

Humane Society of Huron Valley

**Financial Report
December 31, 2010**

Humane Society of Huron Valley

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Independent Auditor's Report

To the Board of Directors
Humane Society of Huron Valley

We have audited the accompanying balance sheet of the Humane Society of Huron Valley (the "Organization") as of December 31, 2010 and 2009 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 audits 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 the Humane Society of Huron Valley at December 31, 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.

Plante & Moran, PLLC

May 23, 2011

Humane Society of Huron Valley

Balance Sheet

	December 31, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 529,926	\$ 535,833
Receivables:		
Accounts receivable	52,520	54,916
Contributions receivable	18,865	24,039
Capital campaign pledges receivable (Note 2)	913,303	987,428
Bequests receivable	2,330,000	276,650
Due from County (Note 6)	-	929,415
Investments (Note 3)	4,248,907	3,806,023
Accrued interest	41,444	25,327
Prepaid expenses and other current assets	125,405	165,496
Total current assets	8,260,370	6,805,127
Restricted Cash	100,859	100,364
Investments - Net of current portion (Note 3)	-	490,000
Long-term Capital Campaign Pledges Receivable (Note 2)	200,254	665,382
Property and Equipment - Net (Note 4)	7,661,873	7,382,825
Total assets	<u>\$ 16,223,356</u>	<u>\$ 15,443,698</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 72,951	\$ 108,056
Construction payable	5,338	552,344
Sterilization deposits	270	-
Current portion of capital lease payable (Note 6)	15,508	875,000
Accrued payroll and related liabilities	169,523	117,573
Total current liabilities	263,590	1,652,973
Capital Lease Payable - Net of current portion (Note 6)	3,990,933	3,940,109
Total liabilities	4,254,523	5,593,082
Net Assets		
Unrestricted:		
Undesignated	9,479,693	9,467,364
Board-designated (Note 1)	100,000	100,000
Temporarily restricted (Note 5)	2,389,140	283,252
Total net assets	11,968,833	9,850,616
Total liabilities and net assets	<u>\$ 16,223,356</u>	<u>\$ 15,443,698</u>

Humane Society of Huron Valley

Statement of Activities and Changes in Net Assets

	Year Ended December 31					
	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Contributions	\$ 1,590,020	\$ 59,140	\$ 1,649,160	\$ 915,406	\$ 718,976	\$ 1,634,382
Bequests	105,056	2,330,000	2,435,056	322,123	-	322,123
Donated facilities, supplies, and equipment	10,670	-	10,670	3,687	-	3,687
Operations	2,018,006	-	2,018,006	1,565,344	-	1,565,344
Retail sales	75,161	-	75,161	33,294	-	33,294
Special event revenue	222,046	-	222,046	197,010	-	197,010
Investment income	208,197	-	208,197	181,056	-	181,056
Loss on sale of fixed assets	(11,262)	-	(11,262)	(89,441)	-	(89,441)
Miscellaneous income	162	-	162	232	-	232
Total revenue and support	4,218,056	2,389,140	6,607,196	3,128,711	718,976	3,847,687
Net Assets Released from Restrictions	283,252	(283,252)	-	5,425,876	(5,425,876)	-
Total revenue, support, and net assets released from restrictions	4,501,308	2,105,888	6,607,196	8,554,587	(4,706,900)	3,847,687
Expenses						
Program services:						
Clinic	1,499,853	-	1,499,853	1,061,839	-	1,061,839
Shelter	1,678,542	-	1,678,542	1,368,954	-	1,368,954
Support programs	338,517	-	338,517	246,280	-	246,280
Cruelty/Rescue	252,708	-	252,708	218,565	-	218,565
Total program services	3,769,620	-	3,769,620	2,895,638	-	2,895,638
Support services:						
Administration	183,306	-	183,306	148,029	-	148,029
Development	399,981	-	399,981	330,529	-	330,529
Capital campaign	136,072	-	136,072	138,647	-	138,647
Total support services	719,359	-	719,359	617,205	-	617,205
Total expenses	4,488,979	-	4,488,979	3,512,843	-	3,512,843
Increase (Decrease) in Net Assets	12,329	2,105,888	2,118,217	5,041,744	(4,706,900)	334,844
Net Assets - Beginning of year	9,567,364	283,252	9,850,616	4,525,620	4,990,152	9,515,772
Net Assets - End of year	\$ 9,579,693	\$ 2,389,140	\$ 11,968,833	\$ 9,567,364	\$ 283,252	\$ 9,850,616

See Notes to Financial Statements.

Humane Society of Huron Valley

Statement of Functional Expenses Year Ended December 31, 2010

	Program Services				Support Services			Total	
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Administration	Development	Capital Campaign		
Salaries	\$ 728,272	\$ 752,020	\$ 188,958	\$ 132,028	\$ 1,801,278	\$ 70,097	\$ 121,365	\$ 6,783	\$ 1,999,523
Employee benefits	153,046	227,038	51,752	30,788	462,624	5,684	11,674	1,496	481,478
Total salaries and related expenses	881,318	979,058	240,710	162,816	2,263,902	75,781	133,039	8,279	2,481,001
Professional fees	12,365	16,701	14,305	2,748	46,119	45,287	2,991	-	94,397
Animal removal, outside vet, and lab	35,016	12,506	-	4,827	52,349	-	-	-	52,349
Medical and animal supplies	227,138	161,724	-	-	388,862	-	-	-	388,862
Vehicle fuel	-	-	-	8,701	8,701	-	-	-	8,701
Contract labor	1,374	-	-	-	1,374	-	1,473	-	2,847
Supplies	8,908	15,645	3,585	4,592	32,730	6,742	5,349	-	44,821
Microchips/Trap neuter return	31,757	13,021	8,201	-	52,979	-	-	-	52,979
Postage and shipping	1,112	380	24	1,091	2,607	422	2,283	-	5,312
Insurance	12,728	26,886	5,462	9,979	55,055	6,176	2,918	-	64,149
Repair and maintenance	10,961	35,405	320	7,656	54,342	6,667	276	-	61,285
Printing	2,966	13,761	1,432	428	18,587	-	1,376	-	19,963
Utilities	12,717	44,787	11,390	-	68,894	11,254	-	-	80,148
Telephone	2,046	9,817	439	2,039	14,341	790	216	-	15,347
Memberships and subscriptions	1,670	135	1,211	825	3,841	360	720	-	4,921
Publicity and advertising	35,890	62,792	7,504	6,593	112,779	-	447	7,793	121,019
Newsletter	6,051	10,085	2,017	2,017	20,170	-	6,724	-	26,894
Appeals	-	-	-	-	-	-	127,405	-	127,405
Special events	-	-	-	-	-	-	54,540	-	54,540
Merchandise	26,447	-	714	-	27,161	-	27,612	-	54,773
Support programs	-	-	5,582	50	5,632	-	-	-	5,632
Training	8,463	5,771	2,175	3,836	20,245	2,152	1,161	-	23,558
Licenses and permits	404	757	-	37	1,198	563	3,004	-	4,765
Miscellaneous	(201)	(217)	225	-	(193)	-	-	-	(193)
Client refunds	-	13,055	-	-	13,055	-	-	-	13,055
Uncollectible accounts	23,645	1,788	-	-	25,433	-	25	120,000	145,458
Donated supplies and equipment	-	10,970	-	-	10,970	-	670	-	11,640
Credit card fees	14,703	6,423	-	-	21,126	-	14,140	-	35,266
Investment management fees	-	-	-	-	-	9,808	-	-	9,808
Capital lease	61,799	102,998	14,420	10,300	189,517	8,240	8,240	-	205,997
Land lease	-	-	-	-	-	3,692	-	-	3,692
Depreciation	80,576	134,294	18,801	24,173	257,844	5,372	5,372	-	268,588
Total functional expenses	<u>\$ 1,499,853</u>	<u>\$ 1,678,542</u>	<u>\$ 338,517</u>	<u>\$ 252,708</u>	<u>\$ 3,769,620</u>	<u>\$ 183,306</u>	<u>\$ 399,981</u>	<u>\$ 136,072</u>	<u>\$ 4,488,979</u>

Humane Society of Huron Valley

Statement of Functional Expenses Year Ended December 31, 2009

	Program Services				Support Services				Total
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Administration	Development	Capital Campaign		
Salaries	\$ 558,856	\$ 657,316	\$ 143,167	\$ 127,487	\$ 1,486,826	\$ 51,251	\$ 89,993	\$ 11,089	\$ 1,639,159
Employee benefits	104,591	186,326	45,970	33,461	370,348	3,622	7,418	2,943	384,331
Total salaries and related expenses	663,447	843,642	189,137	160,948	1,857,174	54,873	97,411	14,032	2,023,490
Professional fees	6,228	11,055	4,422	2,776	24,481	42,793	4,590	-	71,864
Animal removal, outside vet, and lab	18,822	11,500	-	2,856	33,178	-	-	-	33,178
Medical and animal supplies	168,047	161,535	-	-	329,582	-	-	-	329,582
Vehicle fuel	-	-	-	8,470	8,470	-	-	-	8,470
Contract labor	-	-	-	-	-	-	700	-	700
Supplies	8,340	29,590	2,868	2,153	42,951	2,442	5,585	-	50,978
Microchips/Trap neuter return	14,893	12,651	5,545	-	33,089	-	-	-	33,089
Postage and shipping	1,944	366	18	20	2,348	1,102	1,776	-	5,226
Insurance	8,927	17,444	3,772	7,302	37,445	4,096	2,269	-	43,810
Repair and maintenance	8,928	19,236	2,059	3,131	33,354	6,671	-	-	40,025
Printing	1,714	7,909	517	311	10,451	-	4,436	-	14,887
Utilities	4,812	21,774	5,448	-	32,034	5,009	-	-	37,043
Telephone	458	12,402	235	1,878	14,973	799	-	-	15,772
Memberships and subscriptions	1,611	118	784	810	3,323	866	828	-	5,017
Publicity and advertising	18,494	33,149	4,669	4,452	60,764	-	140	900	61,804
Newsletter	4,094	6,824	1,365	1,365	13,648	-	4,549	-	18,197
Appeals	-	-	-	-	-	-	126,161	-	126,161
Special events	-	-	-	-	-	-	38,767	-	38,767
Merchandise	16,515	-	-	-	16,515	-	13,810	-	30,325
Support programs	-	-	3,138	-	3,138	-	-	-	3,138
Training	2,784	1,104	326	450	4,664	833	63	-	5,560
Licenses and permits	688	790	60	-	1,538	20	2,411	-	3,969
Moving expense	4,041	6,735	943	1,212	12,931	269	269	-	13,469
Miscellaneous	-	143	493	-	636	1,025	37	-	1,698
Client refunds	133	10,859	-	-	10,992	-	-	-	10,992
Uncollectible accounts	9,107	1,623	-	-	10,730	-	550	120,000	131,280
Donated supplies and equipment	473	265	-	-	738	-	199	-	937
Credit card and investment fees	10,347	4,588	-	-	14,935	-	13,660	-	28,595
Investment management fees	-	-	-	-	-	5,406	-	2,350	7,756
Capital lease	69,449	115,749	16,205	11,575	212,978	9,260	9,260	-	231,498
Land lease	-	-	-	-	-	3,693	-	-	3,693
Depreciation	17,543	37,903	4,276	8,856	68,578	8,872	3,058	1,365	81,873
Total functional expenses	<u>\$ 1,061,839</u>	<u>\$ 1,368,954</u>	<u>\$ 246,280</u>	<u>\$ 218,565</u>	<u>\$ 2,895,638</u>	<u>\$ 148,029</u>	<u>\$ 330,529</u>	<u>\$ 138,647</u>	<u>\$ 3,512,843</u>

See Notes to Financial Statements.

Humane Society of Huron Valley

Statement of Cash Flows

	Year Ended	
	December 31, 2010	December 31, 2009
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,118,217	\$ 334,844
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	268,588	81,873
Amortization of debt costs	18,372	18,372
Bad debt expense	120,000	120,000
Net realized and unrealized gain on investments	(78,658)	(91,273)
Loss on sale of assets	11,262	89,441
Contributions restricted for capital campaign	(102,500)	(114,000)
Change in discount on pledges	(35,335)	(51,065)
Donated stock	(119,256)	-
Contributions restricted for future operations - Bequests	(2,330,000)	-
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	2,396	(7,328)
Contributions receivable	5,174	5,433
Accrued interest	(16,117)	(25,327)
Bequest receivable	276,650	679,614
Prepaid expenses and other current assets	23,435	(47,363)
Accounts payable	(35,105)	54,580
Sterilization deposits	270	-
Accrued payroll and related liabilities	51,950	23,759
Net cash provided by operating activities	179,343	1,071,560
Cash Flows from Investing Activities		
Restricted cash	(495)	(364)
Purchase of property and equipment	(1,028,365)	(5,445,408)
Purchases of investments	(2,244,173)	(7,002,796)
Proceeds from sales and maturities of investments	2,489,203	6,383,787
Net cash used in investing activities	(783,830)	(6,064,781)
Cash Flows from Financing Activities		
Proceeds from capital campaign contribution	557,088	583,862
Principal payments on capital lease	(887,923)	(850,000)
Proceeds from collection of County receivable	929,415	5,153,958
Net cash provided by financing activities	598,580	4,887,820
Net Decrease in Cash and Cash Equivalents	(5,907)	(105,401)
Cash and Cash Equivalents - Beginning of year	535,833	641,234
Cash and Cash Equivalents - End of year	<u>\$ 529,926</u>	<u>\$ 535,833</u>
Supplemental Disclosure of Cash Flow Information -		
Interest paid on capital lease	<u>\$ 187,625</u>	<u>\$ 213,125</u>

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2010 and 2009

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - The Humane Society of Huron Valley (the "Organization") is a not-for-profit corporation that operates an animal shelter, a veterinary clinic, emergency animal rescue services, a cruelty investigation division, and a support programs division. The Organization was incorporated in 1896 and primarily serves the Washtenaw County area.

Significant accounting policies are as follows:

Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of less than three months to be cash equivalents except for temporary investment funds considered part of the investment portfolio. The balances in the Organization's deposit accounts may exceed FDIC insurance coverage amounts for those accounts.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. All amounts are considered fully collectible at December 31, 2010 and 2009.

Capital Campaign Pledges Receivable - The Organization's capital campaign pledges receivable are comprised primarily of amounts committed from various donors for use in the construction of the Organization's new facility. As of December 31, 2010 and 2009, an allowance of \$240,000 and \$120,000, respectively, has been recorded against these receivables.

Bequest Receivable - Bequest receivable consists of wills and estates for which the will was validated by probate court. Payment on this receivable is expected in the next year. The bequest receivable is deemed fully collectible as of December 31, 2010.

Investments - Investments in debt and equity securities are recorded at fair value based on quoted market prices and other inputs as described in Note 7.

Restricted Cash - Restricted cash consists of amounts contractually restricted for the development and maintenance of a site buffer as required by the land lease.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives ranging from 5 to 30 years. Costs of maintenance and repairs are charged to expense when incurred.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2010 and 2009

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

The Organization reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property, plant, and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property, plant, and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property, plant, and equipment must be maintained, the Organization reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property, plant, and equipment.

Revenue and Support Recognition - Revenue from clinic and shelter operations, including a county contract, is recognized as earned.

Contributions are recognized upon the receipt of the gift or a written unconditional promise to give. Contributions that include donor restrictions that limit the use of the gift are recorded as restricted support. When the donor restrictions are fulfilled, temporarily restricted gifts are reclassified as unrestricted activities. For financial statement presentation purposes, management has elected to report temporarily restricted gifts, whose requirements were fulfilled in the same period that the gift was received, as unrestricted activities.

The Organization raises additional money with direct fundraising events or as a participant at community activities. Special events revenue and revenue from merchandise sales is recorded when earned.

Donated Services - The Organization receives donations of various services. In accordance with generally accepted accounting principles, these services are recorded in the statement of activities when they meet certain criteria.

A substantial number of volunteers have donated significant amounts of their time to the Organization's programs and services, which do not meet the requirements to be recorded. Volunteer hours totaled 55,400 and 45,500 during 2010 and 2009, respectively.

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2010 and 2009

Note I - Nature of Activities and Significant Accounting Policies (Continued)

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. There were no permanently restricted net assets as of December 31, 2010 and 2009. Earnings, gains, and losses on temporarily restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets - Board-designated net assets are unrestricted net assets designated by the board for the construction of the new facility. These designations are based on board actions, which can be altered or revoked at a future time by the board. Designated net assets were \$100,000 at December 31, 2010 and 2009.

Community Foundation - Certain funds donated by outside donors for the benefit of the Organization are held and managed by the Ann Arbor Area Community Foundation (AAACF). AAACF maintains variance power which, as a result, requires that the assets it holds not be recorded as assets of the Organization. The fair market value of these funds is \$3,507,796 and \$344,345 at December 31, 2010 and 2009, respectively. These funds are not reflected in the financial statements. Earnings, net of AAACF fees, are available for distribution to the Organization at the discretion of AAACF and therefore are not reflected as revenue in the financial statements until received by the Organization. Annual distributions from these funds have been shown as investment income in the statement of activities. These distributions were \$6,496 and \$0 for the years ended December 31, 2010 and 2009, respectively.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2010 and 2009

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2007.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including May 23, 2011, which is the date the financial statements were available to be issued.

Reclassification - Certain reclassifications were made to amounts in the 2009 financial statements to conform to the classifications used in 2010. The reclassifications did not impact the reported changes in net assets or total net assets from the 2009 financial statements.

Note 2 - Capital Campaign Pledges Receivable

Starting in 2006, the Organization began soliciting funds for a capital campaign to construct a new facility. Pledge commitments extend through 2015. Capital campaign pledges receivable as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Pledges before unamortized discount	\$ 1,395,308	\$ 1,849,896
Less unamortized discount and allowance for uncollectible pledges	<u>(281,751)</u>	<u>(197,086)</u>
Net pledges receivable	<u>\$ 1,113,557</u>	<u>\$ 1,652,810</u>
Amounts due in:		
Less than one year	\$ 853,787	\$ 987,428
One to five years	<u>541,521</u>	<u>862,468</u>
Total	<u>\$ 1,395,308</u>	<u>\$ 1,849,896</u>

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2010 and 2009

Note 3 - Investments

Investments consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Bank trust fund:		
Cash equivalents	\$ 386,172	\$ 346,152
Equity securities (Note 7)	3,218	-
Debt securities (Note 7)	1,159,288	809,475
Mutual funds (Note 7)	<u>1,083,056</u>	<u>789,600</u>
Total bank trust fund	2,631,734	1,945,227
Certificates of deposit	1,617,173	2,335,633
Cash management fund (Note 7)	-	9,448
Life insurance (Note 7)	<u>-</u>	<u>5,715</u>
Total investments	4,248,907	4,296,023
Short-term portion	<u>(4,248,907)</u>	<u>(3,806,023)</u>
Long-term portion	<u>\$ -</u>	<u>\$ 490,000</u>

Long-term investments consist of certificates of deposit that mature in more than one year from the balance sheet date.

Investment income consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 129,539	\$ 89,783
Gain (loss) on sale of securities	3,703	(29,329)
Unrealized gain	<u>74,955</u>	<u>120,602</u>
Total	<u>\$ 208,197</u>	<u>\$ 181,056</u>

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2010 and 2009

Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

	<u>2010</u>	<u>2009</u>
Buildings and improvements	\$ 7,809,280	\$ 7,355,954
Equipment	162,475	87,541
Vehicles	58,603	51,503
Computer software	<u>18,277</u>	<u>16,327</u>
Total cost	8,048,635	7,511,325
Accumulated depreciation	<u>(386,762)</u>	<u>(128,500)</u>
Net carrying amount	<u>\$ 7,661,873</u>	<u>\$ 7,382,825</u>

Depreciation expense was \$268,588 and \$81,873 at December 31, 2010 and 2009, respectively.

The Organization owns approximately six acres of land on which part of the operating facility is located. The land was contributed to the Organization in 1951. The land is permanently restricted by deed for use only as an animal shelter and any other use of the land may result in reversion of ownership to the former owner of the land. There is no value assigned to the land in these financial statements.

In 2008, the Organization entered into a 65-year land lease with the Regents of the University of Michigan for an additional 4.82 acres of vacant land on which to construct the new facility. The lease rent is \$8,000 annually for the first 30 years and \$1 annually for the remainder of the lease for a total rent expense of \$240,036. The Organization subsequently subleased this land to the County of Washtenaw (see Note 6).

During 2009, the Organization substantially completed the construction of its new building. The estimated cost of the new facility is approximately \$7.5 million. The construction is being financed with contributions and with the proceeds from tax-exempt bonds issued by Washtenaw County (the "County"), which the Organization is obligated to repay to the County (see Note 6).

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Notes to Financial Statements December 31, 2010 and 2009

Note 5 - Temporarily Restricted Net Assets

The Organization receives contributions whereon the donor places certain temporary restrictions on the use of the funds. In addition, bequests receivable are considered time restricted until they are collected by the Organization and available to use for operations. Below is a summary of the amounts temporarily restricted as of December 31:

	<u>2010</u>	<u>2009</u>
Time-restricted contributions	\$ 2,330,000	\$ 276,650
Program activities	<u>59,140</u>	<u>6,602</u>
Total	<u>\$ 2,389,140</u>	<u>\$ 283,252</u>

Time-restricted contributions include a bequest receivable in the amount of \$2 million which the board has designated as a building maintenance fund upon receipt.

Note 6 - Capital Leases

In September 2008, the County of Washtenaw, Michigan (the "County") issued \$6,500,000 of Capital Improvement Bonds, Series 2007. The bonds are dated September 1, 2008 and are due in annual installments of \$825,000 to \$1,050,000 through January 1, 2015, plus interest at 2.75 percent to 4.125 percent. The proceeds of the bond issue were used to construct a new 29,165 square foot building, including equipment and furnishings, to be used by the Organization. Amounts due from the County totaling \$929,415 as of December 31, 2009 represented the unspent proceeds on the bonds and were paid to the Organization as the construction of the facility was finalized in 2010.

The County and the Organization have entered into an operating agreement dated October 1, 2008, whereby the County is subleasing from the Organization the land on which the facility is located. The County is, in turn, leasing the land and building back to the Organization for the seven-year bond repayment period. Once the County's bond issue has been fully repaid by the Organization, the County has agreed to transfer title of the new facility to the Organization. The Organization has retained title to the land. This agreement is classified as a capital lease in the Organization's financial statements.

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Note 6 - Capital Leases (Continued)

In addition, the Organization leases certain equipment under capital leases, which call for monthly installments of \$1,292 through February 2015. The future minimum lease payments under these capital leases are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2011	\$ 94,008
2012	1,080,164
2013	1,093,320
2014	1,078,820
2015	<u>1,073,841</u>
Total minimum lease payments	4,420,153
Less amount representing interest	<u>413,712</u>
Present value of net minimum lease payments	<u>\$ 4,006,441</u>

Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2010 and 2009 and the valuation techniques used by the Organization to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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Notes to Financial Statements December 31, 2010 and 2009

Note 7 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis 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)	Balance at December 31, 2010
Investments:				
Equity securities (domestic)	\$ 3,218	\$ -	\$ -	\$ 3,218
Debt securities (U.S. government agency bonds)	-	146,313	-	146,313
Debt securities (corporate bonds)	-	814,964	-	814,964
Debt securities (municipal bonds)	-	198,011	-	198,011
Mutual funds (fixed income)	379,556	-	-	379,556
Mutual funds (equity)	347,716	-	-	347,716
Mutual funds (global)	203,455	-	-	203,455
Mutual funds (balanced)	152,329	-	-	152,329
Total investments	<u>\$ 1,086,274</u>	<u>\$ 1,159,288</u>	<u>\$ -</u>	<u>\$ 2,245,562</u>

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Notes to Financial Statements December 31, 2010 and 2009

Note 7 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis 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)	Balance at December 31, 2009
Investments:				
Debt securities (U.S. government agency bonds)	\$ -	\$ 100,156	\$ -	\$ 100,156
Debt securities (corporate bonds)	-	608,382	-	608,382
Debt securities (municipal bonds)	-	100,937	-	100,937
Mutual funds (fixed income)	319,672	-	-	319,672
Mutual funds (equity)	239,295	-	-	239,295
Mutual funds (global)	147,292	-	-	147,292
Mutual funds (balanced)	83,341	-	-	83,341
Total investments	789,600	809,475	-	1,599,075
Insurance:				
Cash management fund	-	9,448	-	9,448
Life insurance	-	5,715	-	5,715
Total	-	15,163	-	15,163
Total assets	\$ 789,600	\$ 824,638	\$ -	\$ 1,614,238

The fair values of U.S. government agency bonds, corporate bonds, and municipal bonds are valued using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.