FINANCIAL STATEMENTS

Elizabeth Glaser Pediatric AIDS Foundation
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

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Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements

Years Ended December 31, 2010 and 2009

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Report of Independent Auditors

The Board of Directors
Elizabeth Glaser Pediatric AIDS Foundation

We have audited the accompanying statements of financial position of Elizabeth Glaser Pediatric AIDS Foundation (the Foundation) 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audits included 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 Foundation'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 and 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 the Foundation 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 US generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2011 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Ernst & Young LLP

June 16, 2011

A member firm of Ernst & Young Global Limited

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Financial Position

	December 31	
	2010	**2009**
Assets		
Cash and cash equivalents	**$ 2,592,741**	$ 1,234,917
Restricted cash at field offices	**3,781,857**	3,309,570
Investments	**2,066,034**	2,031,146
Due from government agencies	**10,790,564**	15,754,428
Contribution receivables	**195,848**	484,832
Other receivables	**1,046,950**	2,062,653
Charitable remainder trust contribution receivables	**11,671,798**	2,360,106
Prepaid expenses and other assets	**4,224,663**	4,514,417
Property and equipment, less accumulated depreciation of $1,725,274 and $1,591,982 at December 31, 2010 and 2009, respectively	**136,287**	233,709
Total assets	**$ 36,506,742**	$ 31,985,778
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 6,596,505**	$ 5,317,586
Grants payable – private	**2,437,481**	4,934,054
Grants payable – federal	**8,097,915**	10,100,356
Deferred revenue – private grants	**5,090,628**	3,354,271
Deferred rent	**235,257**	271,954
Total liabilities	**22,457,786**	23,978,221
Net assets:		
Unrestricted	**12,312,255**	6,044,485
Temporarily restricted	**1,645,502**	1,870,847
Permanently restricted	**91,199**	92,225
Total net assets	**14,048,956**	8,007,557
Total liabilities and net assets	**$ 36,506,742**	$ 31,985,778

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Activities

Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions	$ 14,224,053	$ 781,293	$ –	$ 15,005,346
Private grant revenue	5,903,060	–	–	5,903,060
Government grants	130,102,156	–	–	130,102,156
Contributed services	325,705	–	–	325,705
Investment income (loss)	21,432	–	(1,026)	20,406
Net assets released from restrictions	1,006,638	(1,006,638)	–	–
Total public support and revenue	151,583,044	(225,345)	(1,026)	151,356,673
Expenses:				
Program services:				
Program implementation	124,061,074	–	–	124,061,074
Research	2,593,858	–	–	2,593,858
Communications	1,661,391	–	–	1,661,391
Public policy	846,588	–	–	846,588
Total program services	129,162,911	–	–	129,162,911
Supporting services:				
Management, general and administrative	13,500,404	–	–	13,500,404
Fund-raising	2,651,959	–	–	2,651,959
Total supporting services	16,152,363	–	–	16,152,363
Total expenses	145,315,274	–	–	145,315,274
Changes in net assets	6,267,770	(225,345)	(1,026)	6,041,399
Net assets at beginning of year	6,044,485	1,870,847	92,225	8,007,557
Net assets at end of year	$ 12,312,255	$ 1,645,502	$ 91,199	$ 14,048,956

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Activities

Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions	$ 5,942,174	$ 666,985	$ 471	$ 6,609,630
Private grant revenue	7,001,797	–	–	7,001,797
Government grants	113,964,669	–	–	113,964,669
Investment income	(6,253)	–	–	(6,253)
Other income	20,878	–	–	20,878
Contributed services	131,287	–	–	131,287
Net assets released from restrictions	4,431,258	(4,431,258)	–	–
Total public support and revenue	131,485,810	(3,764,273)	471	127,722,008
Expenses:				
Program services:				
Program implementation	109,263,332	–	–	109,263,332
Research	3,212,225	–	–	3,212,225
Communications	1,478,398	–	–	1,478,398
Public policy	538,837	–	–	538,837
Total program services	114,492,792	–	–	114,492,792
Supporting services:				
Management, general and administrative	13,848,297	–	–	13,848,297
Fund-raising	2,479,819	–	–	2,479,819
Total supporting services	16,328,116	–	–	16,328,116
Total expenses	130,820,908	–	–	130,820,908
Changes in net assets	664,902	(3,764,273)	471	(3,098,900)
Net assets at beginning of year	5,379,583	5,635,120	91,754	11,106,457
Net assets at end of year	$ 6,044,485	$ 1,870,847	$ 92,225	$ 8,007,557

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Functional Expenses

Year Ended December 31, 2010

	Program Implementation	Research	Communications	Public Policy	Total Program Services	Management, General and Administrative	Fund-raising	Total
Salary	$ 27,159,503	$ 831,149	$ 686,639	$ 401,933	$ 29,079,224	$ 5,756,265	$ 412,478	$ 35,247,967
Fringe benefits	9,930,212	313,017	258,637	143,071	10,644,937	2,387,129	155,514	13,187,580
Depreciation	3,587	–	–	–	3,587	129,705	–	133,292
Insurance – business liability	402,360	19,953	16,728	7,169	446,210	140,329	13,448	599,987
Office expenses	5,761,734	46,622	126,526	29,888	5,964,770	961,386	99,123	7,025,279
Postage and shipping	190,752	2,735	40,090	1,113	234,690	65,590	43,876	344,156
Rent and utilities	1,908,518	113,083	94,888	48,882	2,165,371	592,983	79,327	2,837,681
Telephone	1,102,316	79,514	36,855	40,647	1,259,332	337,658	16,318	1,613,308
Advertising/promotion/press	79,499	1	3,694	1,800	84,994	3	104	85,101
Bank, merchant fees, and foreign exchange, net	(17,239)	1,286	96	113	(15,744)	182,399	51,368	218,023
Conference and training	5,445,641	63,479	23,595	12,732	5,545,447	319,077	3,926	5,868,450
Contract and professional services	2,623,475	521,529	247,370	18,093	3,410,467	1,061,746	709,435	5,181,648
Repairs and maintenance	1,173,543	2,022	3	–	1,175,568	232,316	1,866	1,409,750
State registration	339	–	–	–	339	2,764	–	3,103
Travel	6,395,129	288,342	125,265	141,141	6,949,877	1,329,424	101,537	8,380,838
Contributed services	–	–	969	–	969	1,620	238,698	241,287
Grant expenses	61,901,705	311,126	–	6	62,212,837	10	–	62,212,847
Event underwriting	–	–	36	–	36	–	724,941	724,977
Total expenses	$ 124,061,074	$ 2,593,858	$ 1,661,391	$ 846,588	$ 129,162,911	$ 13,500,404	$ 2,651,959	$ 145,315,274

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Functional Expenses

Year Ended December 31, 2009

	Program Implementation	Research	Communications	Public Policy	Total Program Services	Management, General and Administrative	Fund-raising	Total
Salary	$ 21,350,296	$ 760,039	$ 577,750	$ 304,345	$ 22,992,430	$ 5,177,515	$ 470,819	$ 28,640,764
Fringe benefits	7,765,428	296,490	210,513	116,607	8,389,038	2,048,443	180,811	10,618,292
Depreciation	–	–	–	–	–	240,887	–	240,887
Insurance – business liability	211,971	460	–	–	212,431	219,203	–	431,634
Office expenses	5,585,707	8,251	70,997	25,844	5,690,799	1,040,479	56,797	6,788,075
Postage and shipping	120,633	2,414	27,814	125	150,986	86,494	25,060	262,540
Rent and utilities	1,043,513	5,683	–	–	1,049,196	1,198,139	–	2,247,335
Telephone	944,625	61,883	35,258	6,568	1,048,334	394,277	5,255	1,447,866
Advertising/promotion/press	28,542	–	25,049	–	53,591	1,769	5,750	61,110
Bank, merchant fees, and foreign exchange, net	105,564	638	–	–	106,202	162,500	76,320	345,022
Conference and training	6,768,883	78,585	8,484	2,655	6,858,607	302,632	3,694	7,164,933
Contract and professional services	4,125,188	491,637	368,330	25,051	5,010,206	1,857,010	710,770	7,577,986
Repairs and maintenance	809,003	3,458	–	–	812,461	313,456	20,527	1,146,444
State registration	–	–	–	–	–	4,829	1,300	6,129
Travel	5,458,317	197,185	141,723	57,642	5,854,867	761,208	42,495	6,658,570
Contributed services	3,240	–	4,223	–	7,463	30,732	56,563	94,758
Grant expenses	54,942,253	1,305,502	–	–	56,247,755	–	–	56,247,755
Event underwriting	169	–	8,257	–	8,426	8,724	823,658	840,808
Total expenses	$ 109,263,332	$ 3,212,225	$ 1,478,398	$ 538,837	$ 114,492,792	$ 13,848,297	$ 2,479,819	$ 130,820,908

See accompanying notes.

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Elizabeth Glaser Pediatric AIDS Foundation

Statements of Cash Flows

	Year Ended December 31 2010	2009
Operating activities		
Changes in net assets	**$ 6,041,399**	$ (3,098,900)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	**133,292**	240,887
Net realized and unrealized loss on investments	**20,444**	10,333
Donated stock	**(69,652)**	(51,130)
Changes in operating assets and liabilities:		
Restricted cash at field offices	**(472,287)**	(1,984,050)
Due from government agencies	**4,963,864**	(4,779,334)
Contribution receivables	**288,984**	(1,619)
Other receivables	**1,015,703**	(491,352)
Charitable remainder trust contribution receivables	**(9,311,692)**	273,274
Prepaid expenses and other assets	**289,754**	(8,996)
Prepaid pharmaceuticals	**–**	5,316
Accounts payable and accrued expenses	**1,278,919**	38,175
Grants payable – private	**(2,496,573)**	(126,316)
Grants payable – federal	**(2,002,441)**	4,110,889
Deferred revenue – private grants	**1,736,357**	1,014,969
Deferred rent	**(36,697)**	(5,040)
Net cash provided by (used in) operating activities	**1,379,374**	(4,852,894)
Investing activities		
Purchases of property and equipment	**(35,870)**	–
Purchases of investments	**(1,667,710)**	(2,038,730)
Proceeds from sale of investments	**1,682,030**	66,906
Net cash used in investing activities	**(21,550)**	(1,971,824)
Net change in cash and cash equivalents	**1,357,824**	(6,824,718)
Cash and cash equivalents at beginning of year	**1,234,917**	8,059,635
Cash and cash equivalents at end of year	**$ 2,592,741**	$ 1,234,917

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

December 31, 2010

1. Organization

The Elizabeth Glaser Pediatric AIDS Foundation (the Foundation) is a nonprofit 501(c)(3) organization established in 1988 whose mission is to prevent pediatric HIV infection and to eradicate pediatric AIDS through research, advocacy and prevention and treatment programs. Its research programs, advocacy efforts and international programs are intended to bring dramatic changes to the lives of children worldwide.

The Foundation's financial support is derived through contributions from the United States government, other government and multilateral organizations, individuals, corporations, foundations and unions. The Foundation has obtained grants from the U.S. Agency for International Development (USAID) and from the Centers for Disease Control and Prevention (CDC) which support the Foundation's International Family AIDS Initiative to expand its ability to prevent mother-to-child transmission of HIV through counseling, testing and preventative treatments in the developing world, and to expand the scope of the project to include care and treatment to mothers and families at many of its sites.

Other program activities during 2010 include the Foundation's HIV/AIDS research programs to identify, fund and conduct critical pediatric research leading to better treatments and prevention of HIV infection in infants and children.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents. Substantially all cash equivalents are held in a short-term money market account with a bank.

2. Summary of Significant Accounting Policies (continued)

Restricted Cash at Field Offices

Restricted cash represents monies held in overseas field offices to be used for operating expenses. These accounts consist of petty cash accounts, U.S. dollar accounts, host country denomination accounts and travel advances to host country staff.

Investments

Investments are recorded at fair value based upon quoted market price. Donated assets are recorded at fair value at the date of donation or, if sold immediately upon receipt, at the amount of the sales proceeds received (which are considered a fair measure of the value at the date of the donation).

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is computed on the straight-line basis over the following estimated useful lives of the related assets:

Furniture and fixtures	5 years
Computers and equipment	3 years
Automobile	5 years

Leasehold and Tenant Improvements

Leasehold and tenant improvements are recorded at cost and are amortized over the lesser of the term of the related lease or the life of the asset using the straight-line method.

2. Summary of Significant Accounting Policies (continued)

Split-Interest Agreements

Split-interest agreements with donors consist solely of beneficial interests in irrevocable remainder trusts. The charitable remainder trusts are included in charitable remainder trust contributions receivable at the present value of the estimated future benefits to be received when the trust assets are distributed. Contribution revenue is recognized at the date the Foundation becomes aware that the trust has become irrevocable. The receivable is adjusted during the term of the trust for the accretion of discounts, revaluation of the present value of the estimated future payments to the current beneficiaries and changes in life expectancies. The change in split-interest is recorded as contribution revenue. The discount rates used to calculate the present value of the estimated future benefits at December 31, 2010 and 2009, approximated 4.3% and 4.6%, respectively, and the expected rate of return on trust assets ranged from approximately 4% to 7%. The change in the value of split-interest agreements recognized for charitable remainder trusts was $138,323 and $(35,980) in 2010 and 2009, respectively. Contribution revenue recognized from split interest agreements as of December 31, 2010 and 2009 is equal to $9,336,092 and $273,274, respectively.

Grants Payable

“Grants payable – private” are grants made primarily to other research and partner organizations and are accrued when the Foundation makes a legally enforceable commitment to the organization. Grants are generally made for a term of one to three years.

For grants that are for a period of more than one year, the future years’ portions, if considered conditional, are recorded in a future year based on specific criteria such as management review and approval against certain reporting requirements and the receipt of future funding to the Foundation.

“Grants payable – federal” are payments due to sub-recipients for expenses incurred through December 31, 2010.

2. Summary of Significant Accounting Policies (continued)

Net Asset Classification

The Foundation's net assets are classified as follows:

- Unrestricted net assets – Unrestricted net assets result from revenues derived from unrestricted contributions, investment income and other inflows of assets for which the use is not restricted by donors.

- Temporarily restricted net assets – Temporarily restricted net assets result from contributions and other inflows of assets for which the use is limited by donor-imposed restrictions that require the Foundation to use or expend the assets as specified by the donor. The restrictions are satisfied either by the passage of time or fulfillment of a specific programmatic purpose. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Contributions for which the restrictions are satisfied in the same period in which the contributions are made are classified as unrestricted.

- Permanently restricted net assets – Permanently restricted net assets result from contributions and other inflows of assets for which the use is permanently restricted by donor-imposed restrictions. Income from permanently restricted net assets is classified as either temporarily restricted revenue or unrestricted revenue in accordance with donor stipulations.

Revenue Recognition

Contributions – The Foundation records contribution revenue at fair value on the earlier of the receipt of cash or an unconditional promise to give. Contributions are recognized as public support pursuant to the terms of the gifts. Unless specifically restricted by the donor, all contributions are considered available for unrestricted use. Noncash gifts are recorded at their fair value. As of December 31, 2010, all of the Foundation's total contributions receivable was due within one year.

2. Summary of Significant Accounting Policies (continued)

Exchange Transactions – Federal grant and private grant awards are recognized as revenue earned to the extent that qualifying expenses have been incurred. Expenses incurred before government funding is received are recognized as due from government agencies.

Contributed Services – Contributed services are recognized as revenue if the services received create or enhance nonfinancial assets, require specialized skills provided by individuals possessing those skills and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair market value of the services provided. Contributed services primarily consist of donated airline mileage and legal services. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenue and are not reported in the accompanying financial statements.

Deferred Revenue – Private Grants – Deferred revenue – private grants consist of grants from private donors. Once expenses have been incurred in accordance with the provisions in the applicable donor agreements, the revenue is recognized.

Income Taxes

The Foundation is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding state revenue and taxation statutes, except for any federal income that may be a result of unrelated business transactions. Accordingly, no provision for income taxes is required. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

Subsequent Events

The Foundation has evaluated subsequent events for recognition and disclosure through June 16, 2011, the date of issuance.

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This update provides amendments to Subtopic 820-10 that requires new disclosures regarding significant transfers in and out of Levels 1 and 2 and describing the reasons for the transfers, and presenting on a gross basis the roll forward information for Level 3 regarding purchases, sales, issuances, and settlements. The update also provides clarification on fair value measurement disclosures for each class of assets and liabilities. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchase, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Other than the expansion of disclosures for Level 3 instruments, the adoption of this guidance did not have an impact on the financial statements.

3. Property and Equipment

Property and equipment consisted of the following:

	December 31	
	2010	**2009**
Furniture and fixtures	**$ 555,562**	$ 555,562
Computers and equipment	**849,839**	849,839
Automobile	**114,967**	79,097
Leasehold and tenant improvements	**341,193**	341,193
	1,861,561	1,825,691
Less accumulated depreciation	**(1,725,274)**	(1,591,982)
Property and equipment, net	**$ 136,287**	$ 233,709

Depreciation expense for the years ended December 31, 2010 and 2009 was $133,292 and $240,887, respectively.

4. Investments

Investments consisted of the following:

	December 31 2010	December 31 2009
Donated stocks	**$ 20,355**	$ –
Certificates of deposit	**2,045,679**	2,031,146
	$ 2,066,034	$ 2,031,146

Investment income consisted of the following:

	Year Ended December 31 2010	Year Ended December 31 2009
Dividends and interest income, net of investment fees of $0 in 2010 and 2009	**$ 40,850**	$ 4,080
Realized and unrealized losses	**(20,444)**	(10,333)
	$ 20,406	$ (6,253)

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following purpose-restricted and time-restricted amounts:

	December 31 2010	December 31 2009
Purpose-restricted amounts:		
International Family AIDS Initiatives	**$ 1,134,229**	$ 1,384,633
Outside events	**46,574**	46,574
Other	**34,858**	29,859
Basic research	**106,982**	94,414
	1,322,643	1,555,480
Time-restricted amounts:		
Assets held in charitable remainder trusts	**322,859**	315,367
	$ 1,645,502	$ 1,870,847

6. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

	December 31 2010	December 31 2009
Beneficial interest in perpetual trust	**$ 91,199**	$ 92,225
	$ 91,199	$ 92,225

7. Private and Federal Grants Payable

The multiyear grants payable consisted of the following:

	December 31 2010	December 31 2009
Private grants payable:		
Elizabeth Glaser Scientist Awards	**$ 144,933**	$ 514,800
International Family AIDS Initiative – private	**1,993,804**	3,735,609
International Leadership Award	**298,744**	683,645
Total grants payable – private	**$ 2,437,481**	$ 4,934,054
Federal grants payable:		
International Family AIDS Initiative	**$ 8,097,915**	$ 10,100,356

8. Fair Value Measurements

ASC 820-10 requires enhanced disclosures about assets and liabilities carried at fair value. As defined in ASC 820-10, fair value is 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 (exit price). ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Foundation primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation is able to classify fair value balances based on the observability of those inputs.

8. Fair Value Measurements (continued)

The fair value levels are as follows:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Pricing inputs are other-than-quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.
- Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about what market participants would use in pricing the split interest agreements developed using the best information available.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010 and 2009. As required by ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2010	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Investments:				
Certificates of deposit	**$ 2,045,679**	**$ 2,045,679**	**$ –**	**$ –**
Donated stock	**20,355**	**20,355**	**–**	**–**
Split-interest agreements	**11,671,798**	**11,267,570**	**–**	**404,228**
Total assets	**$ 13,737,832**	**$ 13,333,604**	**$ –**	**$ 404,228**

8. Fair Value Measurements (continued)

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2009	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Certificates of deposit	$ 2,031,146	$ 2,031,146	$ –	$ –
Split-interest agreements	2,360,106	–	–	2,360,106
Total assets	$ 4,391,252	$ 2,031,146	$ –	$ 2,360,106

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy.

The following tables provide a reconciliation of the beginning and ending balances of split-interest agreements measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3). Amounts transferred out of Level 3 arise because actual cash was received from a split interest agreement subsequent to balance sheet date. As such, the amount of actual cash received is reflected in Level 1 at December 31, 2010 and 2009.

	Summary of Level 3 Investment Activity			
	Fair Value at December 31, 2009	**Unrealized Gains (Losses)**	**Transfers In (Out) of Level 3**	**Fair Value at December 31, 2010**
Split-interest agreements	**$ 2,360,106**	**$ 56,122**	**$ (2,012,000)**	**$ 404,228**

	Summary of Level 3 Investment Activity			
	Fair Value at December 31, 2008	**Unrealized Gains (Losses)**	**Transfers In (Out) of Level 3**	**Fair Value at December 31, 2009**
Split-interest agreements	$ 2,633,380	$ 14,182	$ (287,456)	$ 2,360,106

9. Pension Benefits

The Foundation has a defined contribution retirement plan (the Plan) under Section 403(b) of the IRC. The effective date of the Plan is January 1, 2006. Employees, as defined, are eligible to participate in the Plan after they have completed 90 days of service and attainment of age 21. Benefits are not subject to, nor covered by, federal plan termination insurance. The Foundation will match the employee's contribution dollar for dollar up to a maximum 7% of eligible compensation per pay period. Employees are immediately vested 100% in their own contributions and become vested over a three-year period in the Foundation's matching contributions. Total employer contributions to the Plan for the years ended December 31, 2010 and 2009, were $619,893 and $559,745, respectively.

10. Commitments and Contingencies

Leases

The Foundation leases office facilities and copiers under operating leases that expire on various dates through September 2015. Future minimum lease payments by year and in the aggregate, under noncancelable operating leases, consisted of the following at December 31, 2010:

2011	$ 1,967,188
2012	1,293,249
2013	1,010,699
2014	48,212
2015	31,759
	$ 4,351,107

Rent expense for the years ended December 31, 2010 and 2009, was $2,394,275 and $2,065,947, respectively.

Federal Programs

Amounts received and expended by the Foundation under various federal programs are subject to audit by government agencies. Management believes that adjustments, if any, that might result from such audits would not have a material impact on the financial position of the Foundation.

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