THE OLANA PARTNERSHIP

FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2009
(with memorandum totals as of December 31, 2008)

THE OLANA PARTNERSHIP
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Olana Partnership

We have audited the accompanying financial statement of financial position of The Olana Partnership (a nonprofit organization) as of December 31, 2009, and the related statement of activities, statement of functional expenses, and statement of cash flows 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 Olana Partnership 2008 financial statements and, in our report dated August 31, 2009, 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 financial statements referred to above present fairly, in all material respects, the financial position of The Olana Partnership as of December 31, 2009, 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.

Pattison, Koskey, Howe & Bucci, CPAs, P.C.

Valatie, New York
October 22, 2010

THE OLANA PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
December 31, 2009
(with memorandum totals for December 31, 2008)

	2009	2008 (memorandum only)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 707,275	$ 845,147
Accounts receivable	1,383	900
Contributions receivable	467,791	355,441
Government grant receivable	11,562	694,746
Inventory	73,013	48,618
Prepaid expenses	5,855	-
Due from New York State	-	15,000
Investments	97,528	-
Total current assets	1,364,407	1,959,852
Cash and cash equivalents - restricted to construction of museum	344,911	342,492
Cash and cash equivalents - restricted to investment in endowment	127,741	387,261
Certificates of deposit - restricted for endowment	921,813	-
Investments	215,485	153,671
Contributions Receivable (long-term), net of a $35,516 discount	309,484	411,975
Property and Equipment, net	28,296	27,975
Total assets	$ 3,312,137	$ 3,283,226
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 69,812	$ 32,637
Accrued expenses	28,165	25,010
Total current liabilities	97,977	57,647
Net assets:		
Unrestricted	907,544	865,318
Unrestricted - board designated	21,000	61,000
Temporarily restricted	820,742	989,349
Permanently restricted	1,464,874	1,309,912
Total net assets	3,214,160	3,225,579
Total liabilities and net assets	$ 3,312,137	$ 3,283,226

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF ACTIVITIES
Year ended December 31, 2009
(with memorandum totals for December 31, 2008)

	2009	2008 (memorandum only)
Change in unrestricted net assets:		
Revenues and other sources:		
Membership Dues	$ 159,831	$ 137,980
Contributions	55,602	82,702
Donated services	295,538	52,758
Grants	36,111	1,333,524
Bookstore and gift shop sales,		
net of cost of goods sold of $52,320	94,795	93,551
Program and special events,		
net of direct expenses of $563,174	364,918	347,787
Royalty income	97	185
Interest and dividend income	11,856	22,661
Other Income	612	-
Unrealized gain (loss) on marketable securities	36,558	(95,471)
Gain (loss) on sale of marketable securities	1,518	(1,258)
Total unrestricted revenue	1,057,436	1,974,419
Net assets released from restrictions	355,663	860,954
Total unrestricted revenue and other support	1,413,099	2,835,373
Expenses:		
Program	903,560	2,040,117
Management and general	307,221	232,815
Fundraising	200,092	238,552
Total expenses	1,410,873	2,511,484
Change in unrestricted net assets	2,226	323,889
Change in temporarily restricted net assets:		
Contributions, net of discount of $835	194,636	364,348
Investment return	2,420	6,538
Net assets released from restrictions	(355,663)	(860,954)
Reclassification	(10,000)	-
Change in temporarily restricted net assets	(168,607)	(490,068)

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF ACTIVITIES (CONTINUED)
Year ended December 31, 2009
(with memorandum totals for December 31, 2008)

	2009	2008 (memorandum only)
Change in permanently restricted net assets:		
Contributions, includes accretion of discount of $17,669	$ 140,669	$ 907,650
Investment Return	4,293	2,262
Reclassification	10,000	-
Change in permanently restricted net assets	154,962	909,912
Change in net assets	(11,419)	743,733
Net assets, beginning of year	3,225,579	2,481,846
Net assets, end of year	$ 3,214,160	$ 3,225,579

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF CASH FLOWS
Year ended December 31, 2009
(with memorandum totals for December 31, 2008)

	2009	2008 (memorandum only)
Cash flows from operating activities:		
Change in net assets	$ (11,419)	$ 743,733
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	6,212	5,593
(Gain)/Loss on sale of marketable securities	(1,518)	1,258
Unrealized (gain)/loss on marketable securities	(36,558)	95,471
Donated investments	(107,572)	(112,131)
Gift of endowment	(248,000)	(125,000)
Increase in accounts receivables	(483)	(900)
Increase in contributions receivables	(9,859)	(467,842)
Decrease/(increase) in government grant receivables	283,183	(135,574)
Increase in inventory	(24,395)	(1,719)
(Increase)/ decrease in prepaid expenses	(5,855)	20,000
Decrease in due from New York State	15,000	75,000
Increase in accounts payable	37,175	22,550
Increase in accrued expenses	3,155	3,827
Total Adjustments	(89,515)	(619,467)
Net cash (used in) provided by operating activities	(100,934)	124,266
Cash flows from investing activities:		
Purchases of furniture and equipment	(6,533)	(10,155)
Sales of investments	11,562	295,482
Purchases of certificates of deposit	(921,813)	-
Purchases of investments	(25,256)	-
Increase in cash and cash equivalents - construction of museum	(2,419)	(6,536)
Decrease in cash and cash equivalents - restricted to investment in endowment	659,521	12,739
Net cash (used for) provided by investing activities	(284,938)	291,530

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended December 31, 2009
(with memorandum totals for December 31, 2008)

	2009	2008 (memorandum only)
Cash flows from financing activities:		
Gift of Endowment	$ 248,000	$ 125,000
Net cash provided by financing activities	248,000	125,000
Net (decrease) increase in cash	(137,872)	540,796
Cash and cash equivalents, beginning of year	845,147	304,351
Cash and cash equivalents, end of year	$ 707,275	$ 845,147
Supplemental Noncash Disclosures:		
Donated investments	$ 49,453	$ 112,131
Investment applied to the purchase of an auction item	$ 58,119	$ -
Government grants receivable applied to endowment	$ 400,000	$ -

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2009
(with comparative totals for the year ended December 31, 2008)

	2009				2008 (memorandum only)
	Program	Management and General	Fund-Raising	Total	
Salaries and wages	$ 291,753	$ 118,168	$ 152,094	$ 562,015	$ 533,514
Employee benefits	17,875	11,231	16,213	45,319	42,676
Payroll tax	24,894	9,732	12,583	47,209	43,032
Insurance	4,969	2,897	-	7,866	14,704
Supplies and office	31,500	32,393	-	63,893	77,811
Development	-	-	17,338	17,338	49,430
Program	342,588	-	-	342,588	1,554,205
Landscaping	23,134	-	-	23,134	133,037
Professional fees	162,713	130,936	-	293,649	57,482
Depreciation	2,484	1,864	1,864	6,212	5,593
Uncollectible pledges	1,650	-	-	1,650	-
	$ 903,560	$ 307,221	$ 200,092	$ 1,410,873	$ 2,511,484

See accompanying notes and auditors' report.

1. Nature of Operations:

The Olana Partnership (the "Organization") is a not-for-profit organization based in Hudson, New York, that encourages public appreciation of, acts as an advocate for, and provides supplementary support for the preservation and interpretation of Olana, the home of one of America's premier landscape artists, Frederic Edwin Church. Olana is a National Historic Landmark and is a New York State Historic Site administered by the New York State Office of Parks, Recreation and Historic Preservation.

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation:

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, "Financial Statements for Not-for-Profit Organizations", which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets - Net assets whose use is subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by the Organization.

Expenses are presented as decreases in unrestricted net assets when incurred.

Prior Year Amounts:

Amounts shown for December 31, 2008, in the accompanying statements are included to provide a basis for comparison with December 31, 2009 and present summarized totals only. Accordingly, the December 31, 2008, amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, cash and cash equivalents are considered highly liquid investments with maturities of three months or less at the time of acquisition. Cash and cash equivalents with donor imposed restrictions for the purpose of acquisitions of fixed assets or endowment are excluded from cash and cash equivalents in the statement of cash flows.

2. Summary of Significant Accounting Policies (Continued):

Property and Equipment:

Furniture and equipment are recorded at cost or, if donated, at the estimated fair value at the time of donation. Expenditures for routine repairs and maintenance that do not add to an asset's useful life are expensed in the period in which they are incurred. Asset additions and expenditures that extend the useful lives of existing assets are capitalized and depreciated. Gains and losses from disposals of property and equipment are included in current operations.

Depreciation:

Depreciation on furniture and equipment is recorded using the straight-line method over the various estimated useful lives of the assets.

As the Organization embarks on construction projects in support of its purpose, New York State (the State) and the Organization typically enter into agreements that map out the parameters of the projects. Construction costs incurred by the Organization for assets that it will not own are expensed as incurred.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that will affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Concentrations of Credit and Market Risks:

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents and receivables. Cash and cash equivalents are maintained at high quality financial institutions and credit exposure is not limited to any one institution. The Organization did not exceed the FDIC limit or the DIF insurance limit (see note 3) as of December 31, 2009. The Organization has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss of any uninsured amounts is minimal.

At December 31, 2009, there was one donor that individually exceeded 10% of contributions receivables. The Organization has determined no allowance for doubtful accounts is needed based on a review of outstanding receivables, historical collection information, and economic conditions. Management controls credit risk through the use of the above procedures.

2. Summary of Significant Accounting Policies (Continued):

Investments:

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-For-Profit Organizations" investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless donor or law restricts the income or loss. Investment management fees for the year ended December 31, 2009 were $3,829 ($1,971 for general operating funds, $659 for new museum construction funds, $1,199 for endowment funds).

Fair value measurements:

In September 2006, the FASB issued FASB ASC 820-10 "Fair Value Measurement". FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute. See Note 6 for disclosures required by FASB ASC 820-10.

Inventory:

Inventory is stated at the lower of cost or market, with cost determined on a first-in, first-out basis and market based on the lower of replacement cost or realizable value. Inventory includes books, periodicals and other items available for resale at the bookstore and gift shop.

Contributions:

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets 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 long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

2. Summary of Significant Accounting Policies (Continued):

Donated Services:

The Organization recognizes revenue for certain services received at the fair value of those services. These services include professional services donated by attorneys, accountants and other professionals, as well as donated advertising and legal services. The fair value of the donated services is reflected in revenues and included in expenses in the following functional categories for the year ended December 31, 2009:

Professional fees	$	181,183
Landscape architect		4,080
Printing and publication		1,000
Editorial services		960
Board analysis		100,000
Advertisements		3,500
Framing services		1,350
IT Maintenance		340
Lecturer		300
In kind donations (lights, books, program supplies)		2,825
Special events (printing, advertising, catering)		29,388
Special events in kind donations		209,676
Subtotal		534,602
Less: special events		(239,064)
	$	295,538

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under FASB ASC 958-605. A portion of the donated services were donated by related parties for the amount of $167,713.

Subsequent events:

Subsequent events have been evaluated through October 22, 2010, which is the date the financial statements were available to be issued.

Revenue Recognition – Government Grants:

Certain revenue is earned on cost reimbursable type contracts as services are provided and expenses are incurred to carry out the objectives of the related contractual arrangements. Cost reimbursable contract revenue is recognized only to the extent the contract allows for the related costs incurred by the Organization and cannot exceed the maximum amount allowed for under the contract. Funds advanced to the Organization prior to the earnings process are deferred and included in the caption "government contract advance" in the accompanying statement of financial position. Revenue earned in excess of payments received from the government agency is accrued as government grant receivable.

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2009, comprised the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
First Niagara	$ 380,419	$ 414,474	$ 250,000	$ 164,474*
Legacy Banks	433,506	428,406	250,000	178,406
Petty Cash	350	-		-
	$ 814,275	$ 842,880		$ 342,880

The Organization has full insurance coverage on the excess amount of $178,406 in Legacy Banks under the Depositors Insurance Fund (DIF). The DIF is a private industry sponsored fund that insures deposits above the FDIC limits at Massachusetts-chartered savings banks. The Organization's bank, Legacy Bank, is a participating bank therefore provides insurance coverage on the remaining balance.

* The Organization was fully insured under the Transaction Account Guarantee Program at December 31, 2009.

The Cash and Cash equivalents balance of $814,275 includes $107,000 of restricted cash for the endowment fund.

In addition, the Organization holds certificates of deposit each under $250,000 and covered by FDIC insurance.

4. Restricted cash and certificates of deposit:

Restricted cash and certificates of deposit at December 31, 2009 consisted of the following:

Construction of museum	$ 344,911
Investment in Endowment	127,741
Certificates of deposit	921,813
	$ 1,394,465

5. Contributions Receivable:

Contributions receivable consist primarily of pledges and grants from private foundations that are scheduled to be collected within the current year. The following summarizes the contributions receivable based on the period in which they are expected to be collected. The carrying value is determined by calculating the net present value of the estimated future cash flows, net of an allowance for uncollectible pledges. The interest rates used in determining the net present value of contributions receivable range from 1.53% to 3.52% at December 31, 2009, based on the terms and pledge dates of the gifts. Management believes that all contributions receivable at December 31, 2009 are fully collectible.

5. Contributions Receivable (Continued):

The expected receipts of multi-year unconditional promises to give are as follows:

Amounts to be received in:

2010	$	195,000
2011		135,000
2012		110,000
2013		100,000
	$	540,000

The current portion of contributions receivable includes $272,791 of contributions made in 2009 and expected to be collected in 2010. The Organization recorded a discount for the amount of $35,516 to discount the pledges that were received with a pledge exceeding more than one year.

6. Investments:

Investments at December 31, 2009, stated at fair value include:

	Cost	Unrealized Gain (Loss)	Fair Market Value	FASB ASC 820-10 Measurements
Equities	$ 98,123	$ (595)	$ 97,528	Level 1
Mutual Funds	219,648	(4,163)	215,485	Level 1
	$ 317,771	$ (4,758)	$ 313,013	

Investments are measured at fair value on a recurring basis. In accordance with FASB ASC 820-10, fair value measurements are identified as Level 1, Level 2, and Level 3. Level 1 fair value is based on quoted prices in active markets for identical asset/liabilities. The Organization does not have any Level 2 or 3 investments. The Organization's investments are comprised of one mutual fund at December 31, 2009.

7. Property and Equipment:

A summary of property and equipment is as follows as of December 31, 2009:

Category		
Furniture/Equipment	$	87,634
Accumulated Depreciation		(59,338)
	$	28,296

The depreciation expense for 2009 was $6,212.

8. Collections:

The Organization does not capitalize its collections. Costs of collection items purchased are shown as decreases in net assets in the statement of activities, proceeds from sales of collection items and insurance recoveries of lost or destroyed collection items are presented as increases in net assets. There were no such increases or decrease for the year ended December 31, 2009.

9. Functional Expenses:

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and other activities benefited.

10. Program and Special Events:

During the year ended December 31, 2009, the Organization held various program and special events. A financial summary is as follows:

	Program	Gala	Other	Total
Gross event income	$ 6,933	$ 841,818	$ 79,341	$ 928,092
Event expenses	34,265	456,081	72,828	563,174
Net profit (loss)	$ (27,332)	$ 385,737	$ 6,513	$ 364,918

11. Line of Credit:

The Organization applied for and obtained a working capital line of credit on July 10, 2008. The amount of the line is $200,000 and was renewed July 1, 2009. The July 1, 2010, renewal review will be conducted by the financial institution upon completion of the 2009 audited financials. No advances were requested on this line during the year, and no balance was due on December 31, 2009.

12. The Landmarks Visitor Center:

The Landmarks Visitor Center is a venture that began on May 26, 2006 with five other area historic sites and Columbia County tourism. A store and visitor center was opened at 547 Warren Street, later moving to 345 Warren Street. Each site contributed funds to cover expenses. Sales/contribution collection, distribution, and bill paying are managed by The Olana Partnership. The collaboration was temporarily terminated as of December 31, 2008, vacating the premises on January 6, 2009. Throughout 2009, minor operational and promotional expenses were being paid while final determination was pending. In 2010, the group continues to meet to discuss possible future ventures. At the close of 2009, $6,214 was held on behalf of the other sites, while $1,162 of Olana funds were also kept aside for the purposes of the venture.

13. Temporarily Restricted Net Assets:

Temporarily restricted net assets as of December 31, 2009 represent grants available for the following specific purposes or program services:

Main House Projects	$	168,600
Museum Center		344,911
Education		64,407
Landscape Curator position		25,000
Landscaping		44,159
Robison Family		5,000
Strabo – Conservation		13,827
Time Restricted (net of discount of $835)		39,425
Second Floor Exhibitions		86,500
SLC/Viewshed Donations		3,316
Restricted Projects		24,435
Landmarks Visitor Center		1,162
	$	820,742

14. Board Designations:

The board designated unrestricted net assets for contingencies in the amount of $21,000. The board designated unrestricted net assets for exhibitions in the amount of $40,000 at the end of 2008 which was released for Jamaica exhibition expenses in 2009.

15. Permanently Restricted Net Assets:

Permanently restricted net assets represent donor-restricted endowment gifts for the following salaried positions. Donors have intended that the earnings on such gifts be accumulated until each position reaches the $1 mm goal, then earnings are to be used to fund such positions:

President Endowment (net of discount of $32,866)	$ 567,134
President Endowment earnings	1,105
Cape Branch-Educator Endowment	568,100
Cape Branch-Educator Endowment earnings	2,134
Educator Endowment Challenge	64,900
Educator Endowment Challenge earnings	171
Wilmerding Initiative-Educator Endowment	160,000
Wilmerding Initiative-Educator Endowment earnings	2,841
Curator Endowment (net of discount of $1,815)	98,185
Curator Endowment earnings	304
	$ 1,464,874

15. Permanently Restricted Net Assets (Continued):

The Organization's endowment consists of two funds (one comprised of certificates of deposit) and (another comprised of a mutual fund) held with institutional investment companies. The endowment includes donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions and funds designated by the Board of Trustees to function as endowments. The Board of Trustees of the Organization has interpreted the New York State Uniform Management of Institutional Funds Act "UMIFA" as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Presently, (until the $1mm goal per position is met), earnings (dividends and interest), realized and unrealized appreciation (depreciation) on the endowment fund are classified as permanent support as outlined by the donors.

New York State has not adopted the Uniform Prudent Management of Institutional Funds Act "UPMIFA" and therefore the Foundation has not fully implemented FASB ASC 958-205 "Endowments of Not-for-Profit Organizations" as of December 31, 2009. The Organization has adopted the provisions of FASB ASC 958-205 as it relates to disclosures.

Return Objectives and Risk Parameters
The Organization's Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to supplement annual third party contributions and maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce modest results while assuming a low level of investment risk. The Organization expects its endowment fund, over time, to provide an average rate of return sufficient to cover future draw downs over the long-term.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization has a policy of reinvesting dividends and interest earned on an annual basis for board-designated endowment as long as unrestricted donations received for support are sufficient to cover annual operating expenditures. For donor-restricted endowments, investment returns are reinvested until the $1mm goal per position is met. At that time, future earnings are subject to the donors' temporary purpose restrictions. In establishing this policy, the Organization considers the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

15. Permanently Restricted Net Assets (Continued):

Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ -	$1,464,874	$1,464,874
Board-Designated Endowment Funds	215,485	-	-	215,485
Total Funds	$ 215,485	$ -	$1,464,874	$1,680,359

Changes in Endowment Net Assets for the Year Ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 153,671	$ -	$1,309,912	$ 1,463,583
Investment Income	-	-	4,293	4,293
Amounts Appropriated for Expenditure	-	-	-	-
Interest accretion	-	-	17,669	17,669
Amounts designated	25,256	-	-	25,256
Contributions	-	-	123,000	123,000
Reclassification of pledge	-	-	10,000	10,000
Net Appreciation (Realized and Unrealized)	36,558	-	-	36,558
Endowment Net Assets, End of Year	$ 215,485	$ -	$ 1,464,874	$ 1,680,359

Endowment Net Assets are comprised of:	
Pledges receivable	$ 415,320
Cash and cash equivalents	127,741
Certificates of deposit	921,813
Investments	215,485
Endowment Net Assets, End of Year	$ 1,680,359

See auditors' report.

15. Permanently Restricted Net Assets (Continued):

One of the Organization's donors, the Cape Branch Foundation, made an endowment gift for the educator position in November 2008 in the amount of $100,000, with the pledge of an additional $100,000 in 2009 for the educator endowment provided a matching $100,000 is raised. At December 31, 2008 the 2009 pledge for $100,000 was not recorded due to this contingency. During 2009, $68,100 was raised for the educator endowment challenge ($16,000 from donors, $10,000 in a gift made by Chas Miller for another purpose but reallocated by the donor to the challenge, and $42,100 in Jack Warner Fund pledges made at the December 2009 gala prior to an end of year write off of $3,200 in a pledge for this purpose.) The Cape Branch Foundation matched the amount of $68,100 fulfilling its pledge.

16. 403 (B) Retirement Plan:

Employees may participate in a 403(B) retirement plan administered by American Funds. Employees can make pre-tax contributions up to 100% of pay (subject to certain annual caps based on years of service). New employees may enroll in this program immediately, otherwise enrollment months are January and July. There is an employer match of up to 5% of salary for eligible employees.

The total employer match expense was $15,078 for year ended December 31, 2009.