SAINT FRANCIS HOUSE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals For 2010)

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS
SAINT FRANCIS HOUSE, INC.
Boston, Massachusetts

We have audited the accompanying statement of financial position of Saint Francis House, Inc. (a Massachusetts not-for-profit corporation), as of June 30, 2011, and the related statements of activities, cash flows and functional expenses 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 Organization's 2010 financial statements and, in our report dated November 9, 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 2011 financial statements referred to above present fairly, in all material respects, the financial position of Saint Francis House, Inc. as of June 30, 2011, 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.

Parent, McLaughlin + Nangle
Certified Public Accountants, Inc.

November 9, 2011

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SAINT FRANCIS HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011
(With Comparative Amounts for 2010)

	2011	2010
ASSETS		
Assets:		
Cash and cash equivalents	$ 6,637,963	$ 5,282,541
Permanently restricted cash and cash equivalents	19,083	19,083
Investments	1,558,914	-
Accounts receivable, less allowance for doubtful accounts of $5,060 in 2011 and $13,889 in 2010	364,649	229,000
Unconditional promises to give, net	2,416,200	2,893,970
Other receivables	14,005	12,595
Property and equipment, net	5,581,642	6,130,942
Other assets	100,583	78,641
Reserve for replacement of property and equipment	168,000	150,500
Total Assets	$ 16,861,039	$ 14,797,272
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 721,978	$ 606,283
Deferred revenue	25,000	1,000
Notes payable	1,136,152	1,136,152
Contingent notes payable	1,110,855	1,151,391
Total Liabilities	2,993,985	2,894,826
Net Assets:		
Unrestricted:		
Undesignated	5,784,891	5,507,723
Board designated	168,000	150,500
Total unrestricted	5,952,891	5,658,223
Restricted:		
Temporarily	7,895,080	6,225,140
Permanently	19,083	19,083
Total Net Assets	13,867,054	11,902,446
Total Liabilities and Net Assets	$ 16,861,039	$ 14,797,272

See accompanying notes to financial statements.

SAINT FRANCIS HOUSE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2010 Totals
REVENUE:					
Program service fees:					
Department of Transitional Assistance	$ 1,326,278	$ -	$ -	$ 1,326,278	$ 1,326,278
Department of Mental Health	132,295	-	-	132,295	132,295
Department of Housing and Urban Development	509,813	-	-	509,813	557,769
Permanent and transitional housing income	397,361	-	-	397,361	290,407
Donations	3,645,889	1,768,627	-	5,414,516	4,022,029
Donations, in-kind	730,477	-	-	730,477	788,033
Grants	416,920	-	-	416,920	662,022
Special events and activities	486,448	-	-	486,448	559,831
Investment income, net	12,108	-	-	12,108	6,653
Next Step	40,536	-	-	40,536	40,536
Net assets released from restrictions through satisfaction of restrictions	98,687	(98,687)	-	-	-
Total revenue	7,796,812	1,669,940	-	9,466,752	8,385,853
EXPENSES:					
Program services	5,417,343	-	-	5,417,343	5,407,628
Supporting services:					
Management and general	668,751	-	-	668,751	673,827
Fundraising	1,416,050	-	-	1,416,050	1,415,726
Total supporting services	2,084,801	-	-	2,084,801	2,089,553
Total expenses	7,502,144	-	-	7,502,144	7,497,181
CHANGE IN NET ASSETS	294,668	1,669,940	-	1,964,608	888,672
NET ASSETS, beginning of year	5,658,223	6,225,140	19,083	11,902,446	11,013,774
NET ASSETS, end of year	$ 5,952,891	$ 7,895,080	$ 19,083	$ 13,867,054	$ 11,902,446

See accompanying notes to financial statements.

SAINT FRANCIS HOUSE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011
(With Comparative Amounts for 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,964,608	$ 888,672
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	580,562	693,545
Donations of investments	(248,012)	(20,896)
Dividends reinvested	(3,818)	(1,399)
Realized and unrealized loss on investments, net	583	29
Amortization of contingent notes payable	(40,536)	(40,536)
(Increase) decrease in assets:		
Accounts receivable, net	(135,649)	13,928
Unconditional promises to give, net	477,770	888,430
Other receivables	(1,410)	(4)
Other assets	(21,942)	4
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	115,695	(34,556)
Deferred revenue	24,000	(5,883)
Total adjustments	747,243	1,492,662
Net cash provided by operating activities	2,711,851	2,381,334
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,560,795)	-
Proceeds from sales of investments	253,128	22,266
Purchases of property and equipment	(31,262)	(76,489)
Reserve for replacement	(17,500)	(17,500)
Net cash used in investing activities	(1,356,429)	(71,723)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,355,422	2,309,611
CASH AND CASH EQUIVALENTS, beginning of year	5,282,541	2,972,930
CASH AND CASH EQUIVALENTS, end of year	$ 6,637,963	$ 5,282,541
SUPPLEMENTAL DISCLOSURES:		
Donations of investments	$ 248,012	$ 20,896
Dividends reinvested	$ 3,818	$ 1,399

See accompanying notes to financial statements.

SAINT FRANCIS HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

		Supporting Services			Total Expenses	
	Program Services	Management and General	Fundraising	Total	2011	2010
Salaries and related expenses:						
Salaries	$ 2,245,814	$ 313,512	$ 596,617	$ 910,129	$ 3,155,943	$ 3,038,711
Fringe benefits and payroll taxes	519,156	84,630	117,386	202,016	721,172	749,204
	2,764,970	398,142	714,003	1,112,145	3,877,115	3,787,915
Contract housing and direct care	145,337	-	-	-	145,337	114,585
Donated services, food and clothing	730,438	39	-	39	730,477	788,033
Food	255,429	-	-	-	255,429	277,322
Supplies	144,782	26,627	43,831	70,458	215,240	193,117
Provider stipend and temporary help	75,508	-	-	-	75,508	101,409
Other	36,555	-	133,669	133,669	170,224	160,379
Occupancy	554,371	51,905	27,627	79,532	633,903	541,174
Administrative	223,953	125,810	468,586	594,396	818,349	839,702
Total expenses before depreciation	4,931,343	602,523	1,387,716	1,990,239	6,921,582	6,803,636
Depreciation of buildings and equipment	486,000	66,228	28,334	94,562	580,562	693,545
Total expenses	$ 5,417,343	$ 668,751	$ 1,416,050	$ 2,084,801	$ 7,502,144	$ 7,497,181

See accompanying notes to financial statements.

A. Organization:

Saint Francis House, Inc. (the "Organization") is a not-for-profit Massachusetts corporation located in Boston, Massachusetts, operating a day shelter for homeless men and women.

B. Summary of Significant Accounting Policies:

Basis of accounting:

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions:

Contributions received are classified by each net asset category in accordance with donor-imposed restrictions.

Contributions which are restricted for use and whose restrictions are met in the same reporting period are reflected as unrestricted revenue, as permitted by FASB ASC 958, *Not-for-Profit Entities*.

Unconditional promises to give:

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

B. Summary of Significant Accounting Policies - (continued):

Basis of presentation:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets:

Net assets that are not subject to donor-imposed stipulations. The Organization further subdivides this classification into a) Board-designated net assets, which have been designated by Board action for specific purposes; and b) other undesignated net assets.

Restricted gains and investment income and donor-restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Temporarily restricted net assets:

Net assets subject to donor-imposed stipulations that may or will be met whether by actions of the Organization and/or the passage of time.

Permanently restricted net assets:

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donated investments, equipment and services:

Volunteers and other organizations contribute goods and services to the Organization on a continual basis to support its operations. Donated investments and equipment are reflected as contributions at their fair values at the date of receipt. Donated services and goods are reflected at fair value as contributions when and if they meet the criteria for recognition under FASB ASC 958.

B. Summary of Significant Accounting Policies - (continued):

Cash and cash equivalents:

For purposes of the Statement of Cash Flows, cash and cash equivalents includes highly liquid investments with an initial maturity of three months or less.

Investments:

The Organization carries investments in debt securities at their estimated fair values in the Statement of Financial Position. Net realized and unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year-end. Management provides for probable uncollectible amounts through a provision for doubtful accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and historical experience. Accounts that are unpaid after management has made reasonable collection efforts are written off by a charge to the valuation allowance and a credit to accounts receivable.

Property and equipment:

Property and equipment is recorded at cost or at the fair market value at the date of donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Purchases are determined to be capital expenditures based on the Organization's policy of capitalizing assets acquired at a cost (or, if donated, at fair value) exceeding $2,000. Those items that are not capital expenditures are immediately expensed.

Expense allocations:

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to that program.

B. Summary of Significant Accounting Policies - (continued):

Income taxes:

The Organization is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. The Organization did not have any unrelated business income at either June 30, 2011 or 2010. In addition, the Organization has been determined by The Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization is subject to the provisions of FASB ASC 740, *Accounting for Uncertainties in Income Taxes.* Under that guidance the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. The Organization has not identified any uncertain tax positions at June 30, 2011 or 2010. Interest and penalties associated with unrecognized income tax positions, if identified, would be classified as additional income taxes in the statement of activities.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization's Federal Returns of Organization Exempt from Income Tax are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Comparative financial statements:

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Reclassifications:

Certain reclassifications have been made to the 2010 financial statements in order to conform with the 2011 presentation.

B. Summary of Significant Accounting Policies - (continued):

Subsequent events:

Subsequent events have been evaluated through November 9, 2011, which is the date the financial statements were available to be issued.

C. Investments:

Investments are stated at fair value and consist of the following at June 30, 2011:

	Cost	Fair Value	Unrealized Depreciation
Debt securities:			
U.S. government and federal agency obligations	$ 600,795	$ 600,776	($ 19)
Corporate bonds	960,000	958,138	(1,862)
	$ 1,560,795	$ 1,558,914	($ 1,881)

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

The following schedule summarizes the investment return included in the statement of activities for the year ended June 30, 2011:

Interest and dividend income	$ 12,691
Realized gain on sales of investments, net	1,298
Unrealized depreciation on investments, net	(1,881)
Net investment income	$ 12,108

D. Unconditional Promises to Give:

Unconditional promises to give represent pledges receivable. At June 30, 2011 pledges receivable consisted of the following:

Amounts Due:		
Within one year	$	1,188,031
One to five years		1,286,067
Less: discount to net present value	(	57,898)
Pledges receivable, net	$	2,416,200

Unconditional promises to give made during the years ended June 30, 2011 and 2010 due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.25%. Unconditional promises to give due in more than one year that were received prior to July 1, 2009 are discounted at 2.81%.

Conditional promises to give at June 30, 2011, consist of:

Capital campaign support	$	250,000
General operating support		25,000
Total conditional promises	$	275,000

E. Property and Equipment:

A summary of property and equipment at June 30, 2011 and 2010 is as follows:

	June 30	
	2011	2010
Land	$ 137,234	$ 137,234
Building and building improvements	12,208,304	12,208,304
Improvements - Next Step	1,625,168	1,625,168
Equipment	2,896,163	2,935,269
Furniture and fixtures	40,325	59,716
Construction in progress	26,482	8,916
	16,933,676	16,974,607
Less accumulated depreciation	(11,352,034)	(10,843,665)
	$ 5,581,642	$ 6,130,942

Depreciation expense charged to operations amounted to $580,562 and $693,545 for the years ended June 30, 2011 and 2010, respectively.

F. Reserve For Replacement of Property and Equipment:

During the construction of the Next Step Program, the Organization set up a cash reserve for the replacement of property and equipment related to the area designated for housing as part of that program. The reserve is funded by approximately $1,458 monthly or $17,500 annually and the amount reserved totaled $168,000 as of June 30, 2011. Reference is made to Note G.

G. Net Assets:

Unrestricted Net Assets:

Unrestricted net assets include certain donor-restricted contributions whose restrictions are met in the same reporting period.

Board designated net assets consist of funds designated for plant repairs and other special purposes by the Board of Directors. In fiscal 2011, the Board voted to designate $17,500 of operating cash toward a reserve for replacement of property and equipment. Reference is made to Note F. In addition, for the year ended June 30, 2010, the Board voted to revoke the designation on $130,342 of board designated funds.

Temporarily Restricted Assets:

Temporarily restricted net assets at June 30 are available for the following purposes:

	2011	2010
Gifts and grants for programs	$ 7,895,080	$ 6,216,069
Gifts for capital improvements	-	9,071
	$ 7,895,080	$ 6,225,140

Permanently Restricted Assets:

Permanently restricted net assets as of June 30 consisted of the following:

	2011	2010
Rocco and Louise Cammarata Endowment Fund	$ 19,083	$ 19,083

H. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes during the years ended June 30:

	2011	2010
Program	$ 89,616	$ 15,542
Capital improvements	9,071	-
	$ 98,687	$ 15,542

I. Notes Payable:

Notes payable consists of two loans received from the Community Economic Development Assistance Corporation (CEDAC). The purpose of these loans was to underwrite the cost of capital improvements to establish facilities for a supportive housing program.

The first loan, in the amount of $377,900 accrues interest at a rate of 0% per year simple interest, provided that the Organization is not in default on the loan. The note matures on October 11, 2026, at which time the entire principal balance and other payments are due.

The second loan, in the amount of $758,252 accrues interest at a rate of 0% per year simple interest, provided that the Organization is not in default on the loan. The note matures on June 29, 2038, at which time the entire principal balance and other payments are due.

If all amounts due for each loan have not been paid in full at their respective maturity dates, CEDAC may extend the maturity for one or more additional periods of 10 periods each. The Organization is not required to make periodic repayments under either loan provided it continues the operation of a supportive housing program over the terms of the loans and gross cash receipts for the Next Step program do not exceed 105% of cash expenditures over the fiscal year. If cash receipts exceed 105% of expenditures, an annual payment determined by CEDAC will be due 45 days after the Organization's fiscal year-end. The Organization does not anticipate the discontinuance of the supportive housing plan. Gross cash receipts were less than 105% of gross cash expenditures for the Next Step program for the year-ended June 30, 2011. Repayments under both loans are secured by an interest in the property and equipment.

J. Contingent Notes Payable:

Contingent notes payable is primarily comprised of grants and loans received from four funding sources in various amounts, which were made to underwrite the cost of capital improvements to establish the facilities for a supportive housing program.

The Organization is not required to make repayments provided it continues the operation of a supportive housing program over the terms of the respective grants and loans, the terms of which vary from 15 years to 40 years.

If the Organization were to discontinue the supportive housing program, which is not anticipated, there would be requirements for repayment that are provided for in the respective agreements. The total amount of these grants and loans originally received was $1,378,856, of which $1,110,855 and $1,151,391 remain outstanding at June 30, 2011 and 2010, respectively. Repayments are secured by an interest in the property and equipment.

K. Contingencies:

(1) The Organization derives substantially all of its revenue from state and municipal governments or government agencies and from contributions from the general public. If significant reductions in the level of this support were to occur, Saint Francis House, Inc.'s programs and activities would be affected proportionately.

(2) Reference is made to Note I and J.

L. Commitments:

During the year ended June 30, 2011, the Organization entered into several construction contracts for building improvements. The total cost under these contracts as of June 30, 2011 was $1,071,568. The balance to finish the work under the contracts was $1,045,176 as of June 30, 2011.

M. Fundraising:

During the years ended June 30, 2011 and 2010, support received from fund-raising efforts amounted to $7,049,659 and $6,031,886, respectively; for the same periods, the total cost of all fundraising activities amounted to $1,416,050 and $1,415,726, respectively. For the year ended June 30, 2011 this support included $558,050 of donated services and $172,427 of donated food and clothing. This support does not include $126,719 of donated services not requiring specialized skills.

N. Line of Credit:

As of June 30, 2011, the Organization had a $500,000 demand working capital line of credit with a variable interest rate equal to the 30 day LIBOR Advantage Rate plus 2.5% (2.69% at June 30, 2011). The line is secured by the real property of the Organization. As of June 30, 2011, the Organization had not borrowed against the line of credit.

O. Employee Benefit Plan and Deferred Compensation:

During the year ended June 30, 2001, the Organization entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full time employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The Organization may contribute a discretionary matching contribution equal to a percentage of the employees' elective deferrals.

Employee benefit plan expense for each of the years ended June 30, 2011 and 2010 was $0.

P. Related Party Transactions:

Various members of the Board of Directors made contributions and unconditional promises to give to the Organization totaling approximately $839,000, during the year ended June 30, 2011.

Q. Concentration of Credit Risk:

The Organization maintains cash deposits at several banks located in Massachusetts. Certain deposits at these banks are insured by the Federal Deposit Insurance Corporation up to $250,000, while deposits in non-interest bearing checking accounts are insured in full. At certain times during the year deposits at these banks may have exceeded the insured amount.

R. Net Assets:

In accordance with Massachusetts regulations, the Organization is required to calculate and report its surplus revenue retention fund pool on an annual basis. This fund pool represents accumulated surplus (deficit) determined over time as a result of the aggregate surpluses and deficits generated in the Organization's programs receiving Massachusetts government agency funds. Since the annual surpluses do not exceed levels established by regulation, the fund pool is reported as component of the unrestricted net assets of the Organization. A reconciliation of the fund pool is as follows:

Balance (deficit) - June 30, 2010	($ 6,922,833)
Surplus (deficit) for the year ended June 30, 2011	-
Balance (deficit) - June 30, 2011	($ 6,922,833)

S. Endowment:

The Organization's endowment consists of a fund established to support the food program at Saint Francis House. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

A Massachusetts version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), a model act that provides rules concerning the investment, use and modification of funds held by operating charitable organizations, including endowment funds, was codified as Chapter 180A of the Massachusetts General Laws, replacing the previous Chapter 180A which dealt with the same subject. The Board of Directors has interpreted UPMIFA and Massachusetts Law Chapter 180A as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary.

S. Endowment - (continued):

As a result of this interpretation, the Organization would classify 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 would be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Massachusetts Law Chapter 180A. In accordance with Massachusetts Law Chapter 180A, the Organization considers the following facts 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 policies of the Organization

Endowment net assets composition by type of fund as of June 30, is as follows:

	2011	2010
Donor-restriced endowment funds:		
Permanently restricted	$ 19,083	$ 19,083

S. Endowment - (continued):

Changes in permanently restricted endowment net assets for the years ended June 30:

	2011	2010
Endowment net assets, beginning of year	$ 19,083	$ 19,083
Grants and contributions	-	-
Endowment net assets, end of year	$ 19,083	$ 19,083

Return objectives and risk parameters:

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are to be invested in a manner that assumes a minimum level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately .75% percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives:

The Organization has been holding its assets in a federally insured non-interest bearing checking account as a conservative measure in order to protect the principal of the endowment funds.

Spending policy and how the investment objectives relate to spending policy:

The Organization has been accumulating the additions to the permanently restricted endowment funds, in order to grow the fund over time and only spending the current income each year.

T. Fair Value Measurements:

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value hierarchy:

In accordance with this guidance, the Organization groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation must be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset of liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

T. Fair Value Measurements - (continued):

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 June 30, 2011 and 2010.

Debt securities: The fair value of debt securities is based on independent unadjusted market-based prices received from a third-party pricing service that utilizes pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data. These securities include government and federal agency issued debt securities and corporate bonds.

Unconditional promises to give: Unconditional promises to give are recorded at the present value of estimated future cash flows as determined by management. The related present value discounts are computed using an appropriate discount rate commensurate with the risks involved. The inputs to this valuation methodology are unobservable and significant to the fair value measurement and therefore unconditional promises to give are classified as Level 3 assets.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis:

The following table sets for the by level, within the fair value hierarchy, the Organization's assets at fair value measured on a recurring basis as of:

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. government and federal agency obligations	$ 600,776	$ -	$ -	$ 600,776
Corporate bonds:				
Financial Services	958,138	-	-	958,138
	$ 1,558,914	$ -	$ -	$ 1,558,914

There were no liabilities measured at fair value on a recurring basis at June 30, 2011 or 2010.

There were no transfers to or from Levels 1, 2 and 3 during the year ended June 30, 2011.

T. Fair Value Measurements - (continued):

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis:

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value measured on a non-recurring basis as of:

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Unconditional promises to give	$ -	$ -	$ 2,416,200	$ 2,416,200

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Unconditional promises to give	$ -	$ -	$ 2,893,970	$ 2,893,970

The following table presents information about the changes in unconditional promises to give for the years ended June 30:

	2011	2010
Beginning balance	$ 2,893,970	$ 3,782,400
New promises received	831,750	170,000
Collections	(1,282,927)	(1,107,289)
Change in discount to present value	(26,593)	48,859
Ending balance	$ 2,416,200	$ 2,893,970

The changes in the table above are reflected in the statement of activities.

There were no liabilities measured at fair value on a non-recurring basis at June 30, 2011 and 2010.