

Financial Statements
Year Ended
December 31, 2010

Special Olympics Virginia, Inc.



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Special Olympics Virginia, Inc.

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors

Board of Directors
Special Olympics Virginia, Inc.

We have audited the accompanying statement of financial position of *Special Olympics Virginia, Inc.* 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 management of *Special Olympics Virginia, Inc.* 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 Organization's 2009 financial statements, which were audited by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated June 3, 2010 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 *Special Olympics Virginia, 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.

Dixon Hughes Goodman LLP

Richmond, Virginia
May 31, 2011

Special Olympics Virginia, Inc.

Statement of Financial Position

December 31, 2010, with Comparative Totals for 2009

Assets	Chapter	Areas	Total	
			2010	2009
Current assets				
Cash and cash equivalents	\$ 1,249,031	\$ 1,222,500	\$ 2,471,531	\$ 2,648,737
Contributions receivable - net	417,803	-	417,803	387,019
Prepaid expenses	77,539	3,360	80,899	62,399
Certificates of deposit	125,763	106,046	231,809	568,987
Total current assets	1,870,136	1,331,906	3,202,042	3,667,142
Investments	2,802,832	-	2,802,832	2,012,301
Property and equipment - net	95,215	-	95,215	135,881
Security deposits	10,644	-	10,644	10,644
	\$ 4,778,827	\$ 1,331,906	\$ 6,110,733	\$ 5,825,968
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 54,112	\$ 25,951	\$ 80,063	\$ 106,836
Accrued expenses	130,909	-	130,909	138,096
Total current liabilities	185,021	25,951	210,972	244,932
Net assets				
Unrestricted	3,846,087	1,305,955	5,152,042	4,950,851
Unrestricted - Board designated	252,282	-	252,282	250,000
Total unrestricted net assets	4,098,369	1,305,955	5,404,324	5,200,851
Temporarily restricted	118,437	-	118,437	89,185
Permanently restricted	377,000	-	377,000	291,000
Total net assets	4,593,806	1,305,955	5,899,761	5,581,036
	\$ 4,778,827	\$ 1,331,906	\$ 6,110,733	\$ 5,825,968

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

Special Olympics Virginia, Inc.

Statement of Activities

Year Ended December 31, 2010, with Comparative Totals for 2009

	Chapter	Areas	Total	
			2010	2009
Support and revenue				
Foundation contributions	\$ 215,830	\$ 29,101	\$ 244,931	\$ 290,446
Individual contributions	327,032	85,255	412,287	901,007
Workplace campaign contributions	107,427	1,804	109,231	81,874
Corporate contributions	363,438	59,564	423,002	458,472
Service club and organization contributions	99,785	103,198	202,983	191,073
Law Enforcement Torch Run contributions	424,992	-	424,992	401,107
Affiliated national benefits	118,756	-	118,756	119,762
Direct mail campaigns	288,508	-	288,508	313,140
Telemarketing campaigns	1,141,489	-	1,141,489	1,137,949
Contributed services and materials	2,497,057	-	2,497,057	2,322,310
Total support and revenue	5,584,314	278,922	5,863,236	6,217,140
Benefit events for Special Olympics Virginia, Inc.:				
Revenues	931,893	380,060	1,311,953	1,090,071
Less - expenses	(218,669)	(52,465)	(271,134)	(214,284)
Net benefit events for Special Olympics Virginia, Inc.	713,224	327,595	1,040,819	875,787
Other revenue (expense):				
Investment income	83,863	8,163	92,026	87,414
Registration fees	185,934	(185,934)	-	-
Gain on investments	160,905	-	160,905	241,729
Loss on disposal of property and equipment	(1,088)	-	(1,088)	-
Miscellaneous	-	3,506	3,506	1,756
Total other revenue (expense)	429,614	(174,265)	255,349	330,899
Total support and revenue	6,727,152	432,252	7,159,404	7,423,826
Expenses				
Program services	5,515,761	394,581	5,910,342	5,722,113
Fundraising	721,774	-	721,774	730,915
Administrative	208,563	-	208,563	176,436
Total expenses	6,446,098	394,581	6,840,679	6,629,464
Change in net assets				
Unrestricted	163,520	37,671	201,191	468,465
Unrestricted - Board designated	2,282	-	2,282	250,000
Total unrestricted net assets	165,802	37,671	203,473	718,465
Temporarily restricted	29,252	-	29,252	(35,103)
Permanently restricted	86,000	-	86,000	111,000
	281,054	37,671	318,725	794,362
Net assets - beginning of year	4,312,752	1,268,284	5,581,036	4,786,674
Net assets - end of year	\$ 4,593,806	\$ 1,305,955	\$ 5,899,761	\$ 5,581,036

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

Special Olympics Virginia, Inc.

Statement of Functional Expenses

Year Ended December 31, 2010, with Comparative Totals for 2009

	Program			Total	
	Services	Fundraising	Administrative	2010	2009
Salaries	\$ 1,226,781	\$ 227,121	\$ 86,563	\$ 1,540,465	\$ 1,534,369
Payroll taxes	90,951	16,838	6,418	114,207	112,180
Employee benefits	265,653	49,182	18,745	333,580	323,823
Total salaries and related expenses	1,583,385	293,141	111,726	1,988,252	1,970,372
Contributed services and materials	2,482,659	7,604	2,898	2,493,161	2,312,568
Accommodations and travel	668,073	14,216	4,871	687,160	612,811
Telemarketing campaigns	282,489	283,970	-	566,459	562,755
Office supplies and program materials	192,963	9,886	3,447	206,296	226,669
Occupancy	151,964	27,267	10,885	190,116	186,917
Facilities rental	136,836	642	-	137,478	146,449
Equipment rental, maintenance and purchases	94,753	13,776	9,687	118,216	113,511
Professional fees	54,590	20,325	5,843	80,758	97,835
Special Olympics, Inc. accreditation fee	69,768	-	-	69,768	71,539
Miscellaneous	850	23,598	36,267	60,715	47,645
Telephone	47,131	8,102	3,088	58,321	65,046
Printing, advertising, dues and licenses	36,045	9,133	11,148	56,326	60,800
Insurance	48,358	966	5,216	54,540	56,370
Postage and shipping	19,010	2,885	1,100	22,995	33,101
Total expenses before depreciation	5,868,874	715,511	206,176	6,790,561	6,564,388
Depreciation	41,468	6,263	2,387	50,118	65,076
	\$ 5,910,342	\$ 721,774	\$ 208,563	\$ 6,840,679	\$ 6,629,464

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

Special Olympics Virginia, Inc.

Statement of Cash Flows

Year Ended December 31, 2010, with Comparative Totals for 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 318,725	\$ 794,362
Adjustments to reconcile to net cash from operating activities:		
Depreciation	50,118	65,076
Realized (gain) loss on sale of investments	(36,995)	257,672
Unrealized gain on investments	(123,910)	(499,401)
Contributed property and equipment	(3,896)	(9,741)
Loss on disposal of property and equipment	1,088	-
Change in:		
Contributions receivable - net	(30,784)	(102,169)
Prepaid expenses	(18,500)	(1,027)
Accounts payable	(26,773)	36,760
Accrued expenses	(7,187)	18,456
Net cash from operating activities	121,886	559,988
Cash flows from investing activities		
Purchase of investments	(2,530,058)	(518,527)
Proceeds from sale of investments	1,900,432	467,111
Change in certificates of deposit - net	337,178	212,863
Purchase of property and equipment	(6,644)	(62,252)
Net cash from investing activities	(299,092)	99,195
Net change in cash and cash equivalents	(177,206)	659,183
Cash and cash equivalents - beginning of year	2,648,737	1,989,554
Cash and cash equivalents - end of year	\$ 2,471,531	\$ 2,648,737

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

Special Olympics Virginia, Inc.

Notes to Financial Statements

December 31, 2010

1. Organization and Nature of Activities

Special Olympics Virginia, Inc. (Organization) is a nonstock corporation that provides year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities at no cost to the athletes or their families. The Organization includes the combined accounts of the state chapter and its area programs.

The Organization provides opportunities for people with intellectual disabilities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community. Our vision is to open the heart and mind of every Virginian to the value and abilities of persons with intellectual disabilities.

Special Olympics is the way the world should be; rich in understanding and joy and showing no judgment. Special Olympics is not an event but an environment; an environment more respectful in its conduct, more inclusive in its nature; more unified in its fabric where all can participate equally; where everyone can reach their potential; where people with intellectual disabilities do not walk *as one among us* but *as one of us*.

2. Summary of Significant Accounting Policies

Classes of Net Assets

The financial statements report amounts separately by class of net assets as follows:

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property or equipment.

Temporarily restricted amounts are those which are stipulated by donors for specific purposes. When a donor 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. Revenue whose restrictions are met in the same year is reflected as unrestricted revenue.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

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 the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents does not include amounts that are part of managed investment accounts. These amounts are included with certificates of deposit and investments on the statement of financial position.

Property and Equipment

Property and equipment are stated at cost. Expenditures for repairs and maintenance are expensed as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed are removed from the accounts and any gain or loss is reported in current year's operations.

Depreciation and amortization are provided for using various methods over the estimated useful lives as follows for the major classes of assets:

Equipment	4 - 7 years
Furniture	5 - 10 years
Vehicles	5 years
Computer software	3 - 4 years

Contributed Materials and Services

The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would have been purchased if not contributed, are recorded at their fair values in the period received.

The Organization receives contributed services from a variety of unpaid volunteers assisting the Organization in the providing of sports training and athletic competition. The volunteer services are provided primarily by coaches and officials. The value of the contributed services provided by these volunteers in 2010 was \$1,681,730. The value of contributed materials in 2010 provided to the Organization was \$815,327.

In addition, the Organization received contributed services that have not been recognized in the statement of activities because the criteria for recognition under accounting standards have not been satisfied. These volunteer services are provided primarily by area and local coordinators and event management teams. The value of these donated services totaled \$1,264,555 for 2010.

Income Taxes

The Organization is exempt from federal and state income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and the tax statute of the Commonwealth of Virginia and will be taxed only to the extent it has taxable trade or business income unrelated to its exempt purpose. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2010. Fiscal years ending on or after 2007 remain subject to examination by federal and state tax authorities.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization has cash deposits and certificates of deposit in two financial institutions in excess of amounts insured by agencies of the federal government of \$2,111,004 at December 31, 2010. In addition, the majority of the investments of the Organization are held by two financial institutions in custodial investment accounts.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense was \$11,757 for 2010.

Contributions Receivable

Contribution receivables are carried at their estimated realizable value. All contribution receivables are due to be collected within one year. The Organization has recorded an allowance for doubtful accounts of \$25,000 at December 31, 2010.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 31, 2011, the date the financial statements were available to be issued.

3. Investments

Investments are reported at fair value. The cost and fair value of the investments at December 31, 2010 are as follows:

	Cost	Fair Value
Money market funds	\$ 399,104	\$ 399,428
Government obligations	72,618	73,449
Corporate bonds	64,338	63,901
Common stock	258,424	280,072
Mutual funds	1,903,217	1,985,982
	<u>\$ 2,697,701</u>	<u>\$ 2,802,832</u>

4. Fair Value Measurements

Accounting standards establish 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). 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:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical 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 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.

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.

Mutual funds, equities, corporate bonds, government obligations, and money market funds: Valued at the closing price reported on the active market on which the individual securities or similar securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 399,428	\$ -	\$ -	\$ 399,428
Government obligations	73,449	-	-	73,449
Corporate bonds	63,901	-	-	63,901
Common stock	280,072	-	-	280,072
Mutual funds:				
Equity funds	813,002	163,950	-	976,952
Fixed funds	451,302	504,541	-	955,843
Real estate and commodities	53,187	-	-	53,187
	<u>\$ 2,134,341</u>	<u>\$ 668,491</u>	<u>\$ -</u>	<u>\$ 2,802,832</u>

5. Property and Equipment

Property and equipment consist of the following at December 31, 2010:

Equipment	\$	150,049
Furniture		42,581
Vehicles		53,480
Computer software		156,984
		<u>403,094</u>
Less - accumulated depreciation		<u>(307,879)</u>
	\$	<u>95,215</u>

6. Borrowing Facility

The Organization has an open end revolving line of credit agreement with SunTrust Bank. Total borrowings available under the agreement are \$300,000, with interest at the one-month London Interbank Offered Rate (LIBOR) plus 2.0%, with a minimum rate of 3.0%. The borrowings are uncollateralized and due on demand. At December 31, 2010, there are no outstanding borrowings. There were no borrowings under this agreement during 2010.

7. Beneficial Interests

The Organization has been named as the remainder beneficiary of three charitable remainder trusts. Typically, the contribution portion of this type of agreement is recognized as revenue when the Organization has the unconditional right to receive benefits under the agreement. This is measured at the expected future payments to be received using federal discount rates and life expectancy tables. There is insufficient financial information for this measurement to be calculated and, therefore, no amounts have been recognized for the beneficial interest in these trusts.

8. Benefit Events for Special Olympics Virginia, Inc.

Benefit events consist of the following for 2010:

	Polar Plunge	Other	Total
Revenues	\$ 858,629	\$ 453,324	\$ 1,311,953
Expenses	<u>(149,300)</u>	<u>(121,834)</u>	<u>(271,134)</u>
	<u>\$ 709,329</u>	<u>\$ 331,490</u>	<u>\$ 1,040,819</u>

9. Retirement Plans

The Organization has a defined contribution pension plan covering all full-time employees meeting certain employment requirements. Contributions are made based on a percentage of participant's compensation. Total pension expense for 2010 was \$136,226.

The Organization has a Section 403(b) deferred compensation plan. This plan is an employer-adopted program through which employees can participate in a voluntary, payroll-deducted supplementary retirement program. No employer contributions are allowed under this plan.

10. Severance Benefit Plan

Effective July 1, 1993, the Organization established a severance benefit plan to provide severance benefits upon the termination of employment of eligible participating employees. Contributions to the plan are made through employee contribution elections in lieu of compensation. There were no employer contributions to the severance benefit plan during 2010.

11. Allocation of Joint Costs

During 2010, the Organization conducted activities that included requests for contributions, as well as program components. Those activities included business and consumer telemarketing campaigns. The costs of conducting those activities included a total of \$566,459 of joint costs in 2010, which are not specifically attributable to particular components of the activities (joint costs). These joint costs were allocated as follows:

Fundraising	\$ 283,970
Program	<u>282,489</u>
	<u>\$ 566,459</u>

12. Related Party Transactions

Special Olympics Virginia, Inc. has contributions receivable in the amount of \$104,779 due from Special Olympics, Inc. (SOI) as of December 31, 2010.

The affiliated support for 2010 in the amount of \$118,756 represents the Organization's allocable share of contributions raised by SOI.

For 2010, the Organization was assessed fees by SOI. The total fees included in expenses were \$69,768.

The Organization has entered into a direct mail agreement with SOI. The agreement calls for SOI to conduct all direct mail fundraising and public education campaigns of the Organization through a centralized direct mail program (CDMP). In exchange for participating in the CDMP, the Organization is to receive a percentage of the CDMP net income, with certain minimum guarantees. The current agreement expires on December 31, 2013, but may be terminated with proper notice by either party. The total direct mail revenue earned by the Organization in 2010 in connection with this agreement was \$288,508.

13. Commitments

The Organization leases office space, storage space and equipment for periods ranging from one month to greater than one year. The total lease expense for 2010 was \$257,160.

The following is a schedule of minimum rental payments required for subsequent years ending December 31 on leases with an initial or remaining lease term in excess of one year.

2011	\$ 200,872
2012	149,193
2013	126,527
2014	125,927
2015	123,924
Thereafter	<u>512,602</u>
	<u>\$ 1,239,045</u>

The Organization has entered into telemarketing contracts with a fundraising consultant whereby the consultant is to provide telemarketing, fulfillment and public education services for the Organization. In exchange for such services, the Organization has committed to compensating the consultant on a fee per contact basis. These contracts are scheduled to expire on December 31, 2011, but may be terminated with proper notice by either party. The total fees paid for 2010 were \$566,459.

The Organization has entered into several contracts with hotels and resorts for events to be held in the following year. These contracts require certain commitments for minimum room rentals, use of facilities and food and beverage costs. If the Organization cancels any of these contracts, it would have to pay cancellation fees as stipulated in the contract. These fees increase incrementally as the dates of the meetings approach.

14. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2010:

Tennis invitational tournament	\$ 19,392
Project Unify	77,954
Scholarships	15,175
Stettinius Fund	<u>5,916</u>
	<u>\$ 118,437</u>

15. Endowment Funds

The Organization's endowment consists of three funds. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The donor-restricted funds were established for scholarships and the tennis invitational tournament. The board designated fund was established to support the Organization's efforts stated in the strategic plan to improve program delivery and provide effective support services. As required by generally accepted accounting principles (GAAP), net assets associated with these endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At December 31, 2010, the endowment net asset composition by type of fund was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ (671)	\$ -	\$ 377,000	376,329
Board-designated endowments	252,282	-	-	252,282
	<u>\$ 251,611</u>	<u>-</u>	<u>\$ 377,000</u>	<u>\$ 628,611</u>

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature. Virginia's version of UPMIFA was enacted during 2008. The Organization's Board of Directors has interpreted the relevant state law 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 Foundation in a manner consistent with the standard of prudence prescribed by the state UPMIFA law.

A summary of the activity in endowment funds for the year ended December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 250,000	\$ -	\$ 291,000	\$ 541,000
Contributions	-	-	86,000	86,000
Investment return:				
Investment income	2,554	2,597	-	5,151
Net realized and unrealized gain	9,492	11,470	-	20,962
Appropriations for expenditure	(10,435)	(14,067)	-	(24,502)
Endowment net assets, end of year	<u>\$ 251,611</u>	<u>-</u>	<u>\$ 377,000</u>	<u>\$ 628,611</u>

From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or state UPMIFA guidelines require the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$671 as of December 31, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

In accordance with state UPMIFA law, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the 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, and (7) the investment policies of the Organization.

Endowment Investing and Spending Policies

The primary objective of the Organization's investment policy is long-term capital appreciation and growth of the endowment to generate additional resources for use in accordance with donor intent. Currently, \$588,611 of these funds are invested in a custodial account and \$40,000 is held in temporary cash funds. The custodial account consists of common stocks, fixed income investments and cash equivalents.

Unless otherwise specified by the donor, the Organization's spending policy will draw 4% of the investment annually. From time to time, due to unfavorable market conditions, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the permanently restricted net assets amount. When fund deficiencies exist, the Board of Directors will evaluate the spending policy and make decisions, utilizing the above criteria, which the Board deems prudent. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow for long-term capital appreciation of the endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

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