THE BROTHER'S BROTHER FOUNDATION
Pittsburgh, Pennsylvania

Financial Statements
For the year ended December 31, 2009

and Independent Auditors' Report Thereon

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SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Brother's Brother Foundation
Pittsburgh, Pennsylvania

We have audited the accompanying statements of financial position of The Brother's Brother Foundation (Foundation) as of December 31, 2009 and 2008 and the related statements of activities and changes in net assets, functional expenses, and statements of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 2008 summarized comparative information pertaining to the Foundation's activities and changes in net assets has been derived from the Foundation's 2008 financial statements, and, in our report dated June 19, 2009, we expressed an unqualified opinion on those financial statements.

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. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 Brother's Brother Foundation as of December 31, 2009 and 2008, 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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
May 28, 2010

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THE BROTHER'S BROTHER FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2009	2008
ASSETS		
Cash and cash equivalents	$ 1,107,857	$ 1,965,870
Accounts receivable	254,697	164,405
Investments	4,374,992	2,172,659
Inventory	12,577,737	13,216,752
Prepaid expenses	23,694	15,447
Property and equipment, net	1,029,104	836,043
Total Assets	$19,368,081	$18,371,176
LIABILITIES		
Accounts payable and accrued liabilities	$ 145,383	$ 146,982
NET ASSETS		
Unrestricted	18,570,140	17,705,626
Temporarily restricted	337,561	273,888
Permanently restricted	314,997	244,680
Total Net Assets	19,222,698	18,224,194
Total Liabilities and Net Assets	$19,368,081	$18,371,176

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for 2008)

	Unrestricted		
	General Operating	In-Kind	Total
REVENUE AND PUBLIC SUPPORT			
Donated materials and supplies	-	$265,849,803	$265,849,803
Individuals	$1,073,672	-	1,073,672
Foundations	210,508	-	210,508
Program service fees	908,901	-	908,901
Government grants	-	-	-
Corporations	20,539	-	20,539
Civic and social clubs	3,447	-	3,447
Religious organizations	16,680	-	16,680
	2,233,747	265,849,803	268,083,550
Investment income	558,176	-	558,176
Rental income	33,000	-	33,000
Net assets released from restrictions	140,093	-	140,093
Total Revenue and Public Support	2,965,016	265,849,803	268,814,819
FUNCTIONAL EXPENSES			
Program services	692,984	266,489,581	267,182,565
Support services:			
Management and general	588,873	-	588,873
Fundraising	178,867	-	178,867
Total Support Services	767,740	-	767,740
Total Functional Expenses	1,460,724	266,489,581	267,950,305
Changes in Net Assets	1,504,292	(639,778)	864,514
NET ASSETS			
Beginning of year	4,488,874	13,216,752	17,705,626
End of year	$5,993,166	$ 12,576,974	$ 18,570,140

See notes to financial statements.

Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
-	-	$ 265,849,803	$1,082,640,070
$ 29,870	-	1,103,542	683,886
136,620	-	347,128	328,378
-	-	908,901	1,631,763
25,466	-	25,466	307,495
-	-	20,539	55,263
2,836	-	6,283	3,350
2,550	-	19,230	36,293
197,342	-	268,280,892	1,085,686,498
-	$ 76,741	634,917	(860,990)
-	-	33,000	-
(133,669)	(6,424)	-	-
63,673	70,317	268,948,809	1,084,825,508
-	-	267,182,565	1,085,676,672
-	-	588,873	572,107
-	-	178,867	160,593
-	-	767,740	732,700
-	-	267,950,305	1,086,409,372
63,673	70,317	998,504	(1,583,864)
273,888	244,680	18,224,194	19,808,058
$337,561	$314,997	$ 19,222,698	$ 18,224,194

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for 2008)

	Program Services			
	International Education	International Health	International Humanitarian	Total
Educational materials	$107,322,381	-	-	$107,322,381
Medical equipment and supplies	-	$155,651,748	-	155,651,748
Humanitarian supplies	-	-	$3,515,452	3,515,452
Grants	519	2,037	1,037	3,593
Packaging and shipping	191,992	53,234	11,776	257,002
Salaries	93,783	122,988	8,087	224,858
Payroll taxes	7,315	9,660	678	17,653
Pension	5,386	2,760	-	8,146
Employee benefits - other	11,230	16,477	1,160	28,867
Consulting services	-	-	-	-
Outside services	1,371	19,307	-	20,678
Utilities	10,720	19,909	-	30,629
Printing expense	-	162	-	162
Maintenance	6,603	12,264	-	18,867
Telephone	-	-	-	-
Postage	543	8,482	31	9,056
Training expense	-	-	-	-
Audit and accounting	-	-	-	-
Insurance	4,016	7,458	-	11,474
Office supplies	2,312	7,671	-	9,983
Miscellaneous	2,766	5,138	-	7,904
Meals	7	1,315	-	1,322
Truck expense	1,132	2,108	79	3,319
Travel	328	9,817	-	10,145
Rent	658	1,222	-	1,880
Dues and subscriptions	116	115	-	231
Total Expenses Before Depreciation	107,663,178	155,953,872	3,538,300	267,155,350
Depreciation	9,525	17,690	-	27,215
Total Functional Expenses	$107,672,703	$155,971,562	$3,538,300	$267,182,565

See notes to financial statements.

Support Services			Total	
Management and General	Fundraising	Total	2009	2008
-	-	-	$ 107,322,381	$ 314,900,333
-	-	-	155,651,748	764,537,610
-	-	-	3,515,452	4,712,307
$ 3,810	-	$ 3,810	7,403	20,600
-	-	-	257,002	1,068,102
364,463	$100,711	465,174	690,032	658,755
26,442	7,857	34,299	51,952	50,772
15,985	6,694	22,679	30,825	27,795
11,086	7,209	18,295	47,162	48,075
-	-	-	-	2,977
21,126	26,830	47,956	68,634	82,876
6,138	-	6,138	36,767	35,758
5,920	9,523	15,443	15,605	15,456
14,659	775	15,434	34,301	24,882
10,041	-	10,041	10,041	9,869
3,273	10,500	13,773	22,829	28,949
25	199	224	224	876
33,443	-	33,443	33,443	27,340
7,109	-	7,109	18,583	15,844
10,524	232	10,756	20,739	32,169
13,860	324	14,184	22,088	19,795
5,115	1,156	6,271	7,593	25,770
-	-	-	3,319	3,117
12,892	5,442	18,334	28,479	11,370
5,370	-	5,370	7,250	8,310
7,513	1,415	8,928	9,159	5,433
578,794	178,867	757,661	267,913,011	1,086,375,140
10,079	-	10,079	37,294	34,232
$588,873	$178,867	$767,740	$ 267,950,305	$1,086,409,372

THE BROTHER'S BROTHER FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING ACTIVITIES		
Changes in net assets	$ 998,504	$(1,583,864)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	37,294	34,232
Realized and unrealized losses on investments, net	(583,525)	1,013,108
Changes in assets and liabilities:		
Accounts receivable	(90,292)	143,734
Inventory	639,015	1,510,182
Prepaid expenses	(8,247)	(479)
Accounts payable and accrued liabilities	(1,599)	(46,900)
Net Cash Provided By Operating Activities	991,150	1,070,013
INVESTING ACTIVITIES		
Proceeds from sale of investments	1,951,586	31,650
Purchases of property and equipment	(230,355)	(355,668)
Purchases of investments	(3,570,394)	(238,095)
Net Cash Used In Investing Activities	(1,849,163)	(562,113)
Net (Decrease) Increase In Cash and Cash Equivalents	(858,013)	507,900
CASH AND CASH EQUIVALENTS		
Beginning of year	1,965,870	1,457,970
End of year	$ 1,107,857	$ 1,965,870

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 - ORGANIZATION

The Brother's Brother Foundation (Foundation) is an organization formed for the purpose of coordinating efforts and resources for the benefit of the ill and needy worldwide. The Foundation promotes international health and education through the distribution and provision of donated medical, educational and other resources.

The Foundation depends principally upon cash donors, donors of materials and supplies and third-party reimbursement arrangements to carry out its program activities. The Foundation seeks reimbursement for certain costs related to carrying out its programs, including freight, distribution and overhead costs. Net related program service fees recognized in the accompanying financial statements for the years ended December 31, 2009 and 2008 were $908,901 and $1,631,763, respectively.

The Foundation's six largest contributors in 2009 and seven largest contributors in 2008 donated medical and educational materials that aggregated 92% and 91% of all contributed materials in 2009 and 2008, respectively. Four of the contributors in 2009 and three of the contributors in 2008 donated 10% or more of medical and educational materials received in the respective years. One contributor gave 33%; one contributor gave 29%; on e contributor gave 13%; and one contributor gave 12% of the to tal received in 2009. One contributor gave 42%; one contributor gave 16%; and one contributor gave 13% of the total received in 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Codification - Effective July 1, 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) has become the single source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. The Codification eliminates the previous GAAP hierarchy and establishes one level of authoritative GAAP. Since the Codification was not intended to change existing GAAP, it did not have any impact on the Foundation's financial statements other than the manner in which GAAP is referenced.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that 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.

Net Assets and Changes Therein - The Foundation classifies and reports net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be satisfied by actions of the Foundation and/or the passage of time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets - Net assets subject to the donor-imposed stipulation that the assets be maintained permanently by the Foundation. These assets are invested in a separate investment account to ensure the funds are maintained in perpetuity. The Foundation's investment policy in relation to these funds has 70% of the balance in equity funds and 30% of the balance in fixed-income securities.

All unconditional donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

When the Foundation receives a contribution of a long-lived asset or a financial asset designated for acquisition of a long-lived asset that is not subject to a donor stipulation as to how long the asset must be used, the receipt of the related contribution is reported as unrestricted support.

Cash and Cash Equivalents - The Foundation maintains, in several banks in the United States, cash that may at times exceed federally insured amounts. In addition, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. All cash equivalents held by investment managers are included in investments.

Accounts Receivable - Accounts receivable are primarily composed of program service fees and are recorded at the amount management expects to collect from balances outstanding. Based on management's assessment of the credit history of those having outstanding balances and current relationships with the Foundation, it believes that realization of losses on balances outstanding at December 31, 2009 and 2008 will be immaterial. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change. As of December 31, 2009 and 2008, no allowance for doubtful accounts is considered necessary.

Investments - The Foundation has an investment policy seeking total return on the Foundation's permanent endowment. The income to be utilized by operations is calculated in accordance with contractual agreements and state statutes. Investments are stated at fair value determined by quoted market prices in accordance with the Accounting for Certain Investments Held by Not-for-Profit Organizations Topic of the Codification. The annual market adjustments are reported as investment income.

Inventory - Inventory consists of undistributed in-kind materials at year-end. The Foundation receives a substantial amount of in-kind goods from various regional and national donors, primarily consisting of medical and educational materials. These materials are included in the financial statements at amounts that approximate fair values on the date of donation. (See Note 6.) In accordance with the Accounting for the Impairment or Disposal of Long-Lived Assets Topic of the Codification, the valuation of inventory was evaluated for impairment as of December 31, 2009 and 2008, and there was no impairment noted.

Property and Equipment - Property and equipment are recorded at the lower of cost or fair value at the date of contribution, with depreciation provided on the straight-line method over estimated useful lives. All purchases of property and equipment over $500 are capitalized. Repairs and maintenance that do not extend the lives of the applicable assets are expensed as incurred. Gain or loss from the retirement or other disposition of assets is included in the statement of activities and changes in net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, there was no impairment at either December 31, 2009 or 2008.

Income Taxes - The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore is not subject to income taxes. Additionally, the Foundation is not a private foundation.

The Foundation adopted the FASB Codification Topic, Income Taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This topic also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of this topic did not have a material impact on the Foundation's financial statements. As of December 31, 2009 and 2008, no liability for unrecognized tax benefits was required to be recorded.

Recently Adopted Accounting Pronouncements - The Foundation has adopted the provisions of FASB Codification Topic, Not-for-Profit Entities, Presentation of Financial Statements. Included in this topic is guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Currently, the Commonwealth of Pennsylvania has not enacted UPMIFA; therefore, certain provisions of it are not applicable to the Foundation. However, the guidance also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds). The adoption by the Foundation did not have a material impact on the financial statements.

Recently Issued Accounting Pronouncements - In January 2010, the FASB issued an Accounting Standards Update, Fair Value Measurements Disclosures, to require new disclosure for fair value measurements and provide clarification for existing disclosure requirements. More specifically, this update will require (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e., present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. The Foundation does not anticipate that the adoption of this update will materially expand its financial statement footnote disclosures. The new disclosures and clarifications are effective for annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll-forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010.

NOTE 3 - INVESTMENTS

Investments are presented in the financial statements at fair market value. Fair market value and related cost bases at December 31 are as follows:

	2009		2008	
	Market	Cost	Market	Cost
Money market funds	$ 1,263,760	$ 1,263,760	$ 80,228	$ 80,228
Fixed-income mutual funds	1,434,196	1,434,475	735,685	839,150
Equity mutual funds	1,677,036	1,519,480	1,356,746	2,185,948
Equity securities	$ 4,374,992	$ 4,217,715	$ 2,172,659	$ 3,105,326

Investment income (loss) for the years ended December 31 is composed of the following:

	2009	2008
Interest	$ 4,871	$ 43,164
Dividends	64,025	126,784
Realized and unrealized losses	566,021	(1,030,938)
	$ 634,917	$ (860,990)

Investments are exposed to various risks such as interest rate, market and credit risks. The Foundation's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the Foundation's investment policy. The degree and concentration of credit risk varies by type of investment. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE 4 - FAIR VALUE MEASUREMENTS

Effective for the year ended December 31, 2008, the Foundation implemented the Fair Value Measurements and Disclosures Topic of the Codification, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements.

This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. The topic requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 1 - Valuations are based on unadjusted, quoted prices in active markets for identical assets or liabilities. As of December 31, 2009 and 2008, the Foundation's investments in equity and fixed-income mutual funds and money market funds are within this level of the fair value hierarchy.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or on quoted prices in markets that are not active, but for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The carrying value of the Foundation's financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature.

On January 1, 2009, the Foundation adopted the provisions of the Fair Value Measurements and Disclosures Topic of the Codification for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The adoption of this guidance had no impact on the Foundation's financial statements for the fiscal year ended December 31, 2009, but did provide for additional disclosures as documented in Note 6.

NOTE 5 - INVENTORY

The Foundation's inventory at December 31 is summarized as follows:

	2009	2008
Pharmaceuticals	$ 6,348,495	$ 8,400,437
Medical equipment and supplies	3,817,658	3,598,904
Education	2,339,792	1,152,091
Humanitarian	71,792	65,320
	$ 12,577,737	$ 13,216,752

NOTE 6 - CHANGE IN ACCOUNTING ESTIMATE

In accordance with the Accounting Changes and Error Corrections Topic of the Codification, the Foundation changed its estimate of fair value of December 31, 2008 inventory for donated pharmaceuticals. The new valuation is based on a methodology that considers the most current markets of trading information available. The valuation methodology utilizes published reimbursement pricing guidelines from federal (Center for Medicare and Medicaid Services - CMS) and state (West Virginia State Maximum Allowable Cost - WV SMAC) sources as a primary reference. Previously, the valuation methodology relied solely on average wholesale price (AWP) as a primary reference. Management believes the change in valuation methodology is more representative of fair value in measuring donated pharmaceutical inventory. The effect of the change in accounting estimate materially decreased the Foundation's pharmaceutical inventory, resulting in a $19,026,000 adjustment to inventory and a corresponding decrease to donation income in 2008. In 2008, donation income was $1,101,666,070 before the inventory adjustment. Donation income for 2009 would have been estimated at $622,840,760 utilizing AWP valuation methodology as opposed to the reported $265,849,803 utilizing CMS and WV SMAC pricing. Shipments of medical equipment and supplies in 2009 utilizing AWP valuation methodology would have been estimated at $513,761,361 as opposed to the reported estimate of $155,651,748. In 2008, shipments of medical equipment and supplies was estimated at $764,537,610 utilizing AWP valuation methodology.

NOTE 7 - PROPERTY AND EQUIPMENT

The Foundation's property and equipment at December 31 are summarized as follows:

	2009	2008
Building and improvements	$ 934,101	$ 803,607
Equipment and furniture	205,543	205,543
Land	213,201	113,340
	1,352,845	1,122,490
Less - Accumulated depreciation	323,741	286,447
Property and equipment, net	$ 1,029,104	$ 836,043

NOTE 8 - LINE OF CREDIT

On November 5, 2008, the Foundation entered into a line of credit through PNC Bank. The total amount of the line available to the Foundation is $600,000 and was collateralized by real property. Interest was charged at the prime rate (3.25% at December 31, 2008) plus 1% on any amount drawn against the line of credit. At December 31, 2008, the Foundation did not have any outstanding balances drawn on the line of credit. The line-of-credit agreement expired November 5, 2009, and the Foundation did not renew the agreement. As such, there was no line of credit available to the Foundation as of December 31, 2009.

NOTE 9 - RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 of $337,561 and $273,888, respectively, are available for worldwide health and educational programs.

NOTE 9 - RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets were released as follows:

	2009	2008
Pharmacy room at the Foundation's warehouse	$ 49,040	$ 6,602
50th Anniversary celebration for the Foundation	4,435	20,315
Computer upgrade for the Foundation	-	11,138
African Education Initiative	-	5,027
Other health and welfare activities	80,194	498,527
	$ 133,669	$ 541,609

Permanently restricted net assets at December 31, 2009 and 2008 of $314,997 and $244,680, respectively, are restricted to investments in perpetuity. See Note 10 for additional disclosures relating to the permanently restricted net assets.

NOTE 10 - ENDOWMENT

The endowment consists of an investment fund established primarily for programming and operating needs of the Foundation and includes donor-restricted 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.

Interpretation of Relevant Law - The Board of Trustees of the Foundation has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141) for the donor-restricted endowment funds. Act 141 is a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board must elect, in writing, a spending rate of between 2% and 7%. This percentage is applied to the average market value of the investments at the end of the prior year. Average market value is based on the previous twelve quarters. The Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The undistributed amounts earned are included in permanently restricted net assets as well. In accordance with Act 141, the Foundation has adopted a written investment policy, of which a section specifically relates to the endowment fund. On an annual basis, the Board also sets a spending rate between 2% and 7% of the endowment's principal market value over the preceding three years. The Foundation considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund;
2. Preserving the spending power of the assets;
3. Obtaining maximum investment return with reasonable risk and operational consideration; and
4. Complying with applicable laws.

NOTE 10 - ENDOWMENT (Continued)

Donor-restricted endowment funds comprise the permanently restricted net asset balance of $314,997 and $244,680 at December 31, 2009 and 2008, respectively.

The following represents the change in the endowment fund for the year ended December 31, 2009:

Endowment net assets beginning of year	$ 244,680
Investment return:	
Investment income	5,708
Net appreciation	73,512
	323,900
Appropriation of endowment assets for expenditure	(6,424)
General and administrative expense	(2,479)
Endowment net assets end of year	$ 314,997

The following represents the change in the endowment fund for the year ended December 31, 2008:

Endowment net assets beginning of year	$ 367,386
Investment return:	
Investment income	15,521
Net depreciation	(128,408)
	254,449
Appropriation of endowment assets for expenditure	(6,909)
General and administrative expense	(2,910)
Endowment net assets beginning of year	244,680

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding for programs and initiatives supported by the endowment. The policies are also intended to protect the integrity of the assets and achieve the optimal return possible within the specified risk parameters. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity and fixed income peer groups.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation viewing the assets as having a long-term horizon with moderate liquidity needs, and has taken a long-term investment posture, which favors equity holdings.

NOTE 10 - ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy - In accordance with Act 141, the Foundation annually transfers between 2% and 7% of the previous three years' market value average of the endowment fund to unrestricted net assets for use in operations. In 2009 and 2008, the spendable return totaled 2% or $6,400 and 2% or $6,900, respectively. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Foundation'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.

NOTE 11 - GIFTS-IN-KIND

Recognition of gifts-in-kind (GIK) revenue is limited to such contributions that the Foundation takes possession of, or constructive title to, as the original recipient; are received and/or handled in partnership with an end-user agency; or are used in Foundation programs.

The Foundation also assists as an agent in the shipment of GIK that are designated for other charitable organizations. The value of these shipments is minimal and is not reflected in the accompanying financial statements, since the Foundation does not have variance power over these transactions.

NOTE 12 - RETIREMENT PLANS

The Foundation has a noncontributory pension plan covering all qualified personnel. Contributions to the plan are determined by the Foundation but are limited to 15% of the total compensation of the participants for the year. For 2009 and 2008, the Foundation's contributions to the plan approximated $31,000 and $28,000, respectively.

In addition, the Foundation has a Section 403(b) plan covering substantially all employees. Participants may contribute up to 15% of their compensation, but the plan does not provide for contributions by the Foundation.

NOTE 13 - ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and support services benefited based on an analysis of staff time spent on, and/or floor space dedicated to, the related activities.

NOTE 14 - SUBSEQUENT EVENTS

The Foundation has adopted the Subsequent Event Topic of the Codification. This guidance defines subsequent events as events or transactions that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through May 28, 2010, the date on which the financial statements were available to be issued.

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