

**PEDIATRIC BRAIN TUMOR FOUNDATION  
OF THE UNITED STATES, INC.**

Financial Statements

For the Years Ended  
December 31, 2010 and 2009

( with Independent Auditors' Report thereon )

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**PEDIATRIC BRAIN TUMOR FOUNDATION OF THE UNITED STATES, INC.**

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

**- Independent Auditors' Report -**

The Board of Directors  
Pediatric Brain Tumor Foundation of the United States, Inc.

We have audited the accompanying statements of financial position of the Pediatric Brain Tumor Foundation of the United States, Inc. (the "Foundation") as of December 31, 2010 and 2009, and the related statements of activities, functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion of the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Pediatric Brain Tumor Foundation of the United States, Inc. at December 31, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

March 28, 2011

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**PEDIATRIC BRAIN TUMOR FOUNDATION OF THE UNITED STATES, INC.**

Statements of Financial Position

December 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 1,475,424	\$ 2,260,366
Investments	4,981,836	4,647,803
Accounts receivable	54,519	53,031
Other assets	98,557	157,283
Property and equipment, net	<u>59,613</u>	<u>99,328</u>
 Total assets	 <u>\$ 6,669,949</u>	 <u>\$ 7,217,811</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 210,024	\$ 162,116
Grants payable	1,516,664	2,041,666
Deferred revenue	<u>2,600</u>	<u>2,600</u>
Total liabilities	<u>1,729,288</u>	<u>2,206,382</u>
Net assets:		
Unrestricted:		
Board designated--quasi-endowment	806,366	806,366
Available for operations	<u>3,241,068</u>	<u>3,071,470</u>
Total unrestricted net assets	4,047,434	3,877,836
Temporarily restricted net assets	643,227	883,593
Permanently restricted net assets	<u>250,000</u>	<u>250,000</u>
Total net assets	<u>4,940,661</u>	<u>5,011,429</u>
 Total liabilities and net assets	 <u>\$ 6,669,949</u>	 <u>\$ 7,217,811</u>

The accompanying notes are an integral part of these financial statements.

**PEDIATRIC BRAIN TUMOR FOUNDATION OF THE UNITED STATES, INC.**

Statements of Activities

For the Years Ended December 31, 2010 and 2009

	<b>2010</b>			<b>Total</b>
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	
Revenues, gains, and other support:				
Public contributions	\$ 4,447,830	\$ 287,783	\$ -	\$ 4,735,613
Tim and Tom Gullikson Family Support Fund contribution	-	-	-	-
Non-cash contributions	597,231	-	-	597,231
Investment income	463,991	-	-	463,991
Net assets released from restrictions	528,149	(528,149)	-	-
Total revenues, gains, and other support	<u>6,037,201</u>	<u>(240,366)</u>	<u>-</u>	<u>5,796,835</u>
Expenses:				
Programs	4,898,035	-	-	4,898,035
Management and general	561,401	-	-	561,401
Fundraising	408,167	-	-	408,167
Total expenses	<u>5,867,603</u>	<u>-</u>	<u>-</u>	<u>5,867,603</u>
Change in net assets	169,598	(240,366)	-	(70,768)
Net assets at beginning of year	<u>3,877,836</u>	<u>883,593</u>	<u>250,000</u>	<u>5,011,429</u>
Net assets at end of year	<u>\$ 4,047,434</u>	<u>\$ 643,227</u>	<u>\$ 250,000</u>	<u>\$ 4,940,661</u>

The accompanying notes are an integral part of these financial statements.

2009

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 4,589,005	\$ 385,119	\$ -	\$ 4,974,124
-	720,000	-	720,000
488,419	-	-	488,419
819,365	-	-	819,365
580,844	(580,844)	-	-
<u>6,477,633</u>	<u>524,275</u>	<u>-</u>	<u>7,001,908</u>
4,901,691	-	-	4,901,691
563,630	-	-	563,630
376,934	-	-	376,934
<u>5,842,255</u>	<u>-</u>	<u>-</u>	<u>5,842,255</u>
635,378	524,275	-	1,159,653
<u>3,242,458</u>	<u>359,318</u>	<u>250,000</u>	<u>3,851,776</u>
<u>\$ 3,877,836</u>	<u>\$ 883,593</u>	<u>\$ 250,000</u>	<u>\$ 5,011,429</u>

**PEDIATRIC BRAIN TUMOR FOUNDATION OF THE UNITED STATES, INC.**

Statements of Functional Expenses

For the Years Ended December 31, 2010 and 2009

	<b>2010</b>				<b>Total</b>
	<b><u>Program</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Supporting Services</u></b>	
Salaries and related expenses	\$ 863,361	\$ 378,707	\$ 116,150	\$ 494,857	\$ 1,358,218
Research grants	1,877,711	-	-	-	1,877,711
Ride for Kids® donated expenses	518,418	-	-	-	518,418
Ride for Kids® expenses	210,530	-	24,925	24,925	235,455
Scholarship awards	143,105	-	-	-	143,105
Awards and honorariums	3,500	-	-	-	3,500
Conferences	1,021	-	-	-	1,021
Contract labor	200,160	6,745	20,717	27,462	227,622
Office expenses	16,239	26,752	2,945	29,697	45,936
Equipment rental	169,517	1,061	2,767	3,828	173,345
Video	5,096	-	832	832	5,928
Advertising	-	972	-	972	972
Repairs and maintenance	15,020	4,659	1,694	6,353	21,373
Rent and utilities	140,247	45,908	16,029	61,937	202,184
Telephone	24,046	8,656	5,356	14,012	38,058
Auto expense	56,152	305	8,837	9,142	65,294
Travel	266,514	1,671	32,749	34,420	300,934
Supplies	-	-	650	650	650
Training	-	-	-	-	-
Professional fees	1,150	34,689	37,776	72,465	73,615
Insurance	35,909	-	-	-	35,909
Printing and postage	209,690	7,806	112,667	120,473	330,163
Fees and licenses	49,933	2,307	16,822	19,129	69,062
IT services	26,757	8,409	3,058	11,467	38,224
Depreciation	31,385	9,864	3,587	13,451	44,836
Bad debt expense	1,760	-	-	-	1,760
Other	30,814	22,890	606	23,496	54,310
<b>Total expenses</b>	<b>\$ 4,898,035</b>	<b>\$ 561,401</b>	<b>\$ 408,167</b>	<b>\$ 969,568</b>	<b>\$ 5,867,603</b>

The accompanying notes are an integral part of these financial statements.

**2009**

<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
\$ 953,633	\$ 343,090	\$ 126,072	\$ 469,162	\$ 1,422,795
1,716,044	-	-	-	1,716,044
380,960	-	-	-	380,960
205,504	-	10,884	10,884	216,388
239,161	-	-	-	239,161
620	-	-	-	620
62,675	-	-	-	62,675
144,109	16,429	17,061	33,490	177,599
16,322	24,761	6,193	30,954	47,276
163,291	1,042	2,004	3,046	166,337
11,915	-	585	585	12,500
790	-	-	-	790
14,009	4,404	1,789	6,193	20,202
136,514	40,714	15,602	56,316	192,830
29,210	6,423	2,624	9,047	38,257
55,907	1,474	5,957	7,431	63,338
248,370	5,308	28,686	33,994	282,364
-	-	-	-	-
-	795	-	795	795
50,796	48,282	17,659	65,941	116,737
37,863	-	-	-	37,863
279,487	5,303	114,630	119,933	399,420
37,444	2,365	14,949	17,314	54,758
30,780	9,674	4,978	14,652	45,432
57,841	18,910	6,610	25,520	83,361
4,851	-	-	-	4,851
23,595	34,656	651	35,307	58,902
<u>\$ 4,901,691</u>	<u>\$ 563,630</u>	<u>\$ 376,934</u>	<u>\$ 940,564</u>	<u>\$ 5,842,255</u>

**PEDIATRIC BRAIN TUMOR FOUNDATION OF THE UNITED STATES, INC.**

Statements of Cash Flows

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (70,768)	\$ 1,159,653
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	44,836	83,361
Net realized and unrealized gains on investments	(311,688)	(686,550)
Loss on disposal of property and equipment	-	2,311
Donated investments	-	(11,473)
Changes in assets and liabilities:		
Accounts receivable	(1,488)	87,627
Other assets	58,726	(3,670)
Accounts payable and accrued expenses	47,908	49,758
Grants payable	(525,002)	225,032
Deferred revenue	-	2,600
Net cash provided (used) by operating activities	<u>(757,476)</u>	<u>908,649</u>
Cash flows from investing activities:		
Purchases of investments	(147,345)	(122,370)
Sales of investments	125,000	60,665
Purchase of property and equipment	(5,121)	(20,523)
Net cash used by investing activities	<u>(27,466)</u>	<u>(82,228)</u>
Net increase (decrease) in cash and cash equivalents	(784,942)	826,421
Cash and cash equivalents, beginning of year	<u>2,260,366</u>	<u>1,433,945</u>
Cash and cash equivalents, end of year	<u>\$ 1,475,424</u>	<u>\$ 2,260,366</u>

The accompanying notes are an integral part of these financial statements

# PEDIATRIC BRAIN TUMOR FOUNDATION OF THE UNITED STATES, INC.

## Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

### 1. Summary of Significant Accounting Policies

**Organization** - Pediatric Brain Tumor Foundation of the United States, Inc. (the "Foundation") is a national non-profit organization dedicated to funding brain tumor research with an emphasis on pediatrics, increasing public awareness about the disease of pediatric brain tumors, and providing encouragement, educational and emotional support to the families of children with brain tumors.

The Foundation's goals are achieved through the funding of scientific research projects at leading research facilities across the United States and internationally that are related to the disease of childhood brain tumors. Research funds are granted through a scientific peer review process. Educational grants are provided to fund medical symposiums in the United States and internationally and research awards of excellence to recognize outstanding research accomplishments of scientific principle investigators.

The Foundation has provided innovative funding such as an operational grant to fund the creation and support of a national database on the epidemiology of the disease of childhood and adult brain tumors as well as a founding grant to fund a new medical journal in the field of Neuro-Oncology.

Awareness and patient support programs are accomplished through the publication of a quarterly newsletter, through internet broadcasts on topics of education and awareness of pediatric brain tumors, creation and free distribution of patient literature to families, members of the medical and psychosocial professional community, the implementation of a patient support web site and the Ride for Kids® program. Education scholarships are funded for pediatric brain tumor survivors to accredited institutions beyond high school.

**Method of Reporting** - The Foundation's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America (GAAP).

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted or permanently restricted net assets based on stipulations made by the donor. Temporarily restricted contributions received and expended in the same year are reported as unrestricted revenue rather than as temporarily restricted revenue.

**Contributions** - Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

The Foundation records gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or purchased long-lived assets are acquired and/or placed in service.

Accordingly, the Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated assets are recorded at fair market value on the date of receipt. A substantial number of unpaid volunteers have donated significant amounts of their time to the Foundation's programs. If donated services either created or enhanced non-financial assets or required specialized skills that would have to be purchased if not donated, the value of those donated services would be recorded. To that end, non-cash contributions of equipment, materials, motorcycles, food, and professional and other services in the amount of \$597,231 and \$476,946 are included in the 2010 and 2009 statements of activities, respectively. Non-cash contributions also include \$11,473, which represents the value of donated investments received in 2009.

**Functional Expenses** - The Foundation allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expense classification. Other expenses that are common to several functions are allocated based upon management's best estimates of time spent or facilities used.

**Allocation of Joint Costs** - The Foundation conducts a direct mail campaign that includes requests for contributions, as well as program components. The cost of conducting that campaign included approximately \$150,000 and \$135,000 of joint costs for the years ended December 31, 2010 and 2009, respectively, which are not specifically attributable to particular components of the campaign. For the years ended December 31, 2010 and 2009, the Foundation allocated \$68,775 and \$61,929, respectively, to program expense and \$81,389 and \$73,196, respectively, was allocated to fundraising expense on the accompanying statement of activities.

**Estimates** - The preparation of the financial statements in accordance 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 reporting date. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Investments** - Investments include cash and cash equivalents, money market funds, mutual funds, common stock, and corporate obligations and bond funds. Investments in equity securities with readily determinable fair value and all investments in debt securities are measured at fair value in the balance sheets.

**Fair Value Measurements** - Fair value as defined under accounting principles generally accepted in the United States of America is an exit price, representing 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. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used when measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

**Property and Equipment** - Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Depreciable lives range from five to seven years. The Foundation capitalizes and depreciates all capital expenditures in excess of \$500.

**Income Taxes** - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2010. Fiscal years ending on or after December 31, 2007 remain subject to examination by federal and state tax authorities.

**Concentration of Credit Risk** - The Foundation maintains bank accounts with various financial institutions throughout the United States. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At times, the Foundation has cash balances that exceed the insured amount. Management believes that the risks related to these deposits are minimal.

2. **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all short-term liquid investments with maturities of three months or less (except money market funds held in the investment portfolios) to be cash equivalents. See Note 6 for a further description of restricted cash.

At December 31, 2010 and 2009, cash and cash equivalents consist of the following:

	<u>2010</u>	<u>2009</u>
Cash	\$ 832,197	\$ 1,376,773
Restricted cash	<u>643,227</u>	<u>883,593</u>
Total	<u>\$ 1,475,424</u>	<u>\$ 2,260,366</u>

3. **Fair Value of Financial Assets**

Prices for certain investments such as common stock and mutual funds which are readily available in active markets in which those securities are traded, and transacted values for money market mutual funds, are categorized as Level 1. Prices for corporate bonds are determined on a recurring basis based on inputs readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

There were no changes, during the years ended December 31, 2010 and 2009, to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following table sets forth by level within the fair value hierarchy the Foundation's financial assets accounted for at fair value on a recurring basis as of December 31, 2010 and 2009. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Assets at fair value as of December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Money Market Funds (Level 1)	\$ 296,525	\$ 310,760
Mutual Funds (Level 1):		
Bond Funds	1,671,327	980,478
Equity Funds	653,298	471,350
Common Stocks (Level 1)	2,258,773	2,785,078
Corporate Bonds (Level 2)	<u>100,473</u>	<u>98,644</u>
Investments	<u>\$ 4,980,396</u>	<u>\$ 4,646,310</u>

The Foundation had \$1,440 and \$1,493 of cash and cash equivalents included in investments on the balance sheet as of December 31, 2010 and 2009, respectively, that was not classified as a level as prescribed within the provision.

Permanently restricted net assets in the amount of \$250,000 are included in investments. As discussed in Note 7, the Foundation's Board of Directors has designated various amounts for investment and future grants. These designated amounts are also invested.

The components of investment income (loss) for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 152,303	\$ 132,815
Net realized gains (losses)	34,815	(329,195)
Net unrealized gains	<u>276,873</u>	<u>1,015,745</u>
	<u>\$ 463,991</u>	<u>\$ 819,365</u>

4. **Property and Equipment**

At December 31, 2010 and 2009, property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 134,975	\$ 132,369
Furniture	111,720	109,205
Telephone system	19,555	19,555
Leasehold improvements	76,094	76,094
Other office equipment	107,338	107,338
	<u>449,682</u>	<u>444,561</u>
Less accumulated depreciation	<u>(390,069)</u>	<u>(345,233)</u>
Property and equipment, net	<u>\$ 59,613</u>	<u>\$ 99,328</u>

5. **Grants Payable**

Grants payable at December 31, 2010 and 2009, include the following amounts:

	<u>2010</u>	<u>2009</u>
Basic research grants	\$ 100,000	\$ 125,000
Pediatric Brain Tumor Foundation Research Institute grants	<u>1,416,664</u>	<u>1,916,666</u>
Grants payable	<u>\$ 1,516,664</u>	<u>\$ 2,041,666</u>

6. **Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Subsequent year Ride for Kids®	\$ 287,783	\$ 385,119
Tim and Tom Gullikson Family Support Fund	<u>355,444</u>	<u>498,474</u>
Temporarily restricted net assets	<u>\$ 643,227</u>	<u>\$ 883,593</u>

7. **Endowment Funds/Permanently Restricted Net Assets**

The Foundation's endowment was organized to support the financial operations of the Foundation. The Foundation's endowment funds include donor-restricted funds classified as permanently restricted, and board designated funds classified as unrestricted. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors 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 Directors of the Foundation has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulated is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors 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 organization 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) The investment policies of the Foundation

**Return Objectives and Risk Parameters** - The Foundation has adopted investment and spending policies for endowment assets that are intended to provide an ongoing stream of funding for financial assistance that is supported by the endowment. Endowment assets include assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. The Foundation expects its endowment funds, over time, to provide a rate of return similar to that of other investments of the Foundation.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, 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 that includes fixed income instruments and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Related to the Spending Policy** - Permanently restricted net assets consist of an endowment fund contribution in the amount of \$250,000 (corpus). Earnings are to be used for purposes and activities of the Foundation. Investment income of approximately \$7,400 earned on the corpus is unrestricted and was used for this purpose in 2010.

**Quasi-Endowment** - In addition, The Board established a quasi-endowment fund to support the financial operations of the Foundation. This quasi-endowment was set up as a special reserve of \$806,366. This balance remained intact at December 31, 2010 and 2009.

8. **Net Assets Released from Restrictions**

Net assets released from restrictions for the years ended December 31, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Time restriction accomplished:		
Ride for Kids® contributions and sponsorships	\$ 385,119	\$ 358,290
Tim and Tom Gullikson Family Support Fund	143,030	221,526
Radiothon	-	1,028
	<u>\$ 528,149</u>	<u>\$ 580,844</u>

9. **Commitments**

**Operating Lease** - The Foundation has an operating lease agreement for the rental of office space. Rent expense for the year totaled \$187,564. The agreement expires on March 31, 2018. Annual future minimum payments are as follows:

<u>Years Ending December 31,</u>	
2011	\$ 131,433
2012	133,919
2013	137,234
2014	140,634
2015	144,148
2016	147,777
2017	151,520
2018	<u>38,116</u>
	<u>\$ 1,024,781</u>

**Conditional Grants** - In 2008, a six-year, \$6 million renewal grant was approved to an existing research facility for the purpose of funding a multi-year research program. Actual funding of this grant began in 2009 and is to be paid out to the grant recipient in quarterly installments of \$250,000 for six years. Anticipated grant payments of \$750,000 have been included in grants payable at December 31, 2010, to complete the second year of funding. Future grant payments are contingent upon the Foundation's ability to generate future revenue and the recipient's ability to meet the grant's ongoing conditions and have therefore been excluded from the grants payable liability.

In December 2008, the Foundation approved two new grants to be awarded in the amount of \$1 million each over three years to existing research facilities for the purpose of funding multi-year research programs. Actual funding of these grants began in 2009 and is to be paid out to the grant recipients in quarterly installments of \$83,334 each for an initial term of one year and will be renewed as agreed. Anticipated grant payments of \$666,663 have been included in grants payable at December 31, 2010 to complete the second year of funding for the two grants. Future grant payments are contingent upon the Foundation's ability to generate future revenue and the recipient's ability to meet the grant's ongoing conditions and have therefore been excluded from the grants payable liability.

10. **Retirement Plan**

The Foundation sponsors a 403(b) defined contribution pension plan covering all its employees. The Foundation matches 100% of eligible employee contributions up to 3% of employees' annual compensation plus 50% of eligible employee contributions up to 6% of the employees' annual compensation. Matching contributions begin on the plan entry date. The employees are immediately vested in their contributions. Foundation matching contributions begin after one year of eligible service and are 100% vested immediately. Retirement plan expense amounted to \$23,784 and \$25,164 for the years ended December 31, 2010 and 2009, respectively.

11. **Risks and Uncertainties**

A significant portion of the Foundation's assets are held in various investments options. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities will occur and that such changes could materially affect the amounts reported in the financial statements.

12. **Subsequent Events**

Subsequent events have been evaluated through March 28, 2011, which is the date the financial statements were available to be issued.