

**RONALD MCDONALD HOUSE
CHARITIES OF MEMPHIS, INC.**



FINANCIAL STATEMENTS

December 31, 2010 and 2009



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities of Memphis, Inc.
Memphis, Tennessee

We have audited the accompanying statement of financial position of Ronald McDonald House Charities of Memphis, Inc. (a nonprofit organization) as of December 31, 2010 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the 2009 financial statements of Ronald McDonald House Charities of Memphis, Inc. and, in our report dated June 1, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Ronald McDonald House Charities of Memphis, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Watkins Uiberall, PLLC

Memphis, Tennessee
June 8, 2011

RONALD MCDONALD HOUSE CHARITIES OF MEMPHIS, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2010 (with Comparative Totals for 2009)

			<u>Assets</u>	
			<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$	616,613	\$	594,012
Pledges receivable, net of allowance for doubtful accounts		163,487		229,769
Other receivables		64,881		-
Prepaid expenses		23,754		26,203
Investments		2,763,431		2,509,509
Land lease, net of accumulated amortization		853,462		863,272
Property and equipment, net of accumulated depreciation		<u>7,136,883</u>		<u>7,443,805</u>
 Total assets		 <u>\$ 11,622,511</u>		 <u>\$ 11,666,570</u>
 <u>Liabilities and Net Assets</u>				
Liabilities				
Accounts payable	\$	54,316	\$	104,388
Accrued payroll liabilities		41,077		36,563
Accrued interest		18,958		21,984
Note payable		<u>1,792,966</u>		<u>2,198,352</u>
Total liabilities		<u>1,907,317</u>		<u>2,361,287</u>
 Net Assets				
Unrestricted				
Undesignated		5,916,585		5,848,260
Board-designated endowment fund		<u>2,252,181</u>		<u>1,998,259</u>
Total unrestricted		8,168,766		7,846,519
Temporarily restricted		1,035,178		947,514
Permanently restricted		<u>511,250</u>		<u>511,250</u>
Total net assets		<u>9,715,194</u>		<u>9,305,283</u>
 Total liabilities and net assets		 <u>\$ 11,622,511</u>		 <u>\$ 11,666,570</u>

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

RONALD MCDONALD HOUSE CHARITIES OF MEMPHIS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010 (with Comparative Totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
Support and Other Revenues					
Contributions	\$ 1,560,438	\$ 127,000	\$ -	\$ 1,687,438	\$ 1,359,067
Special event contributions	703,434	-	-	703,434	726,591
In-kind contributions	158,444	-	-	158,444	133,071
Investment income	255,992	-	-	255,992	342,779
	<u>2,678,308</u>	<u>127,000</u>	<u>-</u>	<u>2,805,308</u>	<u>2,561,508</u>
Net assets released from restrictions	39,336	(39,336)	-	-	-
Total support and other revenues	2,717,644	87,664	-	2,805,308	2,561,508
Expenses					
Program services	1,695,888	-	-	1,695,888	1,551,056
Management and general	303,260	-	-	303,260	258,440
Fundraising	396,249	-	-	396,249	400,124
Total expenses	<u>2,395,397</u>	<u>-</u>	<u>-</u>	<u>2,395,397</u>	<u>2,209,620</u>
Change in net assets	322,247	87,664	-	409,911	351,888
Net assets at beginning of year	<u>7,846,519</u>	<u>947,514</u>	<u>511,250</u>	<u>9,305,283</u>	<u>8,953,395</u>
Net assets at end of year	<u>\$ 8,168,766</u>	<u>\$ 1,035,178</u>	<u>\$ 511,250</u>	<u>\$ 9,715,194</u>	<u>\$ 9,305,283</u>

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

RONALD MCDONALD HOUSE CHARITIES OF MEMPHIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010 (with Comparative Totals for 2009)

	Program Services	Management and General	Fund Raising	Totals	
				2010	2009
Advertising	\$ 2,954	\$ -	\$ 38,320	\$ 41,274	\$ 49,353
Bad debt expense	-	47,407	-	47,407	8,213
Cable television	9,367	-	-	9,367	8,806
Computer support	14,012	10,210	9,911	34,133	26,142
Depreciation	341,747	13,006	-	354,753	371,261
Dues and subscriptions	230	1,282	295	1,807	1,985
Fundraising - special events	-	-	87,410	87,410	60,938
Health insurance	43,843	13,508	16,010	73,361	71,351
Insurance	58,245	-	310	58,555	54,298
Interest	74,935	3,155	789	78,879	93,826
Loss on disposal of asset	6,600	-	-	6,600	-
Miscellaneous	5,713	4,215	11,159	21,087	24,315
Office expenses	11,005	1,362	10,997	23,364	14,037
Payroll services	3,033	-	-	3,033	3,109
Payroll taxes	32,813	13,708	13,710	60,231	54,115
Postage	3,717	1,734	8,080	13,531	12,070
Printing	-	1,326	22,793	24,119	20,443
Professional fees	-	16,000	-	16,000	16,000
Rent	15,964	6,968	15,177	38,109	45,086
Repairs and maintenance	285,854	-	-	285,854	142,988
Salaries and wages	358,045	152,313	152,482	662,840	649,019
Security services	184,088	-	-	184,088	180,002
Supplies	46,757	2,167	4,337	53,261	103,377
Taxes and licenses	396	322	-	718	1,044
Telephone	11,915	171	43	12,129	4,985
Training	1,216	7,312	900	9,428	1,861
Utilities	168,492	7,094	1,774	177,360	168,411
Volunteer expenses	3,637	-	1,752	5,389	1,849
Waste management	11,310	-	-	11,310	20,736
	<u>\$ 1,695,888</u>	<u>\$ 303,260</u>	<u>\$ 396,249</u>	<u>\$ 2,395,397</u>	<u>\$ 2,209,620</u>

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

RONALD MCDONALD HOUSE CHARITIES OF MEMPHIS, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010 (with Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ 409,911	\$ 351,888
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	354,753	371,261
Land lease amortization	9,810	9,810
Loss on uncollectible pledges	47,407	8,213
Loss on disposal of asset	6,600	-
Donated equipment	(6,113)	-
Change in market value of investments	(188,560)	(275,647)
Changes in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Pledges receivable	18,875	76,737
Other receivables	(64,881)	64,821
Prepaid expenses	2,449	1,549
Accounts payable	(50,072)	35,942
Accrued payroll liabilities	4,514	(8,907)
Accrued interest	<u>(3,026)</u>	<u>(3,894)</u>
Total adjustments	<u>131,756</u>	<u>279,885</u>
Net cash provided by operating activities	<u>541,667</u>	<u>631,773</u>
Cash Flows From (Used For) Investing Activities:		
Proceeds from sale of investments	317,719	7,214
Purchases of investments	(383,081)	(70,915)
Purchases of property and equipment	<u>(48,318)</u>	<u>(45,608)</u>
Net cash used for investing activities	<u>(113,680)</u>	<u>(109,309)</u>
Cash Flows Used For Financing Activities:		
Principal payments on note payable	<u>(405,386)</u>	<u>(389,568)</u>
Net increase in cash and cash equivalents	22,601	132,896
Cash and cash equivalents at beginning of year	<u>594,012</u>	<u>461,116</u>
Cash and cash equivalents at end of year	<u>\$ 616,613</u>	<u>\$ 594,012</u>
Supplemental Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 81,905</u>	<u>\$ 97,720</u>

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

RONALD MCDONALD HOUSE CHARITIES OF MEMPHIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

Ronald McDonald House Charities of Memphis, Inc. (the "Organization") provides temporary housing at no charge to 51 out-patients of St. Jude Children's Research Hospital ("St. Jude") and their families nightly. Each one of these brave children is battling cancer or another catastrophic disease. The Ronald McDonald House is a home-away-from-home for these families and provides a safe, secure, and nurturing environment for the families who are facing the most terrifying time of their lives. The Organization operates as a "Ronald McDonald House" by virtue of a non-exclusive licensing agreement with McDonald's Corporation. While the Organization is not owned or operated by McDonald's Corporation or St. Jude, they do provide financial and logistical support. The majority of funding is raised through community support. The Organization is located in Memphis, Tennessee.

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction. When a donor restriction expires in the same year received, revenue is recognized as unrestricted net assets.

Unconditional promises to give, which consist of pledges receivable, are recorded when the pledge is received. Those due in the following year are recorded at their net realizable value, while those due in subsequent years have been discounted to the present value of their net realizable value using risk-free interest rates applicable to the years in which the pledges were received.

Credit Risks

The Organization's credit risks primarily relate to cash and cash equivalents, investments, and receivables. Cash and cash equivalents are primarily held in bank accounts. Interest bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to an aggregate of \$250,000, while non-interest bearing business accounts are fully insured until December 31, 2012, at which time they will be insured up to an aggregate of \$250,000.

Fair Value Measurements

The Organization applies generally accepted accounting principles ("GAAP") for fair value measurements of financial asset and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. See Note 4 for additional disclosures.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Organization has excluded cash and cash equivalents held in investment accounts.

Receivables

Pledges and other receivables are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and provides for probable uncollectible amounts through a valuation allowance based upon its assessment of the individual accounts. Balances that are still outstanding after a reasonable period of time has elapsed are written off through a charge to the valuation allowance and a credit to the appropriate receivable.

Investments

Investments are carried at fair market value in the statement of financial position. Realized and unrealized gains and losses are included in investment income in the statement of activities.

Property and Equipment

Property and equipment items are recorded at acquisition cost, if purchased, or the estimated fair value on the date received, if donated. The Organization capitalizes expenditures for property and equipment with a cost in excess of \$1,000 and provides for depreciation using the straight-line method over the estimated useful lives of the assets, generally ten to forty years for buildings and building improvements, five years for computer equipment, and seven to ten years for other equipment, furniture and fixtures.

Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Permanently Restricted Net Assets – Permanently restricted net assets represent contributions subject to donor-imposed stipulations to be invested in perpetuity, for which only the income may be available for operations. See Note 9 for additional disclosures.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent gifts or other revenues wherein donors have specified the purpose for which the net assets are to be spent or time restrictions imposed or implied by the nature of the gift. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets – Unrestricted net assets are all the remaining net assets of the Organization. This includes voluntary board-approved designations of unrestricted net assets for specific purposes, projects or investments. Because designations are voluntary and may be reversed at any time by the board, designated portions of net assets are not considered temporarily or permanently restricted.

In-Kind Donations

Donated supplies and services are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended December 31, 2010 and 2009, in-kind donations for the House and special events totaled \$178,327 and \$159,412, respectively. In addition, a substantial number of volunteers have donated significant time to the Organization. No amounts have been recognized in the accompanying financial statements for these services.

Functional Expense Allocation

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

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from Tennessee state income taxes under provisions of the Tennessee tax regulations. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization files an exempt organization return in the United States federal jurisdiction. The federal returns for tax years 2007 and beyond remain subject to examination by the taxing authorities.

Advertising

Advertising costs of \$41,274 and \$49,353 for the years ended December 31, 2010 and 2009, respectively, were expensed as incurred.

Financial Statement Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009.

Reclassifications

For comparability, certain prior year amounts have been reclassified where appropriate to conform to the statement presentation in the current year.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 180,635	\$ 238,296
Receivable within one to five years	5,050	45,806
Less unamortized discount	(410)	(4,121)
Less allowance for uncollectible promises	<u>(21,788)</u>	<u>(50,212)</u>
Net pledges receivable	<u>\$ 163,487</u>	<u>\$ 229,769</u>

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 3.49% to 5.03%.

NOTE 3 - CONDITIONAL PROMISE TO GIVE

During 2010, the Organization received a conditional promise to give not to exceed \$250,000, which is contingent upon the Organization raising matching contributions. The Organization will receive \$1 for every \$3 raised by July 31, 2012, for the *Hand in Hand for 20 Years* campaign. Funds will be used for building renovations. At year end, no matching funds had yet been raised.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In determining fair values, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis at December 31:

	2010			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	\$ -	\$ 1,110	\$ -	\$ 1,110
Common trust funds - equity	-	1,523,098	-	1,523,098
Common trust funds - debt	-	1,239,223	-	1,239,223
Total investments	<u>\$ -</u>	<u>\$ 2,763,431</u>	<u>\$ -</u>	<u>\$ 2,763,431</u>

	2009			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	\$ -	\$ 145,382	\$ -	\$ 145,382
Common trust funds - equity	-	1,115,563	-	1,115,563
Common trust funds - debt	-	1,184,814	-	1,184,814
Common trust funds - real estate	-	63,750	-	63,750
Total investments	<u>\$ -</u>	<u>\$ 2,509,509</u>	<u>\$ -</u>	<u>\$ 2,509,509</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010.

Cash and cash equivalents: Valued at amortized cost, which approximates fair value.

Common trust funds: Valued at the net asset value of shares held by the Organization at year end.

The following schedule summarizes investment income for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 74,952	\$ 74,346
Change in market value of investments	188,560	275,647
Investment management fees	<u>(7,520)</u>	<u>(7,214)</u>
Total investment income	<u>\$ 255,992</u>	<u>\$ 342,779</u>

NOTE 5 - LAND LEASE

The Organization entered into a lease agreement in 1998 with American Lebanese Syrian Associated Charities, Inc. ("ALSAC") for a portion of its land for \$1 per year through 2097. ALSAC is the fundraising arm of St. Jude. The value of the lease was determined to be \$974,902, which was the estimated fair market value of the land at the lease inception. The net amount of the land lease is reflected in temporarily restricted net assets due to time restrictions.

Amortization is recorded in the statement of functional expenses as rent. The land lease consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Land lease	\$ 974,902	\$ 974,902
Less accumulated amortization	<u>(121,440)</u>	<u>(111,630)</u>
	<u>\$ 853,462</u>	<u>\$ 863,272</u>

Future amortization expense is as follows for the years ending December 31:

2011	\$ 9,810
2012	9,810
2013	9,810
2014	9,810
2015	9,810
Thereafter	804,412
	<u>\$ 853,462</u>

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 is as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 236,009	\$ 236,009
Buildings and improvements	10,560,134	10,550,597
Furniture and fixtures	363,153	368,778
Equipment	324,016	286,210
Computer equipment	<u>145,497</u>	<u>139,384</u>
	11,628,809	11,580,978
Less accumulated depreciation	<u>(4,491,926)</u>	<u>(4,137,173)</u>
	<u>\$ 7,136,883</u>	<u>\$ 7,443,805</u>

NOTE 7 - NOTE PAYABLE

The Organization has a loan agreement with ALSAC incurred in connection with a past building expansion. The loan agreement provides for interest at the annual rate of 4%. The loan agreement provides for quarterly payments of principal and interest of \$121,822 through September 2014. The loan is collateralized by a security interest in the building, furniture, fixtures and equipment owned by the Organization. The outstanding principal balance at December 31, 2010 and 2009 was \$1,792,966 and \$2,198,352, respectively.

Future principal maturities of the note payable for the years ending December 31 are as follows:

2011	\$ 529,957
2012	443,365
2013	461,367
2014	<u>358,277</u>
	<u>\$ 1,792,966</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted as follows at December 31:

	<u>2010</u>	<u>2009</u>
Purpose Restrictions:		
Christmas in July	\$ -	\$ 2,025
Vehicle tags and title	5,000	-
Building renovations	117,000	-
Time restrictions	913,178	945,489
	<u>\$ 1,035,178</u>	<u>\$ 947,514</u>

NOTE 9 - ENDOWMENT FUND

The Organization has an endowment fund which was created with the proceeds of the sale of donated stock. This permanently restricted gift, which was received in 1993, is to be held in perpetuity for the benefit of the Organization. The donor stipulated that income from these funds could be used for operating expenses. The Board of Directors' intent is to treat the unrestricted portion of the endowment as a "rainy day" fund, allowing for continued growth of the fund. The endowment and its cumulative earnings make up the entirety of the investment account. No withdrawals were made from the fund in 2010 and 2009.

At December 31, the endowment net asset composition by type of fund is as follows:

	<u>2010</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 511,250	\$ 511,250
Board-designated endowment fund	2,252,181	-	2,252,181
Total	<u>\$ 2,252,181</u>	<u>\$ 511,250</u>	<u>\$ 2,763,431</u>
	<u>2009</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 511,250	\$ 511,250
Board-designated endowment fund	1,998,259	-	1,998,259
Total	<u>\$ 1,998,259</u>	<u>\$ 511,250</u>	<u>\$ 2,509,509</u>

A reconciliation of the endowment fund's balance at December 31 by net asset class is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2008	\$ 1,658,911	\$ 511,250	\$ 2,170,161
Investment Return			
Interest and dividend income	70,915	-	70,915
Change in market value of investments	275,647	-	275,647
Management fees	<u>(7,214)</u>	-	<u>(7,214)</u>
Total investment return	<u>339,348</u>	<u>-</u>	<u>339,348</u>
Endowment net assets, December 31, 2009	1,998,259	511,250	2,509,509
Investment Return			
Interest and dividend income	72,882	-	72,882
Change in market value of investments	188,560	-	188,560
Management fees	<u>(7,520)</u>	-	<u>(7,520)</u>
Total investment return	<u>253,922</u>	<u>-</u>	<u>253,922</u>
Endowment net assets, December 31, 2010	<u>\$ 2,252,181</u>	<u>\$ 511,250</u>	<u>\$ 2,763,431</u>

Endowment Investment Policy

The primary purpose of the Organization's investment policy is to supplement annual operating expenses, provide for short-term capital needs, and allow sufficient long-term growth of capital to meet future capital and budgetary requirements. This includes maintaining an appropriate combination of assets to meet its performance objectives and ensuring a proper level of diversification within the asset classes of cash and cash equivalents, fixed income securities, equities, and publicly traded real estate.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the State of Tennessee applies to the Organization's endowment fund. Management interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted portion of the endowment fund. Among other considerations, management considers the duration and preservation of the fund and general economic conditions in making a determination to appropriate or accumulate donor-restricted endowment funds.

NOTE 10 - RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan for all employees working at least twenty-four (24) hours a week and who are at least twenty-one (21) years of age. Optional employee contributions are withheld from the employees' compensation. The plan does not contain a provision for employer contributions.

NOTE 11 - CONCENTRATIONS OF RISK

For the years ended December 31, 2010 and 2009, one donor accounted for approximately 31% and 35% of total contributions, respectively.

NOTE 12 - COMMITMENTS

The Organization leases office equipment according to a lease agreement that is classified as an operating lease. Rent expense under equipment leases for the years ended December 31, 2010 and 2009, was \$5,742 and \$5,206, respectively.

At December 31, 2010, future minimum payments required by the operating lease were as follows:

2011	\$	2,892
2012		1,446
	\$	<u>4,338</u>

NOTE 13 - RELATED PARTY TRANSACTIONS

The Organization purchased paper products from a company whose owner is a member of the Board of Directors. Payments to this company totaled \$3,640 and \$2,845 in 2010 and 2009, respectively.

NOTE 14 - SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2010, financial statements for subsequent events through June 8, 2011, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.