

**ARKANSAS 4-H
FOUNDATION, INC.**

*Financial Statements for the
Years Ended June 30, 2010 and 2009,
with Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Arkansas 4-H Foundation, Inc.:

We have audited the accompanying statements of financial position of Arkansas 4-H Foundation, Inc. (the "Foundation") as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Arkansas 4-H Foundation, Inc. as of June 30, 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.

JEFFREY, PHILLIPS, MOSLEY + SCOTT, P.A.

October 7, 2010

ARKANSAS 4-H FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,331,551	\$ 992,129
Investments, at fair value	1,551,933	1,662,236
Accounts receivable, net of allowance for doubtful accounts of \$23,076 and \$5,102	36,760	59,600
Contributions receivable, net of allowance of \$15,938 and \$15,938	30,000	—
Inventories	12,231	17,828
Other assets	<u>8,339</u>	<u>17,080</u>
Total current assets	<u>2,970,814</u>	<u>2,748,873</u>
OTHER ASSETS:		
Restricted cash	536,661	12,142
Investments, at fair value, restricted	<u>1,508,247</u>	<u>1,006,850</u>
Total other assets	<u>2,044,908</u>	<u>1,018,992</u>
PROPERTY AND EQUIPMENT, NET	<u>5,875,440</u>	<u>6,140,244</u>
TOTAL ASSETS	<u>\$10,891,162</u>	<u>\$9,908,109</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 93,441	\$ 92,308
Participant fees collected in advance of events	76,115	120,755
Due to affiliate	71,623	135,665
Accrued expenses	22,390	19,358
Customer deposits	16,613	11,609
Current maturity of note payable	<u>40,582</u>	<u>39,982</u>
Total current liabilities	<u>320,764</u>	<u>419,677</u>
LONG-TERM LIABILITY:		
Note payable, less current maturity	<u>125,436</u>	<u>166,018</u>
NET ASSETS:		
Unrestricted	6,978,861	7,103,542
Temporarily restricted	2,610,847	1,396,522
Permanently restricted	<u>855,254</u>	<u>822,350</u>
Total net assets	<u>10,444,962</u>	<u>9,322,414</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$10,891,162</u>	<u>\$9,908,109</u>

See Notes to Financial Statements.

ARKANSAS 4-H FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUES:				
Program service revenue	\$1,721,598	\$ 11,283	\$ —	\$ 1,732,881
Grants and contributions	338,685	1,046,975	20,100	1,405,760
Interest and dividends	22,173	76,299	5,337	103,809
Net unrealized and realized appreciation (depreciation) on investments	34,393	118,346	7,467	160,206
Other revenues	20,013	—	—	20,013
Net assets released from restrictions	<u>123,310</u>	<u>(123,310)</u>	<u>—</u>	<u>—</u>
Total support and revenues	<u>2,260,172</u>	<u>1,129,593</u>	<u>32,904</u>	<u>3,422,669</u>
EXPENSES:				
Program	2,177,528	—	—	2,177,528
Management and general	60,449	—	—	60,449
Fundraising	<u>62,144</u>	<u>—</u>	<u>—</u>	<u>62,144</u>
Total expenses	<u>2,300,121</u>	<u>—</u>	<u>—</u>	<u>2,300,121</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(39,949)</u>	<u>1,129,593</u>	<u>32,904</u>	<u>1,122,548</u>
NET ASSETS, BEGINNING OF YEAR	7,103,542	1,396,522	822,350	9,322,414
RECLASSIFICATION OF NET ASSETS	<u>(84,732)</u>	<u>84,732</u>	<u>—</u>	<u>—</u>
NET ASSETS, END OF YEAR	<u>\$6,978,861</u>	<u>\$2,610,847</u>	<u>\$855,254</u>	<u>\$10,444,962</u>

See Notes to Financial Statements.

ARKANSAS 4-H FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2009

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUES:				
Program service revenue	\$1,640,153	\$ 7,418	\$ —	\$1,647,571
Grants and contributions	243,775	63,318	1,600	308,693
Interest and dividends	31,582	82,711	8,723	123,016
Net unrealized and realized appreciation (depreciation) on investments	12,156	(84,353)	3,305	(68,892)
Other revenues	86,014	—	—	86,014
Net assets released from restrictions	<u>135,575</u>	<u>(135,575)</u>	<u>—</u>	<u>—</u>
Total support and revenues	<u>2,149,255</u>	<u>(66,481)</u>	<u>13,628</u>	<u>2,096,402</u>
EXPENSES:				
Program	2,160,876	—	—	2,160,876
Management and general	70,843	—	—	70,843
Fundraising	<u>5,385</u>	<u>—</u>	<u>—</u>	<u>5,385</u>
Total expenses	<u>2,237,104</u>	<u>—</u>	<u>—</u>	<u>2,237,104</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(87,849)</u>	<u>(66,481)</u>	<u>13,628</u>	<u>(140,702)</u>
NET ASSETS, BEGINNING OF YEAR	6,981,058	1,444,253	1,037,805	9,463,116
RECLASSIFICATION OF NET ASSETS	<u>210,333</u>	<u>18,750</u>	<u>(229,083)</u>	<u>—</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>7,191,391</u>	<u>1,463,003</u>	<u>808,722</u>	<u>9,463,116</u>
NET ASSETS, END OF YEAR	<u>\$7,103,542</u>	<u>\$1,396,522</u>	<u>\$ 822,350</u>	<u>\$9,322,414</u>

See Notes to Financial Statements.

ARKANSAS 4-H FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$1,122,548	\$ (140,702)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	347,467	336,744
Net realized and unrealized (gain) loss on investments and property and equipment	(161,017)	93,048
Change in:		
Accounts receivable	22,840	32,360
Contributions receivable	(30,000)	-
Inventories	5,597	(2,761)
Other assets	8,741	(10,982)
Accounts payable	1,133	(18,102)
Deferred revenue	(44,640)	40,649
Due to affiliate	(64,042)	57,653
Accrued expenses	3,032	(129)
Customer deposits	5,004	(6,872)
Total adjustments	<u>94,115</u>	<u>521,608</u>
Net cash provided by operating activities	<u>1,216,663</u>	<u>380,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(82,663)	(337,346)
Proceeds from the sale of property, plant, and equipment	-	2,636
Purchase of investments	(1,077,829)	(2,757,265)
Proceeds from sale of investments	847,752	2,041,762
Change in restricted cash	<u>(524,519)</u>	<u>55,017</u>
Net cash used in investing activities	<u>(837,259)</u>	<u>(995,196)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on note payable	-	206,000
Payments of note payable	<u>(39,982)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(39,982)</u>	<u>206,000</u>
CHANGE IN CASH AND CASH EQUIVALENTS	339,422	(408,290)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>992,129</u>	<u>1,400,419</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$1,331,551</u>	<u>\$ 992,129</u>

See Notes to Financial Statements.

ARKANSAS 4-H FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2010 AND 2009

1. ORGANIZATION

The Arkansas 4-H Foundation, Inc. (the "Foundation") was incorporated under the laws of the State of Arkansas. The purposes and objectives of the Foundation are exclusively educational. The Foundation was formed to encourage and support such educational purposes that, in the judgment of the Foundation, will best meet the needs and advance the interests of 4-H youth programs throughout the State of Arkansas. The Foundation is organized into approximately 160 distinct funds that are used to account for various educational or administrative activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable – The Foundation uses the allowance method to estimate for uncollectible receivable balances. The Foundation does a specific review of the receivables to determine the necessary allowance. The Foundation writes off uncollectible accounts receivable after all collection efforts have been exhausted and it has been determined that they will not be collected. Such losses have been within management's expectations.

Investments – The Foundation invests primarily in debt and equity securities and carries its investments at fair value determined by quoted prices, with unrealized gains and losses recognized in the statement of activities. Income resulting from pooled investments is allocated to the various funds on a quarterly basis based on the fair value of each fund's assets as a percentage of the total fair value of all assets invested.

Inventories – The inventories of the Foundation consist of food, supplies, and merchandise available for sale, and are stated at the lower of cost or market with cost determined on the specific identification method.

Restricted Cash and Investments – The cash and investments restricted in the accompanying statement of financial position are required by the provisions of grants received by the Foundation. One grant restricts the assets to be used over a specified time period of no less than 20 years. Another grant restricts the use of the assets for repairs and maintenance of the buildings constructed with the proceeds of the grant. The restricted assets are included in temporarily restricted net assets on the accompanying statement of net assets.

Property and Equipment – Property and equipment are recorded at cost if purchased, and at fair value at date of receipt if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The Foundation capitalizes property and equipment of \$2,500 or more. Collections are capitalized at cost, and if donated, they are capitalized at their appraised or fair value on the accession date.

Net Assets Classification – The Foundation classifies net assets as follows:

Unrestricted net assets – Net assets are classified as unrestricted if they are not subject to donor-imposed stipulations. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as increases in unrestricted net assets.

Temporarily restricted net assets – Net assets are classified as temporarily restricted if they are subject to donor-imposed stipulations that may or will be met either by action of the Foundation and/or the passage of time.

Permanently restricted net assets – Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity. Investment income on permanently restricted net assets is reflected as an addition to either unrestricted net assets or temporarily restricted net assets depending upon the restrictions imposed by the donor, if any. Net unrealized and realized gains on permanently restricted net assets are reflected as an addition to either unrestricted net assets or temporarily restricted net assets, since appreciation on endowed funds is spendable under Arkansas law.

Spending Policy – In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) that serves as a guideline to states to use in enacting legislation. Effective July 2009, the state of Arkansas enacted UPMIFA, which requires not-for-profit organizations with donor-restricted endowed funds to follow certain standards when making investment and spending policy decisions. During the year ended June 30, 2010, the Foundation’s spending policy was developed in consideration of UPMIFA.

Contributions – Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

Net Assets Released From Restrictions – Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donor.

Functional Expenses – Functional expenses have been allocated between program services, management and general, and fundraising expenses. Personnel related expenses are allocated based on actual time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure. All operating expenses of the C. A. Vines Arkansas 4-H Center (the “Center”) have been classified as program expenses since the operation of the Center represents the largest program of the Foundation.

Federal Income Taxes – The Foundation is a publicly supported organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Financial Accounting Standards Board (“FASB”) has issued standards under the *Income Taxes* topic of the Financial Accounting Standards Board Codification (the “Codification”) related to uncertainties in income taxes. The Foundation adopted these standards for the year ended June 30, 2010. Management evaluated the Foundation’s tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Foundation files an income tax return in the United States federal jurisdiction and is no longer subject to United States federal, state, and local income tax examinations by tax authorities for fiscal years prior to 2007.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events – Subsequent events have been evaluated through October 7, 2010, which is the date the financial statements were issued. The Foundation did not identify any events or transactions during this period of time that require recognition or disclosure in the financial statements for the period ended June 30, 2010.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 1,057,896	\$ 1,057,896
Buildings and improvements	9,311,340	9,254,554
Furniture and equipment	518,550	492,673
Artwork collection	<u>197,072</u>	<u>197,072</u>
Total property and equipment	11,084,858	11,002,195
Less accumulated depreciation	<u>(5,209,418)</u>	<u>(4,861,951)</u>
Property and equipment, net	<u>\$ 5,875,440</u>	<u>\$ 6,140,244</u>

4. INVESTMENTS AT FAIR VALUE

Investments at fair value consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Stocks and Equity Mutual Funds	\$ 980,033	\$ 830,279
Fixed Income Securities and Mutual Funds	1,185,588	706,718
Municipal Securities	26,219	26,773
Certificates of Deposit	<u>868,340</u>	<u>1,105,316</u>
Total	<u>\$3,060,180</u>	<u>\$2,669,086</u>

5. NOTE PAYABLE

The long-term note payable is unsecured and matures on December 1, 2013. The note has an interest rate of 1.5% annually.

Annual maturities of this note as of June 30 are as follows:

2011	\$ 40,582
2012	41,190
2013	41,808
2014	<u>42,438</u>
Total	<u>\$166,018</u>

6. RELATED PARTIES

The Foundation operates under an agreement whereby significant administrative services are provided to the Foundation by the University of Arkansas Cooperative Extension Service ("CES") at no cost to the Foundation. The statement of activities would be significantly impacted if the Foundation were charged for these services. These services include program, administration, and accounting services provided by approximately 30

CES employees, as well as use of the CES office facilities and various other assets. In consideration of this arrangement, CES uses the Center for program activities at a reduced rate. CES also participates in other Foundation activities in the normal course of business. The Foundation's employee payroll is administered by CES and reimbursed by the Foundation. The due to affiliate as of June 30, 2010 and 2009, consists primarily of accrued payroll costs that will be reimbursed by the Foundation, net of the amount due to the Foundation for the activities described above.

7. RECLASSIFICATION OF NET ASSETS

As a result of additional donor intent documentation and information obtained during 2010, the Foundation has reclassified certain net assets as of July 1, 2008, previously classified as permanently restricted to unrestricted and temporarily restricted net assets.

The reclassification of net assets during the year ended June 30, 2010, is the result of the impact of the Foundation's adoption of UPMIFA on its net asset classifications. The reclassification was necessary in order for accumulated earnings or losses on gifts to the permanent endowment to be classified appropriately as discussed in Footnote 8.

8. ENDOWMENTS

The Foundation accounts for endowments using the standards included in the *Not-for-Profit Entities* topic of the Codification (FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*). UPMIFA was implemented for the Foundation's fiscal year ending June 30, 2010. Key provisions of the standards and UPMIFA are the removal of the historic dollar value concept in preserving endowment principal and expanded disclosures for all endowed funds.

The Foundation's endowment consists of approximately 20 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by its Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-

restricted endowment fund that is not classified in permanently restricted net assets is classified as 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 UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the 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 and spending policies of the organization

Endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$342,112	\$855,254	\$1,197,366
Board-designated endowment funds	<u>170,933</u>	<u>—</u>	<u>—</u>	<u>170,933</u>
Total endowment	<u>\$170,933</u>	<u>\$342,112</u>	<u>\$855,254</u>	<u>\$1,368,299</u>

Changes in endowment net assets for the year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 36,000	\$ —	\$822,350	\$ 858,350
Investment return:				
Interest and dividends	2,326	25,813	5,337	33,476
Net appreciation (unrealized and realized)	<u>3,607</u>	<u>40,037</u>	<u>7,467</u>	<u>51,111</u>
Total investment return	5,933	65,850	12,804	84,587
Contributions	—	—	20,100	20,100
Amounts appropriated for expenditure	—	(32,994)	—	(32,994)
Reclassification to/from endowment net assets	<u>129,000</u>	<u>309,256</u>	<u>—</u>	<u>438,256</u>
Endowment net assets, end of year	<u>\$170,933</u>	<u>\$342,112</u>	<u>\$855,254</u>	<u>\$1,368,299</u>

Endowment net asset composition by type of fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$ 822,350	\$1,051,433
Board-designated endowment funds	<u>36,000</u>	<u>—</u>	<u>36,000</u>
Total endowment	<u>\$36,000</u>	<u>\$1,051,433</u>	<u>\$1,087,433</u>

Changes in endowment net assets for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ —	\$1,037,805	\$1,037,805
Reclassification of net assets	<u>—</u>	<u>(229,083)</u>	<u>(229,083)</u>
Endowment net assets, beginning of year, as restated	—	808,722	808,722
Investment return:			
Interest and dividends	—	8,723	8,723
Net appreciation (unrealized and realized)	<u>—</u>	<u>3,305</u>	<u>3,305</u>
Total investment return	—	12,028	12,028
Contributions	—	1,600	1,600
Reclassification to endowment net assets	<u>36,000</u>	<u>—</u>	<u>36,000</u>
Endowment net assets, end of year	<u>\$36,000</u>	<u>\$ 822,350</u>	<u>\$ 858,350</u>

The Foundation has adopted investment and spending policies for endowment assets that attempt to support the current and future operations of the Foundation, while maintaining the endowed assets at the level restricted by the donor to be held in perpetuity or for a donor-specified period. Under the investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an average annual total return, net of investment manager fees and after inflation, in excess of the spending rate over a rolling five-year period.

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

During the year ended June 30, 2010, the Foundation allowed spending of all investment earnings of the endowment funds for use related to the donor-specified purpose, if applicable. The Foundation approved a new spending policy for endowments, which became effective in July 2010. The annual spending rate of earnings on endowments will be determined annually by the Board of Directors, with a maximum goal of 5% of the earnings each year. This policy was adopted to achieve the objective of maintaining purchasing power of the endowment assets held in perpetuity or for a specified time.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements – FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described on the following page:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended June 30, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

Investment Securities – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. For the year ended June 30, 2010, securities held by the Foundation are classified as Level 1 and Level 2 securities. No securities held by the Foundation as of June 30, 2010 were classified as Level 3 securities.

Fair Value on a Recurring Basis

The balances of assets measured at fair value on a recurring basis are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2010				
Investment Securities:				
Stocks and Equity Mutual Funds	\$ 980,033	\$ –	\$ –	\$ 980,033
Fixed Income Securities and Mutual Funds	1,101,773	83,809	–	1,185,588
Municipal Securities	<u>–</u>	<u>26,219</u>	<u>–</u>	<u>26,219</u>
Total investments*	<u>\$2,081,706</u>	<u>\$ 110,028</u>	<u>\$ –</u>	<u>\$2,191,834</u>
June 30, 2009				
Investment Securities	<u>\$1,442,071</u>	<u>\$1,227,015</u>	<u>\$ –</u>	<u>\$2,669,086</u>

*Total investments exclude the certificates of deposit balance of \$868,340, which are not a required component of this footnote disclosure.