SADDLE UP!

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2010 and 2009

SADDLE UP!

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FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Saddle Up!
Franklin, Tennessee

We have audited the accompanying statements of financial position of Saddle Up! (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the 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 Saddle Up! as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, the Organization's 2009 financial statements have been restated to correct misstatements. Our opinion is not qualified with respect to that matter.

Frasier, Dean + Howard, PLLC

July 6, 2011

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009 *(As Restated)*
Assets		
Current assets:		
Cash and cash equivalents	$ 982,308	$ 1,055,084
Pledges receivable	19,197	14,798
Accounts receivable	60	7,860
Certificate of deposit	240,000	-
Total current assets	1,241,565	1,077,742
Investments	2,132,778	1,906,984
Property and equipment, net of accumulated depreciation of $743,089 and $704,799	2,855,411	2,882,305
Total assets	$ 6,229,754	$ 5,867,031
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 5,926	$ 7,865
Accrued expenses and deferred revenue	24,977	5,271
Total current liabilities	30,903	13,136
Net assets:		
Unrestricted:		
Undesignated	3,139,558	2,302,206
Designated	2,042,771	2,497,917
Temporarily restricted	876,522	938,772
Permanently restricted	140,000	115,000
Total net assets	6,198,851	5,853,895
Total liabilities and net assets	$ 6,229,754	$ 5,867,031

See accompanying notes

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Contributions and grants, including in-kind contributions of $43,683	$ 505,062	$ 23,999	$ 25,000	$ 554,061
Special events	184,709	-	-	184,709
Realized and unrealized gains on investment	169,303	-	-	169,303
Lesson fees	76,827	-	-	76,827
Interest and dividends, net of fees	66,901	-	-	66,901
Other income	54,365	-	-	54,365
Donated services	12,252	-	-	12,252
Loss on disposal of property and equipment	(3,589)	-	-	(3,589)
Subtotal	1,065,830	23,999	25,000	1,114,829
Net assets released from restrictions:				
Satisfaction of program restrictions	86,249	(86,249)	-	-
Total revenues and gains	1,152,079	(62,250)	25,000	1,114,829
Expenses:				
Program services	543,159	-	-	543,159
Management and general	83,888	-	-	83,888
Fundraising	142,826	-	-	142,826
Total expenses	769,873	-	-	769,873
Increase (decrease) in net assets	382,206	(62,250)	25,000	344,956
Net assets at beginning of year	4,800,123	938,772	115,000	5,853,895
Net assets at end of year	$ 5,182,329	$ 876,522	$ 140,000	$ 6,198,851

See accompanying notes.

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2009 *(As Restated)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Contributions and grants, including in-kind contributions of $17,720	$ 318,334	$ 97,729	$ 25,000	$ 441,063
Realized and unrealized gains on investment	299,117	-	-	299,117
Special events	180,364	-	-	180,364
Lesson fees	68,645	-	-	68,645
Interest and dividends, net of fees	55,934	-	-	55,934
Other income	41,992	-	-	41,992
Donated services	6,408	-	-	6,408
Loss on disposal of property and equipment	(136,243)	-	-	(136,243)
Subtotal	834,551	97,729	25,000	957,280
Net assets released from restrictions:				
Satisfaction of program restrictions	270,637	(270,637)	-	-
Total revenues and gains	1,105,188	(172,908)	25,000	957,280
Expenses:				
Program services	553,951	-	-	553,951
Management and general	80,869	-	-	80,869
Fundraising	110,325	-	-	110,325
Total expenses	745,145	-	-	745,145
Increase (decrease) in net assets	360,043	(172,908)	25,000	212,135
Net assets at beginning of year	4,440,080	1,111,680	90,000	5,641,760
Net assets at end of year *(As Restated)*	$ 4,800,123	$ 938,772	$ 115,000	$5,853,895

See accompanying notes.

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STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2010

	Horseback	Supporting Services			
	Riding Program	Management and General	Fund Raising	Total Supporting	Total Expenses
Salaries and taxes	$ 264,653	$ 49,388	$ 84,893	$ 134,281	$ 398,934
Depreciation	96,522	10,725	-	10,725	107,247
Horse, lessons and camps	59,886	-	-	-	59,886
Fundraisers	-	-	48,382	48,382	48,382
Insurance, taxes and licensing	42,794	310	-	310	43,104
Utilities	24,754	-	-	-	24,754
Repairs/maintenance and vehicles	22,622	-	-	-	22,622
Professional fees	379	13,496	-	13,496	13,875
Promotional expense	6,693	-	6,328	6,328	13,021
Miscellaneous	5,408	6,010	601	6,611	12,019
Office supplies	4,048	3,542	2,530	6,072	10,120
Grant expenses	8,885	417	-	417	9,302
Conferences and seminars	6,515	-	92	92	6,607
Total	$ 543,159	$ 83,888	$ 142,826	$ 226,714	$ 769,873

See accompanying notes.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2009

	Horseback Riding Program	Supporting Services			Total Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	$ 273,881	$ 50,519	$ 52,191	$ 102,710	$ 376,591
Depreciation	93,754	10,417	-	10,417	104,171
Horse, lessons and camps	50,856	-	-	-	50,856
Fundraisers	-	-	46,445	46,445	46,445
Insurance, taxes and licensing	40,886	310	-	310	41,196
Repairs/maintenance and vehicles	29,288	-	-	-	29,288
Utilities	24,038	-	-	-	24,038
Promotional expense	7,067	-	9,092	9,092	16,159
Grant expenses	13,453	-	-	-	13,453
Professional fees	1,660	11,462	-	11,462	13,122
Conferences and seminars	11,459	992	-	992	12,451
Miscellaneous	4,783	4,648	869	5,517	10,300
Office supplies	2,826	2,521	1,728	4,249	7,075
Total	$ 553,951	$ 80,869	$ 110,325	$ 191,194	$ 745,145

See accompanying notes.

SADDLE UP!
STATEMENTS OF CASH FLOWS
Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Increase in net assets	$ 344,956	$ 212,135
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	107,247	104,171
Donated property and equipment	(29,500)	(3,400)
Contributions to permanently restricted net assets	(25,000)	(25,000)
Loss on disposal of property and equipment	3,589	136,243
Realized and unrealized gains on investments	(169,303)	(299,117)
Reinvested dividend income, net of investment fees	(56,491)	(55,056)
Changes in operating assets and liabilities:		
Pledges receivable	(4,399)	(2,500)
Accounts receivable	7,800	(7,860)
Accounts payable	(1,939)	3,760
Accrued expenses and deferred revenue	19,706	(7,837)
Net cash (used in) provided by operating activities	196,666	55,539
Cash flows from investing activities:		
Purchase of certificate of deposit	(240,000)	-
Contributions to permanently restricted net assets	25,000	25,000
Purchase of property and equipment	(54,442)	(9,724)
Net cash (used in) provided by investing activities	(269,442)	15,276
(Decrease) increase in cash and cash equivalents	(72,776)	70,815
Cash and cash equivalents at beginning of year	1,055,084	984,269
Cash and cash equivalents at end of year	$ 982,308	$ 1,055,084
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	$ 29,500	$ 3,400

See accompanying notes.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Saddle Up! (the "Organization") is organized as a Tennessee not-for-profit corporation. Saddle Up! serves to provide therapeutic horseback riding opportunities for children who are physically and/or mentally challenged.

The Organization's significant accounting policies are as follows:

Financial Statement Presentation

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidelines, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes.

Contributions

In accordance with FASB ASC guidelines, contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Depreciation

Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Assets purchased, or donated, with a value over $500 are capitalized. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all classes of assets are as follows:

Buildings	40 years
Equipment and improvements	3 - 15 years
Arena	40 years
Horses	3 - 7 years

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization has adopted FASB ASC 740-10-25 paragraphs 5 through 17, "Income Taxes" ("FASB ASC 740"). The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. FASB ASC 740 must be applied to all existing tax positions upon initial adoption. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2007 through December 31, 2010. Adoption of this pronouncement had no impact on the Organization's accompanying financial statements.

Donated Assets and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets and Services (Continued)

specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization receives donated services which help to maintain the health and well-being of the horses, such as veterinarian and farrier services.

Donated materials and services meeting the criteria for recognition are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Endowment Funds

The Uniform Prudent Management Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the Organization's net asset classification of donor-restricted endowment funds, a description of the Organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the Organization's endowment investment policies, and additional disclosures not previously required.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization evaluated subsequent events through July 6, 2011, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31:

	2010	2009
Avenue Bank – operating account	$ 217,812	$ 222,069
Avenue Bank – money market	235,876	140,720
First Tennessee – reserve account	252,675	-
First Tennessee – restricted account	25,945	-
Certificate of Deposit – reserve fund	250,000	-
Fifth Third Bank checking – development account	-	680,940
Fifth Third Bank checking – special events account	-	11,355
	$ 982,308	$ 1,055,084

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable consist of the following at December 31:

	2010	2009
Fundraising contributions receivable	$ -	$ 7,860
Lesson fees receivable	60	-
Total accounts receivable	60	7,860
Less discount to net present value	-	-
Net accounts receivable	$ 60	$ 7,860

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE (Continued)

Pledges receivable consist of the following at December 31:

	2010	2009
United Way pledges	$ 19,197	$ 12,500
Capital campaign pledges	-	2,298
Total unconditional promises to give	19,197	14,798
Less discount to net present value	-	-
Net unconditional promises to give	$ 19,197	$ 14,798

At December 31, 2010 and 2009, all accounts and pledges receivable are believed to be fully collectible. Accordingly, no provision is made for uncollectible amounts. During 2010 and 2009, management wrote off $2,298 and $0 of pledges deemed uncollectible, respectively. At December 31, 2010 and 2009, all accounts and pledges receivable are believed to be receivable within one year and are therefore recorded at their original value.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2010	2009
Land	$ 655,730	$ 655,730
Buildings	186,778	186,778
Equipment and improvements	405,831	385,235
Arena	2,307,562	2,307,562
Horses	42,599	51,799
	3,598,500	3,587,104
Less accumulated depreciation	(743,089)	(704,799)
	$ 2,855,411	$ 2,882,305

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization has adopted the fair value measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The three levels of the fair value hierarchy are described below:

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

Level 2 — Inputs to the valuation methodology include the following:

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

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

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

The fair value of level 1 assets was determined by obtaining quoted market prices in active markets.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. A description of the valuation methodologies used for assets measured at fair value is as follows:

Money Market Funds and Securities: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Common Trust Funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

The common trust funds described above consist of groups of stocks, bonds, mutual funds or other investments managed by a third party and held by Diversified Trust. Participation is limited to those individuals or organizations with trust accounts with Diversified Trust.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31:

	2010 Quoted Prices in Active Markets for Identical Items (Level 1)	2009 Quoted Prices in Active Markets for Identical Items (Level 1)
Money market funds	$ 8,817	$ 11,809
Diversified Trust bond funds	702,959	604,994
Diversified Trust equity funds	1,421,002	1,235,503
Real estate corporate equity securities	-	54,678
Total investments at fair value:	$ 2,132,778	$ 1,906,984

The following schedule summarizes the investment income in the statement of activity for the year ended December 31:

	2010	2009
Interest and dividend income, net of fees of $1,266 and $893, respectively	$ 66,901	$ 55,934
Realized and unrealized gains on investments	169,303	299,117
	$ 236,204	$ 355,051

The Diversified portfolio is allocated as follows at December 31:

	2010	2009
Cash and equivalents	0.4%	0.6%
Real estate	-	2.9%
Short-term fixed income	8.1%	12.6%
Intermediate fixed income	24.9%	19.1%
Large Cap U.S. equity	24.0%	23.8%
Small/Mid Cap U.S. equity	13.6%	13.6%
International equity	25.7%	27.4%
MLPs	3.3%	-
	100.0%	100.0%

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 6 – CONCENTRATIONS

The Organization receives support from various foundations, corporate and individual donors, including \$200,000 and \$200,000 or approximately 18% and 21% of total revenue, respectively, from one individual for the years ended December 31, 2010 and 2009. A significant reduction in the level of contributions, if this were to occur, could have an adverse impact on the Organization's programs and services.

The Organization maintains its cash and cash equivalents in financial institutions at balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. In management's opinion, risk relating to these deposits is minimal based on the credit ratings of its depositories.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at December 31:

	2010	2009
Land	$ 655,730	$ 655,730
Buildings	186,778	186,778
Contributions for future periods or other purposes	34,014	96,264
	$ 876,522	$ 938,772

The Organization's land and buildings remain restricted for a term of ten years from November 2001 based on the agreement with the Organization's donor of the funds used to purchase the property. Net assets temporarily restricted for buildings were reduced by \$161,673, during 2009 (see note 11), due to the disposal of a certain building which the Organization no longer uses.

Temporarily restricted net assets of \$86,249 and \$270,637 were released from restrictions during 2010 and 2009, respectively, based on satisfaction of program restrictions and the collection of pledges receivable.

NOTE 8 – ENDOWMENT NET ASSETS

Endowment net assets consist of the following endowment funds at December 31:

	2010	2009
Board designated endowment	$ 2,042,771	$ 1,816,977
Permanently restricted for endowment	140,000	115,000
	$ 2,182,771	$1,931,977

The interest earned on permanently restricted net assets is available to the Organization on an unrestricted basis.

The Organization's endowment consists of donor restricted gifts held in cash and investment accounts. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the UPMIFA (page 11) 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 Organization 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets	$ 2,042,771	$ -	$ 140,000	$ 2,182,771

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

Changes in Endowment Net Assets for the fiscal year ended December 31, 2010:

	Unrestricted	Temporarily Restricted	Restricted	Total
Endowment net assets, beginning of year	$ 1,816,977	$ -	$ 115,000	$ 1,931,977
Investment return:				
Dividend income, net	56,491	-	-	56,491
Net appreciation (realized and unrealized)	169,303	-	-	169,303
Contributions	-	-	25,000	25,000
Endowment net assets, end of year	$ 2,042,771	$ -	$ 140,000	$ 2,182,771

Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets	$ 1,816,977	$ -	$ 115,000	$ 1,931,977

Changes in Endowment Net Assets for the fiscal year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Restricted	Total
Endowment net assets, beginning of year	$ 1,462,804	$ -	$ 90,000	$ 1,552,804
Investment return:				
Dividend income, net	55,056	-	-	55,056
Net appreciation (realized and unrealized)	299,117	-	-	299,117
Contributions	-	-	25,000	25,000
Endowment net assets, end of year	$ 1,816,977	$ -	$ 115,000	$ 1,931,977

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, the Organization reports no deficiencies of this nature as of December 31, 2010 and 2009, respectively.

Endowment Investment Policy 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 endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

NOTE 9 – DESIGNATED NET ASSETS

Net assets designated by the Board of Directors consist of the following at December 31:

	2010	2009
Development	$ -	$ 680,940
Endowment	2,042,771	1,816,977
	$ 2,042,771	$ 2,497,917

During 2010, the board continued efforts to expand a board designated endowment with a goal of $5,000,000. Presently, interest on designated net assets continues to be designated for that purpose.

NOTE 10 – STAFFING AGREEMENT AND RETIREMENT PLAN

Effective July 2006, the Organization entered into an agreement with an employee leasing company whereby substantially all of the Organization's staff are leased. Under this arrangement, the Organization reimburses payroll, related taxes and insurance costs plus a fee to the leasing company. The agreement can be terminated by either party with thirty days notice.

The Organization participates in the Century II Staffing, Inc. Retirement Plan pursuant to Section 401(k) of the Internal Revenue Code of 1986 (the "Code"), as amended. Under the terms of the plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion.

NOTE 10 – STAFFING AGREEMENT AND RETIREMENT PLAN (Continued)

During 2009, the Organization matched employee contributions up to 3% of employee wages. Total retirement plan expense for 2009 totaled $6,917 and is included in salaries and taxes in the accompanying statement of functional expenses.

No match expense was recorded during 2010. Subsequent to December 31, 2010, the board of directors approved to match 2010 employee contributions, up to 4% of employee wages. The match of $5,949 was approved, expensed and paid in 2011.

NOTE 11 – RESTATEMENT

The 2009 financial statements have been restated in order to correctly record a 2009 temporarily restricted building disposal, board designated net assets related to investments, and temporarily restricted activity related to pledges receivable. Accordingly, the following adjustments were recorded and the restated balances are as follows:

	December 31, 2009 As Previously Stated	Restatement	December 31, 2009 Restated Balance
Unrestricted net assets:			
Undesignated	$ 2,063,033	$ 239,173	$ 2,302,206
Designated	$ 2,587,917	$ (90,000)	$ 2,497,917
Temporarily restricted	$ 1,087,945	$ (149,173)	$ 938,772