COMBINED FINANCIAL STATEMENTS

THE ARC OF THE UNITED STATES

THE FOUNDATION OF THE ARC OF THE UNITED STATES

FOR THE YEAR ENDED DECEMBER 31, 2009

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

CONTENTS

GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Arc of the United States
The Foundation of the Arc of the United States
Washington, D.C.

We have audited the accompanying combined statement of financial position of The Arc of the United States (The Arc) and The Foundation of the Arc of the United States (the Foundation), collectively the Organizations, as of December 31, 2009, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2009, and their combined change in net assets and their combined cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

March 20, 2010

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THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 3,733,091
Cash held for endowment (Note 11)	271,360
Investments (Notes 2 and 10)	5,052,360
Accounts receivable and advances, net of allowance for doubtful accounts of $157,150	157,210
Grants receivable	171,030
Prepaid expenses	27,594
Total current assets	9,412,645
FIXED ASSETS	
Furniture and equipment	991,230
Less: Accumulated depreciation and amortization	(870,784)
Net fixed assets	120,446
OTHER ASSETS	
Other assets	22,373
Investment held for beneficial interest in perpetual trust (Notes 3 and 10)	1,026,389
Total other assets	1,048,762
TOTAL ASSETS	**$ 10,581,853**

See accompanying notes to combined financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 510,464
Deferred revenue	3,000
Due to NCE (Note 6)	32,451
Grants payable	6,456
Total current liabilities	552,371
NET ASSETS	
Unrestricted:	
Undesignated	274,141
Board-designated (Note 4)	740,457
Total unrestricted net assets	1,014,598
Temporarily restricted (Note 5)	6,996,399
Permanently restricted (Note 11)	2,018,485
Total net assets	10,029,482
TOTAL LIABILITIES AND NET ASSETS	**$ 10,581,853**

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Contributions	$ 526,257	$ 3,007,519	$ -	$ 3,533,776
Grants	289,232	-	-	289,232
Investment income (Note 2)	135,849	533,618	-	669,467
Bequest income	-	3,043,097	-	3,043,097
Advertising	20,050	-	-	20,050
Contributed services (Note 9)	1,256,510	-	-	1,256,510
Affiliation and chapter fees	2,077,810	-	-	2,077,810
Royalty income	79,078	-	-	79,078
Registration fees	388,111	-	-	388,111
Program service fees	375,920	-	-	375,920
Other income (loss)	1,393	-	-	1,393
Net gain in perpetual trust (Note 3)	-	-	100,555	100,555
Net assets released from donor restrictions (Note 5)	235,837	(235,837)	-	-
Total revenue	5,386,047	6,348,397	100,555	11,834,999
EXPENSES				
Program Services:				
Chapter Excellence	1,092,677	-	-	1,092,677
Public Education	811,274	-	-	811,274
Public Policy	2,341,503	-	-	2,341,503
Total program services	4,245,454	-	-	4,245,454
Supporting Services:				
Management and General	566,770	-	-	566,770
Fundraising	410,679	-	-	410,679
Total supporting services	977,449	-	-	977,449
Total expenses	5,222,903	-	-	5,222,903
Change in net assets	163,144	6,348,397	100,555	6,612,096
Net assets at beginning of year	851,454	648,002	1,917,930	3,417,386
NET ASSETS AT END OF YEAR	**$ 1,014,598**	**$ 6,996,399**	**$ 2,018,485**	**$10,029,482**

See accompanying notes to combined financial statements.

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Services			
	Chapter Excellence	Public Education	Public Policy	Total Program Services
Salaries	$ 428,027	$ 227,238	$ 628,307	$ 1,283,572
Employee benefits (Note 8)	68,609	34,083	94,239	196,931
Payroll taxes	27,689	16,388	45,313	89,390
Professional fees	45,785	20,348	32,051	98,184
In-kind professional fees (Note 9)	-	-	1,198,154	1,198,154
Supplies	4,423	1,544	6,433	12,400
Telephone and internet	9,025	3,557	19,367	31,949
Postage and shipping	8,105	63,816	3,178	75,099
Insurance	54,501	1,576	3,980	60,057
Occupancy (Note 7)	49,304	17,985	102,067	169,356
Outside printing and design	21,458	120,371	13,848	155,677
Conferences, meetings and travel	285,740	16,122	135,426	437,288
Subscriptions and dues	28,506	2,713	14,878	46,097
Grants and sub-grants	8,000	269,692	-	277,692
Equipment/infrastructure repairs and maintenance	16,660	4,670	17,792	39,122
Depreciation and amortization	13,089	4,775	12,054	29,918
Miscellaneous and bad debt	23,756	6,396	14,416	44,568
TOTAL	**$ 1,092,677**	**$ 811,274**	**$ 2,341,503**	**$ 4,245,454**

Supporting Services			
Management and General	**Fundraising**	**Total Supporting Services**	**Total Expenses**
$ 298,575	$ 170,767	$ 469,342	$ 1,752,914
44,783	25,613	70,396	267,327
21,533	12,316	33,849	123,239
31,116	89,235	120,351	218,535
58,356	-	58,356	1,256,510
3,229	2,100	5,329	17,729
3,929	3,447	7,376	39,325
2,050	11,009	13,059	88,158
3,423	2,205	5,628	65,685
39,050	25,160	64,210	233,566
(292)	25,286	24,994	180,671
23,849	19,334	43,183	480,471
2,037	1,312	3,349	49,446
-	2,000	2,000	279,692
10,124	10,324	20,448	59,570
10,063	6,679	16,742	46,660
14,945	3,892	18,837	63,405
$ 566,770	**$ 410,679**	**$ 977,449**	**$ 5,222,903**

See accompanying notes to combined financial statements.

THE ARC OF THE UNITED STATES
THE FOUNDATION OF THE ARC OF THE UNITED STATES

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 6,612,096
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	46,660
Unrealized gain on investments	(522,279)
Net gain in perpetual trust	(100,555)
(Increase) decrease in:	
Accounts receivable and advances	(11,041)
Grants receivable	(115,328)
Inventory	3,618
Prepaid expenses	21,334
Other assets	(12,353)
Increase (decrease) in:	
Accounts payable and accrued liabilities	133,291
Deferred revenue	(68,900)
Due to NCE	(6,068)
Net cash provided by operating activities	5,980,475
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture and equipment	(75,885)
Sale of investments	(2,928,695)
Net cash used by investing activities	(3,004,580)
Net increase in cash and cash equivalents	2,975,895
Cash and cash equivalents at beginning of year	757,196
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 3,733,091**

See accompanying notes to combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Arc of the United States (The Arc) is the national headquarters of the largest community-based organization of and for people with intellectual and developmental disabilities. The Arc advocates for the rights and full participation of all children and adults with intellectual and developmental disabilities. Together with its network of affiliated chapters and members, The Arc improves systems of support and services; connects families; inspires communities and influences public policy.

The Arc provides an array of services and support for families and individuals and includes over 150,000 members affiliated through more than 725 state and local chapters across the nation, including training and education assistance with employment and independent living. The Arc is devoted to promoting and improving supports and services for all people with intellectual and developmental disabilities. The Arc is primarily supported by affiliation fees, program revenue and support from the general public.

The Foundation of The Arc of the United States (the Foundation) was established to promote, support and further the interests and purposes of The Arc. The Foundation is primarily supported by contributions from the general public.

The Arc of the United States and the Foundation of The Arc of the United States will collectively be referred to as the Organizations.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Organizations have updated references to GAAP in their combined financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact the Organizations' financial position or results of operations.

Basis of presentation -

The accompanying combined financial statements reflect the activity of The Arc and the Foundation and are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*. All inter-company transactions have been eliminated.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Organizations maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Combined Statement of Activities and Change in Net Assets.

Accounts receivable and advances -

Accounts receivable and advances are stated at their fair value. The allowance for doubtful accounts is determined as a percentage of the total accounts receivables at year-end, including the age of the balance and the historical experience.

Furniture and equipment -

Furniture and equipment are stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Equipment costing greater than $1,500 is capitalized. Computers costing greater than $2,000 are capitalized. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

The Organizations are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. The Organizations are not private foundations.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, the Organizations have documented their consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Use of estimates -

The preparation of combined 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 at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 combined financial statements.

Fair value measurements -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosure*s. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organizations account for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2009:

	Market Value
Mutual funds	$ 1,388,088
Fixed income	3,345,295
Money market	40,630
Government securities	274,436
Other	3,911
TOTAL INVESTMENTS	**$ 5,052,360**

Included in investment income are the following:

Interest and dividends	$ 77,102
Unrealized gain	522,279
Distributions from the beneficial interest in perpetual trusts	70,086
TOTAL INVESTMENT INCOME	**$ 669,467**

3. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Arc is the beneficiary of certain perpetual trusts held and administered by a third party. The present value of the estimated future cash flows (as measured by the fair value of the underlying investments) is recognized as assets and contribution revenues at the dates the trusts are established. Distribution of the trusts is recorded as unrestricted investment income.

The increase or decrease in the asset measured by the fair value of the asset contributed to the trust is recorded as a permanently restricted gain (loss) in perpetual trust on the Combined Statement of Activities and Change in Net Assets.

For the year ended December 31, 2009, The Arc recorded a net gain in perpetual trust of $100,555, due to the increase in fair value. The Arc also received distributions from the beneficial interest in perpetual trusts, in the amount $70,086, which is included in unrestricted investment income on the Combined Statement of Activities and Change in Net Assets.

4. BOARD-DESIGNATED

The Board of Directors has set aside certain unrestricted net assets for special purposes. Such funds are used to offset any operational loss incurred by The Arc or to fund any other special project of The Arc. As of December 31, 2009, Board-designated assets totaled $740,457.

5. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2009, temporarily restricted net assets consisted of the following:

Public Supported Research	$ 408,780
Direct Assistance and Services	76,172
Samuelson Endowment for Children	50,000
Disaster Relief Fund	2,635
E-waiting List Campaign	1,145
Accumulated investment earnings from Endowments	8,748
Wal-Mart School to Community Transition	2,905,522
Consuelo Gonzalez Education, Support	3,440,854
International Work	590
Consuelo Gonzalez - DS Research Fund	101,953
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 6,996,399**

The following is a summary of net assets released from restrictions by satisfying program restrictions imposed by donors:

Donor-Imposed Restrictions:	
Public Supported Research	$ 102,000
Direct Assistance and Services	6,000
Endowments	1,066
Wal-Mart School to Community Transition	96,771
Consuelo Gonzalez Education, Support	30,000
	$ 235,837

6. RELATED PARTY TRANSACTIONS

During 2009, The Arc received payment of grants from the Foundation of The Arc of the United States (the Foundation) that were made in prior years. The amount of the payment was $50,000. The Arc and the Foundation have separate governing Boards of Directors, but share two voting directors which control the Foundation's Board. At December 31, 2009, The Arc has a receivable from the Foundation amounting to $13,131, for expenses paid by The Arc on behalf of the Foundation. Inter-company transactions are eliminated in the combined report presented.

On January 1, 2002, The Arc entered into an agreement with the National Conference of Executives of the Arc (NCE) in which The Arc would perform all accounting procedures and program services. The Arc and NCE have separate governing Boards of Directors, but share common directors. These common directors do not cause The Arc to have control over NCE's Board. At December 31, 2009, The Arc held cash in the amount of $32,451 on behalf of NCE.

7. COMMITMENTS - OPERATING LEASES

The Arc occupies office facilities under non-cancelable operating leases, having an original term of more than one-year, expiring on various dates through 2011. Rental expense was $233,566 for the year ended December 31, 2009.

7. COMMITMENTS - OPERATING LEASES (Continued)

At December 31, 2009, minimum annual rental commitments under such leases are as follows:

Year Ended December 31,	
2010	$ 188,100
2011	160,669
	$ 348,769

8. RETIREMENT PLAN

The Arc has a fully insured non-contributory pension plan (the Plan), covering substantially all of its regular employees. Total pension expense was $129,315 for the year ended December 31, 2009. The Plan, which provides for deferred annuity contracts, is a money-purchase defined contribution plan. The Arc's cost is limited to the contributions fixed under the plan.

9. CONTRIBUTED SERVICES

During the year ended December 31, 2009, The Arc was the beneficiary of donated services in the amount of $1,256,510, which has been included as revenue and expenses for the year ended December 31, 2009, as follows:

Donated legal services, estates and trust	$ 11,823
Donated legal services, intellectual property	46,533
Other legal services, Waiting List project	1,198,154
TOTAL CONTRIBUTED SERVICES	**$ 1,256,510**

10. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

10. FAIR VALUE MEASUREMENTS (Continued)

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded on the Combined Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2009:

	Level 1	Level 2	Level 3	Total
Asset Category:				
Mutual funds	$ 1,388,088	$ -	$ -	$ 1,388,088
Fixed income	3,345,295	-	-	3,345,295
Money market	40,630	-	-	40,630
Government securities	274,436	-	-	274,436
Others	-	-	3,911	3,911
TOTAL	**$ 5,048,449**	**$ -**	**$ 3,911**	**$ 5,052,360**
INVESTMENTS HELD FOR BENEFICIAL INTEREST IN PERPETUAL TRUST	**$ -**	**$ -**	**$ 1,026,389**	**$ 1,026,389**

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Organizations' financial assets for the year ended December 31, 2009:

	Investments	Perpetual Trust
Beginning balance as of January 1, 2009	$ -	$ 925,834
Unrealized and realized gains	-	100,555
Purchases	3,911	-
BALANCE AS OF DECEMBER 31, 2009	**$ 3,911**	**$ 1,026,389**

11. ENDOWMENT

The Organizations' endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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.

11. ENDOWMENT (Continued)

As a result of this interpretation, the Organizations classify 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 accumulation 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 the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

The Organizations' endowment net asset composition by type of fund as of December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 8,748	$ 992,096	$ 1,000,844
Beneficial Interest in Perpetual Trust	-	-	1,026,389	1,026,389
TOTAL FUNDS	**$ -**	**$ 8,748**	**$ 2,018,485**	**$ 2,027,233**

Changes in endowment net assets for the year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 8,093	$ 1,917,930	$ 1,926,023
Investment income	-	1,721	100,555	102,276
Appropriations of expenditures in accordance with donor intent	-	(1,066)	-	(1,066)
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 8,748**	**$ 2,018,485**	**$ 2,027,233**

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organizations to retain as fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2009.

11. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

The Organizations have 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 Organizations must hold in-perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Organizations rely 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 Organizations target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Organizations have a policy of appropriating for distribution the amount deemed allowable by the donor after determining the actual amount earned.

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through March 20, 2010, the date the combined financial statements were issued.