

**USAFA ENDOWMENT, INC.**

**Financial Statements**

**For the Year Ended December 31, 2010**

**And**

**Independent Auditors' Report**

# USAFA ENDOWMENT, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
USAFA Endowment, Inc.  
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of USAFA Endowment, Inc. (the Organization) as of December 31, 2010 and the related statements of activities, functional expenses and 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 Organization's 2009 financial statements which were audited by other auditors whose report dated May 25, 2010, 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 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 USAFA Endowment, Inc. as of December 31, 2010 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.

*Stockman Kast Ryan + Co., LLP*

April 25, 2011

# USAFA ENDOWMENT, INC.

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2010 (with comparative totals for 2009)

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	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,721,586	\$ 3,212,215
Investments	4,357,437	2,702,618
Promises to give, net	12,368,419	7,064,667
Prepaid expenses	21,725	11,608
Beneficial interest in split-interest agreement	208,242	192,817
Property and equipment, net	<u>51,373</u>	<u>32,127</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 23,728,782</u></b>	<b><u>\$ 13,216,052</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,388,341	\$ 57,219
Gift commitments	<u>6,611,592</u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<b><u>8,999,933</u></b>	<b><u>57,219</u></b>
<b>NET ASSETS</b>		
Unrestricted	353,670	95,338
Temporarily restricted	<u>14,375,179</u>	<u>13,063,495</u>
<b>Total net assets</b>	<b><u>14,728,849</u></b>	<b><u>13,158,833</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 23,728,782</u></b>	<b><u>\$ 13,216,052</u></b>

See notes to financial statements.

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# USAFA ENDOWMENT, INC.

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2010 (with comparative totals for 2009)**

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	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 1,978,107	\$ 12,597,418	\$ 14,575,525	\$ 2,698,885
Net realized and unrealized gains on investments	17	341,793	341,810	186,133
Interest and dividends	465	104,878	105,343	78,294
Change in value of split-interest agreement		15,425	15,425	62,323
Other	14,858		14,858	
Net assets released from restrictions	<u>11,747,830</u>	<u>(11,747,830)</u>		
Total	<u>13,741,277</u>	<u>1,311,684</u>	<u>15,052,961</u>	<u>3,025,635</u>
EXPENSES				
Program services	11,731,517		11,731,517	567,025
Supporting services:				
Fund raising	1,257,899		1,257,899	437,567
General and administrative	<u>493,529</u>		<u>493,529</u>	<u>210,155</u>
Total expenses	<u>13,482,945</u>	<u>—</u>	<u>13,482,945</u>	<u>1,214,747</u>
CHANGE IN NET ASSETS	258,332	1,311,684	1,570,016	1,810,888
NET ASSETS, Beginning of year	<u>95,338</u>	<u>13,063,495</u>	<u>13,158,833</u>	<u>11,347,945</u>
NET ASSETS, End of year	<u>\$ 353,670</u>	<u>\$ 14,375,179</u>	<u>\$ 14,728,849</u>	<u>\$ 13,158,833</u>

See notes to financial statements.

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# USAFA ENDOWMENT, INC.

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2010 (with comparative totals for 2009)

	2010			2009 Total
	Program Services	Fund Raising	General and Adminis- trative	
EXPENSES				
Programs:				
Holiday Athletic Center	\$ 10,343,573			\$ 10,343,573
Superintendent's Discretion	322,610			322,610
Martinson Just-in-Time Teaching	190,000			\$ 190,000
Academy graduates	148,848			148,848
Character and Leadership Development	183,160			183,160
Cadet International	110,000			110,000
In-kind football travel	103,778			103,778
Warrior Remembrance for Coaching Excellence	100,000			100,000
Scowcroft Professorship	68,993			68,993
Athletics	38,715			38,715
Law Department	30,019			30,019
Class of '63 – Kiosk project	23,431			23,431
Jannetta Lectureship in War, Literature and Arts	19,500			19,500
Unmanned Aerial Systems	18,600			18,600
Military History Symposium				35,000
Other	22,668			22,668
Salaries and benefits		\$ 655,616	\$ 256,714	912,330
Printing and copying		122,332	6,422	128,754
Conferences and meetings	3,847	84,663	38,363	126,873
Professional fundraising		126,597		126,597
Occupancy		61,848	24,152	86,000
Travel	75	67,634	8,875	76,584
Accounting fees			67,096	67,096
Payroll taxes		38,454	17,075	55,529
Postage and shipping		38,333	3,383	41,716
Bank charges			22,506	22,506
Depreciation		7,342	7,886	15,228
Ticket purchases	3,700	10,969		14,669
Temporary help – contract		6,236		6,236
Promotion and entertainment		2,065		2,065
In-kind accounting services				56,830
Other		35,810	41,057	76,867
<b>TOTAL</b>	<b>\$ 11,731,517</b>	<b>\$ 1,257,899</b>	<b>\$ 493,529</b>	<b>\$ 13,482,945</b>
PERCENT OF TOTAL	87%	9%	4%	100%
COMPARATIVE TOTALS – 2009	\$ 567,025	\$ 437,567	\$ 210,155	\$ 1,214,747
PERCENT OF TOTAL – 2009	47%	36%	17%	100%

See notes to financial statements.

# USAFA ENDOWMENT, INC.

## STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED DECEMBER 31, 2010 (with comparative totals for 2009)**

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	2010	2009
OPERATING ACTIVITIES		
Change in net assets	\$ 1,570,016	\$ 1,810,888
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized and realized gains on investments	(341,810)	(186,133)
Change in value of split-interest agreement	(15,425)	(62,323)
Depreciation	15,228	9,348
Contributions of investments	(2,982,735)	(229,341)
Changes in operating assets and liabilities:		
Promises to give	(5,303,752)	385,733
Prepaid expenses	(10,117)	(6,533)
Accounts payable and accrued expenses	2,331,122	53,208
Gift commitments	<u>6,611,592</u>	<u>                    </u>
Net cash provided by operating activities	<u>1,874,119</u>	<u>1,774,847</u>
INVESTING ACTIVITIES		
Purchases of investments	(4,301,135)	(4,977,621)
Proceeds from sales of investments	5,970,861	4,491,661
Purchases of property and equipment	<u>(34,474)</u>	<u>(5,838)</u>
Net cash provided by (used in) investing activities	<u>1,635,252</u>	<u>(491,798)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,509,371	1,283,049
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,212,215</u>	<u>1,929,166</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 6,721,586</u>	<u>\$ 3,212,215</u>

See notes to financial statements.

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# USAFA ENDOWMENT, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** — USAFA Endowment, Inc. (the Organization), a nonprofit corporation, was organized under the laws of the State of Delaware in July 2007. The mission of the Organization is to provide private funding to support the programs and capital needs of the United States Air Force Academy (the Academy) in Colorado Springs, Colorado. The Organization works actively to identify and to cultivate key relationships with current and potential Academy donors to support the Academy's strategic development priorities.

The founders of the Organization believe that a foundation, singularly charged with the abiding stewardship of donated funds and constituted in such a way as to ensure the permanency and efficacy of the gift, is the most effective structure for providing this support for the Academy. The founding donors have established a restricted fund which is a principal source of funding for the operating expenses of the Organization, now and for the future. This Founding Director Fund will enable all other program donations to be used exclusively for their intended purpose and no fees or deductions of any kind are assessed on restricted gifts. Investment gains will also accrue entirely for the benefit of the donor's intended charitable purpose.

The founding principles of the Organization include no fees on restricted contributions, stewardship in perpetuity for the Organization's management and administrative needs, transparency in financial reporting and a positive and supportive approach to the Academy.

**Basis of Presentation** — The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets as of December 31, 2010.

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

**Use of Estimates** — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Cash and Cash Equivalents** — The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.



**Investments** — Investments are recorded at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Earnings on investments are recognized as an increase in unrestricted or temporarily restricted net assets according to the nature of the restrictions on the original gift. Donated investments are recorded at fair market value on the date of donation.

**Promises to Give** - Unconditional promises to give are recognized in the period received. Promises to give are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using a risk adjusted discount rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to account for uncollectible promises to give. The allowance is based on historical experience and management's analysis of individual promises.

**Beneficial Interest in Split-Interest Agreement** — The Organization is designated as a remainder beneficiary under a charitable remainder trust. Under the terms of this agreement, the income beneficiaries (or their estate) receive distributions for a given term. At the end of the term, assets remaining in the trust, which represent the remainder interest of the Organization, will be transferred to the Organization. The Organization is neither the trustee nor does it exercise any control over the assets. The beneficial interest in these assets has been recorded at the present value of the estimated future benefits to be received.

**Property and Equipment** — All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Donated assets are recorded at fair market value on the date of the donation. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets, ranging from five to seven years.

**Gift Commitments** — Unconditional promises made by the Organization are recorded as a gift commitment liability and program services expense in the period the promise is made. Conditional promises are recognized when the conditions on which they depend are substantially made.

**Contributions** — Contributions received are recorded as increases in non-restricted, temporarily restricted, or permanently restricted net assets, depending on the existence and nature of any donor restrictions.

**Contributed Goods, Services and Facilities** — Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the year ended December 31, 2010, the Organization received private airplane services in the amount of \$103,778 which were used for program services and donated materials of \$21,014.

**Functional Allocation of Expenses** — The cost of providing various program services and other activities has been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and supporting expense categories based on management's estimates.

**Income Taxes** — The Organization is a qualified organization exempt from federal income taxes under the provisions of §501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

**Reclassifications** — Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

**Subsequent Events** — The Organization has evaluated subsequent events for recognition or disclosure through April 25, 2011, the date the financial statements were available for issuance.

## 2. AGREEMENTS WITH THE ASSOCIATION OF GRADUATES

In November 2009, the Organization and the Association of Graduates of the United States Air Force Academy (the "AOG"), entered into a Memorandum of Understanding (the "MOU") to establish a collaborative, comprehensive friendraising and fundraising process designed to raise increasing levels of charitable support for the Academy and to better serve the needs of the graduate community.

In connection with the MOU, effective January 1, 2010, the Organization and the AOG entered into an Operating Support Contract (the "Contract"). Pursuant to the principal provisions of the Contract, the Organization will:

- Provide operating support of \$600,000 per year (the Annual Operating Support) to the AOG during the calendar years 2010 and 2011. The Annual Operating Support will be paid monthly, commencing January 2010, in the amount of one-third of the total unrestricted annual fund revenue for the current month, but not less than \$35,000 per month.
- Pay the AOG 25% of any unrestricted annual fund gifts received above a total amount of \$1,900,000 received by the Organization during the calendar year. Payment is to be made within 45 days following year-end.
- Pay the AOG \$86,000 per year for services provided, to include rent of office space, furniture and equipment, data entry services, information technology support for hardware and software system and utilities. Payment is to be made in equal monthly installments during 2010 and 2011.

In 2010, the Organization received \$1,990,440 in unrestricted annual fund gifts from donors and, accordingly, the AOG has received a total of \$622,610 in Annual Operating Support for 2010 from the Organization, all of which was received by the AOG in 2010. Because the 2011 Annual Operating Support commitment of \$600,000 is unconditional, the Organization has also recorded a gift commitment to the AOG as of December 31, 2010 relating to this 2011 commitment (see Note 7).

The MOU also provides for a Joint Coordinating Committee (JCC) comprised of four voting members, two members each from the respective Boards of Directors of the Organization and the AOG. The MOU requires the Organization to distribute, in accordance with the recommendations of the JCC and based upon documented needs, an additional 25% of any unrestricted annual fund gifts received in excess of \$1,900,000 annually during each of the years 2010 and 2011. As a result of this commitment, the Organization may be required to distribute up to \$22,610, as may be requested by the JCC; however, because the JCC has not yet established the specific amount that will be distributed and to whom, no amounts have been recorded in the accompanying statement of financial position as of December 31, 2010 for this contingent obligation.

The MOU requires the Organization to make annual gifts of \$300,000 to the Academy in both 2010 and 2011 from the Organization's first \$1,900,000 of unrestricted annual fund gifts. The Organization is also required to distribute to the Academy 25% of any unrestricted annual fund gifts received in excess of \$1,900,000 received during each of 2010 and 2011. As a result of this commitment, the accompanying statement of financial position as of December 31, 2010 includes a gift commitment to the Academy of \$322,610 which is available to be distributed to the Academy upon its request (see Note 7). A gift commitment has not been recorded in 2010 for the 2011 gift to the Academy since the 2011 gift will be contingent upon the amount of unrestricted annual fund gift receipts to be achieved in 2011 by the Organization.

### **3. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Organization is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds and common stocks are valued based on quoted market prices. Certificates of deposit are stated at cost which approximates fair value. See Note 5 regarding the valuation of the beneficial interest in split-interest agreement.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets stated at fair value as of December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2010:</b>				
Investments:				
Bond mutual fund	\$ 1,608,383	\$ 1,608,383		
Domestic equity mutual fund	1,464,468	1,464,468		
International equity mutual fund	1,216,861	1,216,861		
Certificate of deposit	40,899		\$ 40,899	
Domestic common stocks	<u>26,826</u>	<u>26,826</u>		
Total investments	4,357,437	4,316,538	40,899	
Beneficial interest in split-interest agreement	<u>208,242</u>			\$ 208,242
Total assets at fair value	<u>\$ 4,565,679</u>	<u>\$ 4,316,538</u>	<u>\$ 40,899</u>	<u>\$ 208,242</u>
<b>2009:</b>				
Investments:				
Bond mutual fund	\$ 1,422,976	\$ 1,422,976		
Domestic equity mutual funds	779,673	779,673		
International equity mutual fund	455,014	455,014		
Certificate of deposit	40,156		\$ 40,156	
Cash equivalents	<u>4,799</u>	<u>4,799</u>		
Total investments	2,702,618	2,662,462	40,156	
Beneficial interest in split-interest agreement	<u>192,817</u>			\$ 192,817
Total assets at fair value	<u>\$ 2,895,435</u>	<u>\$ 2,662,462</u>	<u>\$ 40,156</u>	<u>\$ 192,817</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2010 and 2009:

	<b>Beneficial Interest in Split-Interest Agreement</b>
Balance, January 1, 2009	\$ 130,494
Change in value of split-interest agreement	<u>62,323</u>
Balance, December 31, 2009	192,817
Change in value of split-interest agreement	<u>15,425</u>
Balance, December 31, 2010	<u>\$ 208,242</u>

#### 4. PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31:

	<b>2010</b>	<b>2009</b>
Due in less than one year	\$ 4,607,911	\$ 3,398,604
Due in one to five years	8,499,686	4,371,225
Due thereafter	<u>65,092</u>	<u>10,000</u>
Total	13,172,689	7,779,829
Discount to present value	(288,224)	(403,969)
Allowance for doubtful promises to give	<u>(516,046)</u>	<u>(311,193)</u>
Promises to give, net	<u>\$ 12,368,419</u>	<u>\$ 7,064,667</u>

Management has used a discount rate in calculating the discount to present value based on the 5-year U.S. Treasury yield (2.01% at December 31, 2010).

#### 5. BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT

The Organization is the beneficiary of a charitable remainder unitrust (the Trust). One of the Trustees of the Trust is also a member of the Organization's Board of Directors.

Under the terms of the trust, payments are to be made to the two donors during their lifetimes, or to the donor's estate following the death of the second donor, for a total period of 20 years. The annual payments equal 8% of the net fair value of the trust assets valued as of the first business day of each trust taxable year. The present value of the Organization's future benefits is calculated using a discount rate of 8%, which is equal to the targeted annual investment return on the assets in the trust. The Organization's beneficial interest in this remainder trust at the net present value is \$208,242 and \$192,817 at December 31, 2010 and 2009, respectively.

## 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<b>2010</b>	<b>2009</b>
Software	\$ 20,974	\$ 20,974
Office equipment	41,757	7,283
Other	<u>22,972</u>	<u>22,972</u>
Total	85,703	51,229
Less accumulated depreciation	<u>34,330</u>	<u>19,102</u>
Total	<u>\$ 51,373</u>	<u>\$ 32,127</u>

## 7. GIFT COMMITMENTS

The Organization's gift commitments consist of the following at December 31, 2010:

Holiday Athletic Center	\$ 5,684,938
Payable to the AOG (see Note 2)	600,000
Payable to the Academy (see Note 2)	322,610
Other	<u>4,044</u>
Total	<u>\$ 6,611,592</u>

During 2010, the Organization made an unconditional promise to construct the Holiday Athletic Center, an indoor athletic training facility, to give to the Academy. The Academy is providing \$5 million of donated funds towards the costs of construction. Construction expenditures during 2010 have been included in program services expense. As of December 31, 2010, the Organization has recorded a gift commitment of \$5,684,938 representing the estimated costs to complete the facility of \$8,684,938 less \$3 million remaining to be provided by the Academy. The facility is expected to be completed in 2011.

## 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets may be expended for the following purposes at December 31:

	<b>2010</b>	<b>2009</b>
Supporting services:		
Founding Director Fund	\$ 8,239,306	\$ 7,301,805
Program services:		
Center for Character and Leadership Development and related programs	4,759,023	1,710,721
Academic programs	590,302	725,591
Athletic programs	418,290	438,577
Academy programs	42,738	43,668
Cadet activities	24,682	5,829
Holiday Athletic Center		2,635,246
Other funds	<u>300,838</u>	<u>202,058</u>
Total	<u>\$ 14,375,179</u>	<u>\$ 13,063,495</u>

**9. CONCENTRATIONS**

The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

As of December 31, 2010, approximately 25% of promises to give were from one donor. During 2010, the Organization received approximately 34% and 14% of its contributions from two individual donors.

**10. RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2010 and 2009, the Organization received \$10,209,582 and \$1,845,779, respectively, of contributions from members of its Board of Directors (including promises to give). Board members accounted for \$10,792,236 of outstanding promises to give (before any allowance or discount) as of December 31, 2010.

**11. RETIREMENT PLAN**

The Organization has adopted a SEP-IRA defined contribution retirement plan for its employees. Full-time employees are eligible for participation in the plan effective on the first day of the month following the date of their employment. Subject to federal limitations, the Organization makes a contribution, determined each pay period, of 11.1% of the employee's non-retirement compensation. For the years ended December 31, 2010 and 2009 the Organization's total contributions were \$74,111 and \$22,723, respectively.