Michigan Humane Society

Financial Report
December 31, 2010

Michigan Humane Society

Contents

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Michigan Humane Society

We have audited the accompanying balance sheet of the Michigan Humane Society (the "Organization") as of December 31, 2010 and 2009 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Humane Society at December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 9, 2011

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Michigan Humane Society

Balance Sheet

	December 31, 2010	December 31, 2009
Assets		
Cash and cash equivalents	$ 2,844,178	$ 3,951,967
Accounts receivable:		
Operational accounts receivable	23,014	39,166
Capital campaign pledge receivable (Note 3)	43,684	136,501
Legacies and bequests receivable	676,000	339,000
Investment-related and other accounts receivable	156,732	178,963
Investments (Note 4)	13,794,266	11,495,667
Inventory	261,030	202,745
Prepaid expenses and other	147,544	161,754
Interest in trusts	1,357,000	1,681,000
Property and equipment - Net (Note 5)	7,946,085	7,676,286
Total assets	**$ 27,249,533**	**$ 25,863,049**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 656,231	$ 506,188
Note payable (Note 6)	3,022,969	3,251,656
Interest rate swap (Note 6)	175,214	275,133
Accrued salaries, wages, and employee benefits payable	281,452	241,352
Total liabilities	4,135,866	4,274,329
Net Assets		
Unrestricted	19,801,208	19,132,485
Temporarily restricted (Note 7)	3,124,959	2,268,735
Permanently restricted	187,500	187,500
Total net assets	23,113,667	21,588,720
Total liabilities and net assets	**$ 27,249,533**	**$ 25,863,049**

Michigan Humane Society

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2010	Year Ended December 31, 2009
Changes in Unrestricted Net Assets		
Revenue and support:		
Contributions	$ 4,571,400	$ 4,315,406
Legacies and bequests	681,983	329,755
Adoption center and charitable veterinary hospital revenue - Net (Note 2)	5,860,777	5,798,054
Retail revenue	26,557	20,718
Special event revenue:		
Gross revenue	1,084,766	1,040,779
Direct benefit to donor costs	(55,415)	(65,285)
Investment income (Note 4)	1,188,982	1,447,325
Gain on disposal of property and equipment	-	800
Total revenue and support	13,359,050	12,887,552
Net assets released from restrictions	1,145,739	3,081,434
Total unrestricted revenue, support, and net assets released from restrictions	14,504,789	15,968,986
Expenses:		
Program services	11,446,749	11,018,758
Support services:		
Management and general	624,290	590,958
Fundraising	1,765,027	1,615,058
Total expenses	13,836,066	13,224,774
Increase in Unrestricted Net Assets	668,723	2,744,212
Changes in Temporarily Restricted Net Assets		
Contributions	1,550,963	-
Legacies and bequests	424,000	300,000
Change in value of interest in trusts	27,000	55,000
Net assets released from restrictions	(1,145,739)	(3,081,434)
Increase (Decrease) in Temporarily Restricted Net Assets	856,224	(2,726,434)
Increase in Net Assets	1,524,947	17,778
Net Assets - Beginning of year	21,588,720	21,570,942
Net Assets - End of year	**$ 23,113,667**	**$ 21,588,720**

Michigan Humane Society

Statement of Functional Expenses
Year Ended December 31, 2010

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Salaries	$ 6,367,328	$ 215,726	$ 419,300	$ 7,002,354
Employee benefits	702,014	38,753	22,945	763,712
Payroll taxes	491,089	38,634	29,095	558,818
Total salary and salary-related expenses	7,560,431	293,113	471,340	8,324,884
Animal care expenses	1,360,296	-	-	1,360,296
Facilities expense	188,840	842	48	189,730
Printing	28,596	73	642,784	671,453
Special events and related costs	179,527	-	93,158	272,685
Public relations and advertising	60,706	11,115	22,321	94,142
Postage	24,599	3,894	297,974	326,467
Telephone	95,668	9,484	4,886	110,038
Office supplies and expenses	83,229	12,165	15,490	110,884
Employee expenses	63,158	7,203	4,364	92,518
Professional fees	114,394	78,650	21,078	214,122
Heat, light, and water	318,890	2,626	2,296	323,812
Insurance	63,490	1,279	1,678	66,447
Rental expense	117,162	69,221	47,707	234,090
Repairs and maintenance - Building	256,045	14,937	7,074	278,056
Vehicle expenses	127,793	17,300	5,944	151,037
Cost of sales	10,255	-	-	10,255
Investment and banking fees	84,186	51,447	93,315	228,948
Meeting expenses	9,412	16,359	1,280	27,051
Software maintenance fees	9,959	417	19,053	29,429
Interest expense	215,738	-	-	215,738
Change in fair value of interest rate swap (Note 6)	(99,919)	-	-	(99,919)
Depreciation	527,150	1,579	10,432	539,161
Other expenses	47,144	32,586	2,805	82,535
Total expenses before direct benefit to donor costs	11,446,749	624,290	1,765,027	13,836,066
Direct benefit to donor costs	-	-	-	55,415
Total expenses including direct benefit to donor costs	**$ 11,446,749**	**$ 624,290**	**$ 1,765,027**	**$ 13,891,481**

Statement of Functional Expenses
Year Ended December 31, 2009

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Salaries	$ 6,118,095	$ 233,555	$ 439,856	$ 6,791,506
Employee benefits	661,511	41,597	30,039	733,147
Payroll taxes	457,845	39,869	30,973	528,687
Total salary and salary-related expenses	7,237,451	315,021	500,868	8,053,340
Animal care expenses	1,329,903	-	-	1,329,903
Facility expenses	169,625	679	-	170,304
Printing	15,904	27	496,874	512,805
Special events and related costs	188,083	-	149,008	337,091
Public relations and advertising	72,801	12,791	22,470	108,062
Postage	21,266	4,192	234,776	260,234
Telephone	84,330	11,898	4,381	100,609
Office supplies and expenses	84,628	10,981	17,194	112,803
Employee expenses	71,242	14,613	6,663	92,518
Professional fees	82,224	55,024	14,508	151,756
Heat, light, and water	322,388	2,815	2,474	327,677
Insurance	67,149	436	2,242	69,827
Rental expense	102,175	66,579	45,768	214,522
Repairs and maintenance - Building	173,351	18,461	8,834	200,646
Vehicle expenses	98,864	13,207	4,182	116,253
Cost of sales	1,818	-	-	1,818
Investment and banking fees	72,738	20,682	73,786	167,206
Meeting expenses	17,130	11,362	1,618	30,110
Software maintenance fees	7,609	571	13,338	21,518
Interest expense	232,378	-	-	232,378
Change in fair value of interest rate swap (Note 6)	(110,410)	-	-	(110,410)
Depreciation	551,855	2,585	12,278	566,718
Other expenses	124,256	29,034	3,796	157,086
Total expenses before direct benefit to donor costs	11,018,758	590,958	1,615,058	13,224,774
Direct benefit to donor costs	-	-	-	65,285
Total expenses including direct benefit to donor costs	**$ 11,018,758**	**$ 590,958**	**$ 1,615,058**	**$ 13,290,059**

Statement of Cash Flows

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash Flows from Operating Activities		
Increase in net assets	$ 1,524,947	$ 17,778
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	539,161	566,718
Gain on disposal of property and equipment	-	(800)
Amortization discount on pledges receivable	(3,320)	(8,666)
Bad debt expense	23,733	16,397
Net realized and unrealized gains on investments	(586,966)	(1,009,411)
Donated investments	(367,594)	(15,868)
Change in value of interest rate swap	(99,919)	(110,410)
Increase in value of interest in trusts	(27,000)	(55,000)
Contributions restricted for construction of facilities	(1,530,963)	-
Contributions restricted for future operations - Bequests receivable	(424,000)	(300,000)
Changes in operating assets and liabilities which (used) provided cash:		
Operational accounts receivable	16,152	(5,734)
Other accounts receivable	22,231	(82,362)
Legacies and bequests receivable	618,000	3,070,000
Inventory	(58,285)	87,774
Prepaid expenses and other	14,210	49,593
Accounts payable	150,043	138,477
Accrued salaries, wages, and employee benefits payable	40,100	21,911
Deferred revenue	-	(12,183)
Net cash (used in) provided by operating activities	(149,470)	2,368,214
Cash Flows from Investing Activities		
Purchase of property and equipment	(808,960)	(281,770)
Proceeds from disposition of property and equipment	-	800
Purchases of investments	(9,414,549)	(11,435,730)
Proceeds from sales and maturities of investments	8,070,510	10,033,609
Net cash used in investing activities	(2,152,999)	(1,683,091)
Cash Flows from Financing Activities		
Payments on debt	(228,687)	(213,482)
Proceeds from capital campaign contributions	72,404	142,864
Proceeds from contributions restricted for construction of facilities	1,350,963	-
Net cash provided by (used in) financing activities	1,194,680	(70,618)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,107,789)	614,505
Cash and Cash Equivalents - Beginning of year	3,951,967	3,337,462
Cash and Cash Equivalents - End of year	**$ 2,844,178**	**$ 3,951,967**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 115,819**	**$ 121,964**

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization - Michigan Humane Society (the "Organization") is a not-for-profit corporation dedicated to ending companion animal homelessness, providing the highest quality service and compassion to the animals entrusted to its care, and being a leader in promoting humane values. The Organization operates three adoption centers, three charitable veterinary hospitals, emergency animal rescue services, a cruelty investigation division, and an education division. In addition, the Organization facilitates companion animal adoption at multiple offsite locations and special events. Southeastern Michigan is the primary service area for the Organization's operations.

Significant accounting policies are as follows:

Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents except for certain money market mutual funds that are included in the Organization's investment portfolio. The balances in the Organization's deposit accounts may, from time to time, exceed the amounts covered by FDIC insurance.

Accounts Receivable - Accounts receivable consist of operational accounts receivable, capital campaign pledges receivable, and legacies and bequests receivable.

Operational accounts receivable are stated at invoice amounts from services provided. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. All operational accounts receivable are considered fully collectible at December 31, 2010 and 2009.

Capital campaign pledges receivable are stated at the gross promise to give, less amortized discounts and allowances for uncollectible pledges. The Organization calculates the amortized discounts at 3 percent of the pledges receivable balance at year end. Unamortized discounts on capital campaign pledges receivable were $143 and $3,463 at December 31, 2010 and 2009, respectively. The allowance for uncollectible pledges was $64,997 and $76,142 at December 31, 2010 and 2009, respectively, based on management's review of outstanding pledges and estimated collectibility at those dates.

The legacies and bequests receivable consist of wills and bequests for which the donor and all other life beneficiaries are deceased and are therefore irrevocable. Payment on these receivables is expected in the next year. The legacies and bequests receivable are deemed fully collectible as of December 31, 2010 and 2009.

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

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

Inventory - Inventory, which consists of medical supplies and retail items, is stated at the lower of cost or market, by use of the first-in, first-out (FIFO) method of valuation.

Interest in Trusts - Interest in trusts consists of funds which are held in trusts of which the Organization is a beneficiary. The corpus of the trusts is expected to be paid to the Organization through 2020.

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

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

Investments - Investments in debt and equity securities are recorded at fair value as described in Note 11.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

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

The Organization receives donations of various goods and services. These in-kind donations have not been reflected in the statement of activities and changes in net assets since they either do not meet the criteria for recording in accordance with generally accepted accounting standards or an appropriate fair market value was not readily determinable.

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

Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as temporarily restricted until they are appropriated for expenditure.

Board-designated Net Assets - Unrestricted board-designated net assets are investments and other assets set aside by the board to repay future debt obligations related to the Berman Center for Animal Care construction and to serve as a reserve fund. Investment income of the fund is used to fund annual operations. The principal of the fund may be used to fund operations with board approval. These designations are based on board actions, which can be altered or revoked at a future time by the board. Designated net assets as of December 31, 2010 and 2009 were $7,939,561 and $8,203,519, respectively.

Permanently Restricted Net Assets - Permanently restricted net assets are restricted to investment in perpetuity. The income earned by these assets is available to support the general charitable purpose of the Organization and was recorded using unrestricted gains.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. 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, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of their equity and bond holdings, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide a rate of return equivalent to those of other investments. Actual returns in any given year may vary from this amount.

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

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). The Organization targets a diversified asset allocation in order to achieve its long-term return objectives within prudent risk constraints.

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

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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including May 9, 2011, which is the date the financial statements were available to be issued.

Reclassification - Certain reclassifications were made to the 2009 financial statements to conform with the classifications used in 2010. These reclassifications did not impact the reported net assets, change in net assets, or cash flows for the year ended December 31, 2009.

Note 2 - Adoption Center and Charitable Veterinary Hospital Revenue

Adoption center and charitable veterinary hospital revenue for the years ended December 31, 2010 and 2009 is reported net of discounts as follows:

	2010	2009
Adoption center and charitable veterinary hospital revenue - Gross	$ 7,216,105	$ 7,362,883
Clinic discounts and other	(1,355,328)	(1,564,829)
Net revenue	$ 5,860,777	$ 5,798,054

Clinic discounts represent services provided for free or at reduced fees, including sterilizations performed for free or below cost, treatment and care provided to animals during their stay at the Organization, treatment of animals post-adoption, treatment of animals from cruelty situations, and services provided to clients with limited financial capability at reduced prices.

Note 3 - Capital Campaign Pledges Receivable

The Organization completed a solicitation of funds for a capital campaign related to the Organization's Westland facilities. Pledge commitments are extended through 2011. Capital campaign pledges receivable activity is as follows:

	2010	2009
Commitments to give before unamortized discount	$ 108,824	$ 216,106
Less unamortized discount and allowance for uncollectible pledges	(65,140)	(79,605)
Net contributions receivable	$ 43,684	$ 136,501
Amounts due in:		
Less than one year	$ 108,824	$ 211,183
One to five years	-	4,923
Total	$ 108,824	$ 216,106

Note 4 - Investments

Investments consisted of the following at December 31:

	2010	2009
Money market funds	$ 1,113,844	$ 566,109
Certificate of deposit	105,201	103,495
Convertible debt securities	756,370	694,093
Corporate debt securities	6,596,239	7,096,041
Common stock	5,006,177	2,751,358
Mutual funds	24,755	24,506
Preferred stock	191,680	260,065
Total	$ 13,794,266	$ 11,495,667

Interest and dividend income totaled $602,016 in 2010 and $437,914 in 2009. Net realized and unrealized gains and losses on investments totaled $586,966 in 2010 and $1,009,411 in 2009.

Note 5 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2010	2009
Land	$ 808,110	$ 292,678
Land improvements	425,909	414,116
Buildings	7,066,643	7,066,643
Building improvements	1,977,449	1,942,069
Medical and other equipment	3,500,253	3,410,934
Transportation equipment	619,404	573,443
Furniture and fixtures	413,116	380,475
Computer equipment and software	226,509	207,803
Leasehold improvements	33,859	33,859
Construction in progress	26,778	21,200
Total cost	15,098,030	14,343,220
Accumulated depreciation	(7,151,945)	(6,666,934)
Net carrying amount	$ 7,946,085	$ 7,676,286

Depreciation expense totaled $539,161 in 2010 and $566,718 in 2009.

Note 6 - Note Payable

During 2005, the Organization entered into a loan of $4,160,000 that matures on December 1, 2011. The loan is payable in monthly installments of $37,159, including principal and interest. The loan is collateralized by certain assets of the Organization.

During 2004, the Organization entered into an interest rate swap agreement that became effective in 2005 and essentially fixed the interest rate at 6.9 percent. The variable rate under the swap is based on the one-month LIBOR plus 1.40 percent. The effective variable rate was 1.66 percent and 1.70 percent as of December 31, 2010 and 2009, respectively. The interest rate swap is recognized in the accompanying balance sheet at fair value. Changes in the fair value of the interest rate swap are reported on the statements of activities and changes in net assets and functional expenses. The Organization recognized a gain of $99,919 and $110,410 for the years ended December 31, 2010 and 2009, respectively, related to the change in value of the swap agreement. The Organization has recorded an interest rate swap liability of $175,214 and $275,133 based on a total notional amount of $3,022,969 and $3,251,656 as of December 31, 2010 and 2009, respectively.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2010 and 2009 are restricted for the following:

	2010	2009
Time-restricted contributions	$ 1,853,000	$ 2,020,000
Life insurance policy cash surrender value	65,225	73,230
Construction of new facilities	1,067,499	51,969
Program activity	139,235	123,536
Total temporarily restricted net assets	$ 3,124,959	$ 2,268,735

Note 8 - Operating Leases

The Organization has operating lease agreements for office space and equipment. Total rent expense under these leases was $228,287 and $211,902 for the years ended December 31, 2010 and 2009, respectively. Future commitments under these operating leases are as follows:

2011	$ 234,455
2012	239,616
2013	41,434
2014	15,989
Total	$ 531,494

Note 9 - Employee Benefit Plan

The Organization has a 403(b) retirement plan (the "Plan"). Under the Plan, employees can elect to defer a portion of their compensation. The Organization made matching contributions of $85,338 and $83,459 to the Plan for the years ended December 31, 2010 and 2009, respectively.

Note 10 - Allocation of Joint Costs

The Organization's newsletter and certain event activities include requests for contributions, as well as education and retail components. Total joint costs for these activities were $189,960 and $167,239 in 2010 and 2009, respectively, which are not specifically attributable to fundraising or education activities. These joint costs were allocated as follows:

	2010	2009
Fundraising	$ 52,363	$ 67,130
Education	137,597	100,109
Total	$ 189,960	$ 167,239

Note 11 - Fair Value Measurements

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

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

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

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

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

Note 11 - Fair Value Measurements (Continued)

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

Note 11 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2010
Assets				
Cash equivalents -				
Sweep account	$ 1,380,588	$ -	$ -	$ 1,380,588
Investments:				
Money market funds	1,113,844	-	-	1,113,844
Mutual funds	24,755	-	-	24,755
Common stock:				
Basic materials	1,031,687	-	-	1,031,687
Communications	264,655	-	-	264,655
Consumer cyclical	374,338	-	-	374,338
Consumer non-cyclical	85,976	-	-	85,976
Energy	481,040	-	-	481,040
Financial	634,086	-	-	634,086
Industrial	1,046,816	-	-	1,046,816
Services	248,072	-	-	248,072
Technology	307,048	-	-	307,048
Utilities	532,459	-	-	532,459
Preferred stock	-	191,680	-	191,680
Corporate debt:				
Aa credit rating	-	251,009	-	251,009
A credit rating	-	1,180,372	-	1,180,372
Baa credit rating	-	3,028,526	-	3,028,526
Ba credit rating	-	924,902	-	924,902
B credit rating	-	922,793	-	922,793
Not rated	-	288,637	-	288,637
Convertible debt:				
Baa credit rating	-	126,563	-	126,563
Not rated	-	629,807	-	629,807
Total investments	6,144,776	7,544,289	-	13,689,065
Interest in trusts	-	-	1,357,000	1,357,000
Total assets	$ 7,525,364	$ 7,544,289	$ 1,357,000	$ 16,426,653
Liabilities - Interest rate swap	$ -	$ 175,214	$ -	$ 175,214

Note 11 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2009

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2009
Assets				
Cash equivalents:				
Money market funds	$ 606,376	$ -	$ -	$ 606,376
Sweep account	2,614,248	-	-	2,614,248
Total cash equivalents	3,220,624	-	-	3,220,624
Investments:				
Money market funds	566,109	-	-	566,109
Mutual funds	24,506	-	-	24,506
Common stock:				
Basic materials	213,808	-	-	213,808
Communications	222,532	-	-	222,532
Consumer non-cyclical	1,232	-	-	1,232
Energy	141,983	-	-	141,983
Financial	836,925	-	-	836,925
Healthcare	171,738	-	-	171,738
Industrial	166,696	-	-	166,696
Services	124,189	-	-	124,189
Technology	251,983	-	-	251,983
Utilities	620,272	-	-	620,272
Preferred stock	-	260,065	-	260,065
Corporate debt:				
Aaa credit rating	-	345,226	-	345,226
Aa credit rating	-	127,997	-	127,997
A credit rating	-	827,592	-	827,592
Baa credit rating	-	4,103,465	-	4,103,465
Ba credit rating	-	640,175	-	640,175
B credit rating	-	839,381	-	839,381
Not rated	-	212,205	-	212,205
Convertible debt -				
Baa credit rating	-	694,093	-	694,093
Total investments	3,341,973	8,050,199	-	11,392,172
Interest in trusts	-	-	1,681,000	1,681,000
Total assets	$ 6,562,597	$ 8,050,199	$ 1,681,000	$ 16,293,796
Liabilities - Interest rate swap	$ -	$ 275,133	$ -	$ 275,133

Note 11 - Fair Value Measurements (Continued)

Debt securities, which include preferred stock, convertible bonds, and corporate bonds, are valued using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

The fair value of the interest rate swap agreement is based on the present value of the expected future cash flows from the agreement. Inputs to the valuation include LIBOR forward interest rate curves and a discount rate commensurate with current market rates and other risks.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2009 and 2010 are as follows:

	Interest in Trusts
Balance at December 31, 2009	$ 1,681,000
Change in beneficial interest in trusts recognized in income	27,000
Distributions	(351,000)
Balance at December 31, 2010	$ 1,357,000
Balance at January 1, 2009	$ 1,626,000
Change in beneficial interest in trusts recognized in income	55,000
Balance at December 31, 2009	$ 1,681,000

Interest in trusts categorized as Level 3 assets consists of charitable remainder trusts and other trusts in which the Organization is the remainder beneficiary. The Organization estimates the fair value of these interests based on the present value of expected future cash flows using management's best estimate of key assumptions, including the market value of the assets held in the trusts, the expected payments to the income beneficiaries, and a discount rate commensurate with the current market and other risks involved. The discount rate used to measure the present value of future cash flows for these trusts was 3 percent at December 31, 2010 and 2009.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.