 - ENDOWMENT ASSETS (Continued)

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce a moderate return while assuming a moderate level of investment risk.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization disburses funds as needed within the guidelines of the endowments. Disbursements to the Organization are used to assist with its programs and services according to donor restrictions.

Fund 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 UPMIFA requires the Organization to retain as a fund of perpetual duration. Cumulative deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There was no such deficiency as of December 31, 2009. As of December 31, 2008, such amounts totaled $103,801. This deficiency resulted from unfavorable market fluctuations.

Endowment Net Asset Composition by Type of Fund: The Organization's composition of endowment assets for the years ended December 31, 2009 and 2008 is as follows:

2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ 106,422	$ 1,082,158	$ 1,188,580

NOTE 10 - ENDOWMENT ASSETS (Continued)

2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ (103,801)	$ -	$ 1,000,000	$ 896,199

Change in Endowment Net Assets: The Organization's change in endowment assets, by net asset composition, for the years ended December 31, 2009 and 2008 is as follows:

2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	$ (103,801)	$ -	$ 1,000,000	$ 896,199
Interest and dividends	-	26,539	-	26,539
Net gains	103,801	79,883	-	183,684
Additions	-	-	82,158	82,158
Total endowment	$ -	$ 106,422	$ 1,082,158	$ 1,188,580

2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	$ -	$ 174,268	$ 1,000,000	$ 1,174,268
Interest and dividends	-	34,265	-	34,265
Net losses	(103,801)	(208,533)	-	(312,334)
Total endowment	$ (103,801)	$ -	$ 1,000,000	$ 896,199

NOTE 11 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

In 2006, the Financial Accounting Standards Board issued new guidance on fair value measurements of financial instruments. This guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of money market funds, bond funds, and equity securities that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

Level 2: Significant other 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. The Organization's derivative, which is comprised of an interest rate swap, is reported at fair value. The Organization obtains fair value from a financial institution which utilizes internal models with observable market data inputs to estimate the value of this instrument (market approach valuation technique).

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

NOTE 11 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2009			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 87,128	$ -	$ -	$ 87,128
Bond funds	482,650	-	-	482,650
Equity securities	896,112	-	-	896,112
Total assets	$ 1,465,890	$ -	$ -	$ 1,465,890
Derivative liability - interest rate swap	$ -	$ 12,626	$ -	$ 12,626
Total liabilities	$ -	$ 12,626	$ -	$ 12,626

	Fair Value Measurements at December 31, 2008			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 70,544	$ -	$ -	$ 70,544
Bond funds	334,601	-	-	334,601
Equity securities	765,316	-	-	765,316
Total assets	$ 1,170,461	$ -	$ -	$ 1,170,461
Derivative liability - interest rate swap	$ -	$ 36,241	$ -	$ 36,241
Total liabilities	$ -	$ 36,241	$ -	$ 36,241

NOTE 12 - RESTATEMENT OF FINANCIAL STATEMENTS

Net assets as of January 1, 2008 and December 31, 2008 have been restated to reflect a retroactive adjustment to accounts receivable and provision for uncollectible accounts. The restatement is to increase the allowance for identified uncollectible receivables related to 2007 and 2008 in the correct periods. As a result of this correction, accounts receivable and unrestricted net assets were reduced by $100,000 as of January 1, 2008. The correction also reduced accounts receivable by $300,000 as of December 31, 2008, increased provision for uncollectible accounts by $300,000 for the year ended December 31, 2008, and decreased change in unrestricted net assets by $300,000 for the year ended December 31, 2008.