

Environmental Research and Education Foundation

Financial Statements

For the Years Ended December 31, 2009 and 2008

**ENVIRONMENTAL RESEARCH AND EDUCATION FOUNDATION
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FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Environmental Research and Education
Foundation
3301 Benson Drive
Suite 301
Raleigh, NC 27609

We have audited the accompanying statements of financial position of Environmental Research and Education Foundation as of December 31, 2009 and 2008 and the related statements of activities and 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Environmental Research and Education 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.



A Professional Corporation
Bethesda, MD
June 10, 2010

**ENVIRONMENTAL RESEARCH AND EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008**

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 744,852	\$ 432,889
Contributions receivable	125,500	225,000
Other receivables	1,950	41,100
Prepaid expenses	11,580	14,063
	<u>883,882</u>	<u>713,052</u>
OTHER ASSETS		
Investments	5,771,687	5,768,104
Contributions receivable	122,500	243,875
Property and equipment - net	16,779	19,738
Security deposit	3,212	3,212
	<u>5,914,178</u>	<u>6,034,929</u>
TOTAL ASSETS	<u>\$ 6,798,060</u>	<u>\$ 6,747,981</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 57,376	\$ 413,642
Grants payable	-	87,784
TOTAL CURRENT LIABILITIES	<u>57,376</u>	<u>501,426</u>
NET ASSETS		
Unrestricted	4,527,877	3,956,741
Temporarily restricted	176,998	254,005
Permanently restricted	2,035,809	2,035,809
TOTAL NET ASSETS	<u>6,740,684</u>	<u>6,246,555</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,798,060</u>	<u>\$ 6,747,981</u>

**ENVIRONMENTAL RESEARCH AND EDUCATION FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Auctions								
Auction revenue	\$ 831,877	\$ -	\$ -	\$ 831,877	\$ 1,506,740	\$ -	\$ -	\$ 1,506,740
Auction direct expenses	(364,436)	-	-	(364,436)	(881,344)	-	-	(881,344)
	<u>467,441</u>	<u>-</u>	<u>-</u>	<u>467,441</u>	<u>625,396</u>	<u>-</u>	<u>-</u>	<u>625,396</u>
Golf tournaments								
Golf tournament revenue	234,438	-	-	234,438	253,075	-	-	253,075
Golf tournament direct expense	(46,950)	-	-	(46,950)	(59,474)	-	-	(59,474)
	<u>187,488</u>	<u>-</u>	<u>-</u>	<u>187,488</u>	<u>193,601</u>	<u>-</u>	<u>-</u>	<u>193,601</u>
Pledges	103,625	-	-	103,625	143,173	-	-	143,173
Contributions	28,075	77,500	-	105,575	24,288	241,810	-	266,098
Meetings	300	-	-	300	6,250	-	-	6,250
Books	507	-	-	507	1,039	-	-	1,039
Investment income (loss)	728,864	-	-	728,864	(1,546,447)	-	-	(1,546,447)
Other income	9,358	-	-	9,358	3,521	-	-	3,521
Net assets released from restrictions	154,507	(154,507)	-	-	397,910	(397,910)	-	-
	<u>1,025,236</u>	<u>(77,007)</u>	<u>-</u>	<u>948,229</u>	<u>(970,266)</u>	<u>(156,100)</u>	<u>-</u>	<u>(1,126,366)</u>
TOTAL REVENUE AND SUPPORT	<u>1,680,165</u>	<u>(77,007)</u>	<u>-</u>	<u>1,603,158</u>	<u>(151,269)</u>	<u>(156,100)</u>	<u>-</u>	<u>(307,369)</u>
EXPENSES								
Program services								
Projects	853,599	-	-	853,599	1,353,413	-	-	1,353,413
Supporting services								
Administrative	135,044	-	-	135,044	145,245	-	-	145,245
Fundraising	120,386	-	-	120,386	140,903	-	-	140,903
	<u>255,430</u>	<u>-</u>	<u>-</u>	<u>255,430</u>	<u>286,148</u>	<u>-</u>	<u>-</u>	<u>286,148</u>
	<u>1,109,029</u>	<u>-</u>	<u>-</u>	<u>1,109,029</u>	<u>1,639,561</u>	<u>-</u>	<u>-</u>	<u>1,639,561</u>
CHANGE IN NET ASSETS	571,136	(77,007)	-	494,129	(1,790,830)	(156,100)	-	(1,946,930)
NET ASSETS AT BEGINNING OF YEAR	<u>3,956,741</u>	<u>254,005</u>	<u>2,035,809</u>	<u>6,246,555</u>	<u>5,747,571</u>	<u>410,105</u>	<u>2,035,809</u>	<u>8,193,485</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,527,877</u>	<u>\$ 176,998</u>	<u>\$ 2,035,809</u>	<u>\$ 6,740,684</u>	<u>\$ 3,956,741</u>	<u>\$ 254,005</u>	<u>\$ 2,035,809</u>	<u>\$ 6,246,555</u>

See Notes to Financial Statements

ENVIRONMENTAL RESEARCH AND EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 494,129	\$ (1,946,930)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	3,904	3,796
Bad debts expense	37,500	2,500
Amortization of discount on contributions receivable	(3,625)	(16,501)
Realized loss on sale of investments	255,980	26,793
Unrealized (gain) loss on investments	(855,767)	1,697,657
(Increase) decrease in		
Contributions receivable	187,000	45,000
Other receivables	39,150	65,604
Prepaid expenses	2,483	(2,656)
Vehicle held for auction	-	23,921
Increase (decrease) in		
Accounts payable and accrued expenses	(356,266)	314,883
Grants payable	(87,784)	-
	(283,296)	214,067
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,335,844	3,890,644
Purchase of investments	(2,739,640)	(4,274,466)
Purchase of property and equipment	(945)	(13,056)
	595,259	(396,878)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	311,963	(182,811)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	432,889	615,700
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 744,852	\$ 432,889

ENVIRONMENTAL RESEARCH AND EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: ORGANIZATION

Environmental Research and Education Foundation (the Foundation) is a non-profit organization formed in 1992 in Washington D.C. for the purpose of developing environmental solutions for the future through research and education. The Foundation's main sources of revenue and support are contributions and fundraising activities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results may differ from those estimates.

Contributions Receivable

Unconditional promises to give are recognized as revenue and contributions receivable in the period the promises are made. The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior experience and management's analysis of specific contributions.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Investments

Investments are presented at fair value in the statements of financial position and changes in market value during the year are recognized as a component of investment income in the statement of activities. Fair value is determined as described in the fair value note.

Property and Equipment

Property and equipment are capitalized at cost. Depreciation is computed on the straight-line basis over the estimated useful life of the asset. When assets are sold or disposed of, the cost and corresponding accumulated depreciation is removed from the accounts with any gain or loss reflected in the statement of activities. Expenditures for repairs and maintenance which do not extend the useful lives of the assets are charged to expense as incurred. The estimated useful lives of property and equipment for the purpose of computing depreciation are:

Furniture	5 years
Equipment	3 years

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets

The financial statements are presented in accordance with the accounting principles generally accepted in the United States of America. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted as applicable. Descriptions of the three net asset classes are as follows:

Unrestricted net assets - Unrestricted net assets consist of net assets which are currently available to support the Foundation's daily operations and are not limited by donor-imposed restrictions on their use.

Temporarily restricted net assets - Temporarily restricted net assets consist of net assets arising from contributions or other inflows of assets that were received with donor stipulations that limit their use to particular time periods or for particular purposes. When a donor restriction expires or is satisfied, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions.

Permanently restricted net assets - Permanently restricted net assets consist of net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled, or otherwise removed, by actions of the Foundation. The restrictions stipulate that resources be maintained permanently, but permit the Foundation to expend income generated in accordance with the provisions of the agreements.

Restricted Support and Revenue

The following are reported as temporarily restricted support and revenue: gifts of cash, stock or other assets received with donor stipulations which limit their use to particular time periods or for particular purposes, and income earned on permanently restricted net assets which is itself limited in its use by donor imposed restrictions.

The following are reported as permanently restricted support and revenue: gifts of cash, stock or other assets received with donor imposed restrictions that cannot be removed by the passage of time or actions of the Foundation.

Investment income earned on restricted net assets is reported as unrestricted revenue unless otherwise directed by the donor.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CONTRIBUTIONS RECEIVABLE

Contributions to be received over more than one year are discounted using a rate of 4.82% for 2009 and 2008. As of December 31, 2009 and 2008, contributions receivable consisted of the following:

	<u>2009</u>	<u>2008</u>
Amounts receivable in		
Less than one year	\$ 125,500	\$ 225,000
One to five years	<u>125,000</u>	<u>250,000</u>
	250,500	475,000
Discount to present value	<u>(2,500)</u>	<u>(6,125)</u>
	<u>\$ 248,000</u>	<u>\$ 468,875</u>

Management believes that all pledges are fully collectible and no allowance for uncollectible accounts has been provided.

NOTE 4: INVESTMENTS

Investments held at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 3,738,650	\$ 3,133,440	\$ 3,902,272	\$ 2,435,313
Commodities	245,000	237,534	-	-
Fixed income	2,360,030	2,382,050	2,887,530	2,973,560
UST Excelsior Directional Hedge Fund	<u>18,663</u>	<u>18,663</u>	<u>425,000</u>	<u>359,231</u>
	<u>\$ 6,362,343</u>	<u>\$ 5,771,687</u>	<u>\$ 7,214,802</u>	<u>\$ 5,768,104</u>

Investment income (loss) for the years ended December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 160,716	\$ 205,505
Unrealized gain (loss)	855,767	(1,697,657)
Realized loss	(255,980)	(26,793)
Investment fees	<u>(31,639)</u>	<u>(27,502)</u>
	<u>\$ 728,864</u>	<u>\$ (1,546,447)</u>

NOTE 5: FAIR VALUE

Accounting principles generally accepted in the United States of America define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a fair value reporting hierarchy and defines three broad levels of inputs (the assumptions that market participants would use in pricing the asset or liability) as noted below:

NOTES TO FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE - continued

Level 1

Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets may include securities that are traded in an active exchange market or actively traded over-the-counter markets.

Level 2

Valuation is based on directly or indirectly observable inputs other than quoted prices included within Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability.

Level 3

Valuation is based on unobservable inputs for the asset or liability. Level 3 assets may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Equities and commodities are valued based on quoted market prices in active markets. Fixed income securities are valued using quoted prices of like assets, corroborated market data, indices and/or yield curves. The hedge fund is not publicly traded and is valued by the investment manager or the sponsor. Valuation methodology was not changed during 2009.

As of December 31, 2009 and 2008, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2009			
	Level 1	Level 2	Level 3	Total Fair Value
Equities	\$ 3,133,440	\$ -	\$ -	\$ 3,133,440
Commodities	237,534	-	-	237,534
Fixed income	-	2,382,050	-	2,382,050
UST Excelsior Directional Hedge Fund	-	-	18,663	18,663
	<u>\$ 3,370,974</u>	<u>\$ 2,382,050</u>	<u>\$ 18,663</u>	<u>\$ 5,771,687</u>
	2008			
	Level 1	Level 2	Level 3	Total Fair Value
Equities	\$ 2,435,313	\$ -	\$ -	\$ 2,435,313
Fixed income	-	2,973,560	-	2,973,560
UST Excelsior Directional Hedge Fund	-	-	359,231	359,231
	<u>\$ 2,435,313</u>	<u>\$ 2,973,560</u>	<u>\$ 359,231</u>	<u>\$ 5,768,104</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE - continued

The table below represents a reconciliation for the years ended December 31, 2009 and 2008 of assets measured at fair value on a recurring basis using Level 3 inputs.

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 359,231	\$ -
Unrealized losses	-	(65,769)
Realized losses	(340,568)	-
Purchases, issuance and settlements - net	<u>-</u>	<u>425,000</u>
Ending balance	<u>\$ 18,663</u>	<u>\$ 359,231</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 42,442	\$ 41,497
Accumulated depreciation	<u>(25,663)</u>	<u>(21,759)</u>
	<u>\$ 16,779</u>	<u>\$ 19,738</u>

Total depreciation expense for the years ended December 31, 2009 and 2008 was \$3,904 and \$3,796, respectively.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Future Projects

The Foundation has entered into agreements, over multiple years, with a number of institutions and organizations for various research projects to be funded by the Foundation. The amount of agreements approved in 2009 and 2008 was \$603,794 and \$651,288, respectively. During 2009 and 2008, the Foundation paid or incurred \$267,616 and \$846,240, respectively, for the work completed under these agreements. The remaining balance committed to the completion of these projects as of December 31, 2009 is \$759,233.

Scholarships

The Foundation annually grants scholarships to deserving students. During the years ended December 31, 2009 and 2008, respectively, the Foundation paid \$74,514 and \$77,350 in scholarships.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions receivable, contributions to be used for scholarships and income on certain permanently restricted net assets designated for scholarship use.

NOTES TO FINANCIAL STATEMENTS

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS - continued

Temporarily restricted net assets of \$154,507 and \$397,910 were released from restrictions due to satisfaction of program restrictions during the years ended December 31, 2009 and 2008, respectively.

	Temporarily Restricted Balance 1-1-08	Restricted Contributions	Released From Restriction	Temporarily Restricted Balance 12-31-08	Restricted Contributions	Released From Restriction	Temporarily Restricted Balance 12-31-09
Research Council	\$ 267,783	\$ 221,460	\$ (360,055)	\$ 129,188	\$ 55,000	\$ (73,073)	\$ 111,115
Stearns/SCS	17,664	10,350	(11,676)	16,338	10,500	(11,008)	15,830
PTR	10,000	10,000	(1,668)	18,332	12,000	(7,506)	22,826
Tritium Study	114,658	-	(24,511)	90,147	-	(62,920)	27,227
	<u>\$ 410,105</u>	<u>\$ 241,810</u>	<u>\$ (397,910)</u>	<u>\$ 254,005</u>	<u>\$ 77,500</u>	<u>\$ (154,507)</u>	<u>\$ 176,998</u>

NOTE 9: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are to be held indefinitely and consist of funds for research, education and scholarships. Permanently restricted net assets for the years ended December 31, 2009 and 2008 consisted of the following:

	2009	2008
Endowment Fund	\$ 1,794,163	\$ 1,794,163
Fiessinger Endowment for Scholarships	241,646	241,646
	<u>\$ 2,035,809</u>	<u>\$ 2,035,809</u>

NOTE 10: ENDOWMENT

The Foundation's endowment consists of two individual funds (the Funds) established to support the Foundation's main activity. The endowment consists of donor-restricted funds and, as required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with accounting principles generally accepted in the United States of America, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment funds, (b) the original value of subsequent gifts to the permanent endowments and (c) any accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation considers the following factors, as set out in the State's Uniform Prudent Management of Institutional Funds Act, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE 10: ENDOWMENT - continued

The Foundation had the following changes in the endowment net assets during the years ended December 31, 2009 and 2008:

	2009			2008		
	Endowment Related Unrestricted	Endowment Related Temporarily Restricted	Endowment Permanently Restricted	Endowment Related Unrestricted	Endowment Related Temporarily Restricted	Endowment Permanently Restricted
Endowment net assets (deficit) at beginning of year	\$ (422,267)	\$ -	\$ 2,035,809	\$ -	\$ -	\$ 2,035,809
Investment return						
Interest and dividends	56,251	-	-	57,130	-	-
Net gain (realized & unrealized)	209,925	-	-	(479,397)	-	-
Total investment return	266,176	-	-	(422,267)	-	-
Endowment net assets (deficit) at end of year	\$ (156,091)	\$ -	\$ 2,035,809	\$ (422,267)	\$ -	\$ 2,035,809

As of December 31, 2009 and 2008, the Foundation had the following endowment funds:

	2009	2008
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	\$ 2,035,809	\$ 2,035,809
Total endowment funds classified as permanently restricted net assets	\$ 2,035,809	\$ 2,035,809

NOTE 11: PROGRAM AND SUPPORTING SERVICES

Projects

Projects are specific research and education activities funded by the Foundation in furtherance of its primary mission. Example projects include topics such as landfill operations, recycling, industry safety and the awarding of educational scholarships.

Administration

Administration is the support activity that provides general administrative management.

Fundraising

Fundraising is the activity charged with raising funds needed by the Foundation to meet its current and future financial obligations.

NOTE 12: LEASE COMMITMENTS

In April 2005, the Foundation entered into a noncancellable lease for an office space and three parking spaces expiring in April 2010. In addition, the Foundation entered into a lease agreement for a copier which expired in April 2009. Upon expiration of the initial copier lease, the Foundation entered into a lease agreement expiring in July 2012 for a new copier. Lease terms include 40 payments at \$226 per month.

NOTES TO FINANCIAL STATEMENTS

NOTE 12: LEASE COMMITMENTS - continued

As of December 31, 2009, required minimum lease payments under these noncancellable leases, are as follows:

2010	\$ 17,170
2011	2,712
2012	<u>1,582</u>
	<u>\$ 21,464</u>

Total rent and related expenses for 2009 and 2008 were \$53,126 and \$52,103, respectively.

NOTE 13: CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Foundation to concentrations of credit risk include cash and investments which are invested with financial institutions. While the Foundation attempts to limit financial exposure, its deposit balances with financial institutions may, at times, exceed the limits insured by agencies of the U.S. government. The Foundation has not experienced and management does not anticipate experiencing any credit losses on such deposits.

NOTE 14: INCOME TAXES

The Foundation is exempt from federal taxes on income, except for income taxes on unrelated business income, under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no unrelated business income for the years ended December 31, 2009 and 2008.

Accounting principles generally accepted in the United States of America require management of an organization to evaluate income tax positions taken by the organization and recognize an income tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the income tax positions taken by the Foundation and concluded that as of December 31, 2009, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability or disclosure in the financial statements.

NOTE 15: EMPLOYEE RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan covering all of its employees. The Foundation matches employee deferrals up to 6% of the employee's contributions. In addition, after one full year of employment, the Foundation will contribute 7% of the employee's compensation regardless of employee deferrals. For 2009 and 2008, Foundation contributions to the plan were \$34,997 and \$30,112, respectively.

NOTE 16: RECLASSIFICATION

Certain items in the 2008 financial statements have been reclassified to conform to the 2009 presentation. This reclassification had no impact on the amount of net assets or their classifications as of December 31, 2008 or changes in net assets for the year then ended as reflected in previously issued financial statements.

NOTE 17: SUBSEQUENT EVENT

In preparing these financial statements, management of the Foundation has evaluated events and transactions that occurred after December 31, 2009 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through June 10, 2010, the date that the financial statements were available to be issued.

In March 2010, the Foundation entered into a noncancellable lease for office space in North Carolina. Terms of the five-year lease include the rental of approximately 1,415 square feet at an initial rate of \$29,004 per year.