THE DALMATIAN DREAMS FOUNDATION

dba DREAM FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2012

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Dalmatian Dreams Foundation dba Dream Foundation
Santa Barbara, California

We have audited the accompanying statement of financial position of The Dalmatian Dreams Foundation dba Dream Foundation (a non-profit organization) as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dalmatian Dreams Foundation dba Dream Foundation as of December 31, 2012, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Dalmatian Dreams Foundation dba Dream Foundation 2011 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated May 21, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

June 20, 2013

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With Comparative Totals for December 31, 2011)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	(Memo) 2011 Total
CURRENT ASSETS					
Cash and cash equivalents	$ 1,707,370	$ -	$ -	$ 1,707,370	$ 1,718,728
Pledges receivable	-	45,375	-	45,375	115,400
Deposits	6,025	-	-	6,025	6,057
Total Current Assets	1,713,395	45,375	-	1,758,770	1,840,185
INVESTMENTS	810,442	28,805	442,197	1,281,444	1,006,112
PROPERTY AND EQUIPMENT					
Furniture	155,501	-	-	155,501	140,209
Equipment	72,171	-	-	72,171	92,549
Vehicle	47,588	-	-	47,588	19,301
	275,260	-	-	275,260	252,059
Less: Accumulated depreciation	(141,342)	-	-	(141,342)	(169,670)
Net Property and Equipment	133,918	-	-	133,918	82,389
OTHER ASSETS					
Donated airline mileage	62,752	-	-	62,752	25,284
TOTAL ASSETS	**$ 2,720,507**	**$ 74,180**	**$ 442,197**	**$ 3,236,884**	**$ 2,953,970**

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	(Memo) 2011 Total
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	$ 3,949	$ -	$ -	$ 3,949	$ 10,814
NET ASSETS					
Unrestricted					
Undesignated	1,906,116	-	-	1,906,116	1,720,117
Board restricted	810,442	-	-	810,442	640,442
	2,716,558	-	-	2,716,558	2,360,559
Temporarily restricted	-	74,180	-	74,180	140,400
Permanently restricted	-	-	442,197	442,197	442,197
Total Net Assets	2,716,558	74,180	442,197	3,232,935	2,943,156
TOTAL LIABILITIES AND NET ASSETS	**$ 2,720,507**	**$ 74,180**	**$ 442,197**	**$ 3,236,884**	**$ 2,953,970**

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	(Memo) 2011 Total
REVENUE, GAINS AND OTHER SUPPORT					
Grants	$ 519,430	$ -	$ -	$ 519,430	$ 680,345
Contributions - non-cash (in-kind)	1,045,478	-	-	1,045,478	810,639
Donations - general	676,170	-	-	676,170	514,163
Donations - corporate	725,957	15,000	-	740,957	624,203
Special events (net of expenses of $471,224 and $612,640)	793,732	30,375	-	824,107	982,191
Interest and dividends	23,468	7,405	-	30,873	25,507
Unrealized gain (loss) on value of securities	62,770	19,808	-	82,578	(38,678)
Realized gain on sale of securities	5,046	1,592	-	6,638	36,415
Released from restrictions	140,400	(140,400)	-	-	-
Total Revenue, Gains and Other Support	3,992,451	(66,220)	-	3,926,231	3,634,785
EXPENSES					
Program services:					
Cash	2,055,082	-	-	2,055,082	1,845,802
Non-cash (in-kind)	986,283	-	-	986,283	933,065
Total Program Services	3,041,365	-	-	3,041,365	2,778,867
Support services:					
Management and general - cash	257,346	-	-	257,346	255,253
Management and general - non-cash (in-kind)	9,640	-	-	9,640	11,374
Fundraising - cash	316,230	-	-	316,230	265,777
Fundraising - non-cash (in-kind)	11,871	-	-	11,871	12,667
Total Support Services	595,087	-	-	595,087	545,071
Total Expenses	3,636,452	-	-	3,636,452	3,323,938
CHANGE IN NET ASSETS	**355,999**	**(66,220)**	**-**	**289,779**	**310,847**
NET ASSETS, BEGINNING OF YEAR	2,360,559	140,400	442,197	2,943,156	2,632,309
NET ASSETS, END OF YEAR	**$ 2,716,558**	**$ 74,180**	**$ 442,197**	**$ 3,232,935**	**$ 2,943,156**

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

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

			Support Services					(Memo)
	Program Services		Management and General		Fundraising		2012	2011
EXPENSES	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash	Total	Total
Dreams	$ 918,803	$ 840,808	$ -	$ -	$ -	$ -	$ 1,759,611	$ 1,722,208
Salary	615,920	-	136,263	-	195,387	-	947,570	824,444
Benefits	209,323	-	47,823	-	64,812	-	321,958	261,334
Professional fees	68,096	-	13,028	-	14,127	-	95,251	116,104
Rent	46,834	34,898	10,036	7,157	10,036	7,157	116,118	115,851
Printing and reproduction	39,976	9,659	1,797	-	7,370	2,231	61,033	52,952
Travel, seminars, and retreats	30,287	-	4,948	-	4,951	-	40,186	30,862
Flower empower	7,457	63,678	-	-	-	-	71,135	29,552
Telephone and video	30,942	-	3,530	-	3,530	-	38,002	27,786
Utilities and repairs	21,846	3,150	4,681	675	4,681	675	35,708	23,879
Depreciation	22,102	-	4,736	-	4,736	-	31,574	22,621
Public awareness	1,484	25,651	-	-	-	-	27,135	21,729
Postage and delivery	14,863	-	2,059	-	3,372	-	20,294	21,084
Bank service charges	-	-	14,274	-	-	-	14,274	19,798
Supplies	18,160	8,439	2,616	1,808	2,377	1,808	35,208	13,771
Investment fee	-	-	10,704	-	-	-	10,704	9,902
Insurance	3,973	-	851	-	851	-	5,675	5,605
Volunteer and sponsor recognition	5,016	-	-	-	-	-	5,016	4,456
2012 TOTAL EXPENSES	**$ 2,055,082**	**$ 986,283**	**$ 257,346**	**$ 9,640**	**$ 316,230**	**$ 11,871**	**$ 3,636,452**	
	84%		**7%**		**9%**			
2011 TOTAL EXPENSES (MEMO)	$ 1,845,802	$ 933,065	$ 255,253	$ 11,374	$ 265,777	$ 12,667		$ 3,323,938

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

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	2012	(Memo) 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 289,779	$ 310,847
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,574	22,621
Unrealized gain (loss) on value of securities	(82,578)	38,678
Realized gain on sale of securities	(6,638)	(36,415)
(Increase) decrease in:		
Pledges receivable	70,025	(2,859)
Deposits	32	(190)
Donated airline mileage	(37,468)	124,042
Increase (decrease) in accounts payable and accrued liabilities	(6,865)	7,361
NET CASH PROVIDED BY OPERATING ACTIVITIES	257,861	464,085
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(83,103)	(24,864)
Purchase of securities	(489,172)	(278,908)
Proceeds from sale of securities	303,056	264,979
NET CASH USED BY INVESTING ACTIVITIES	(269,219)	(38,793)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(11,358)**	**425,292**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,718,728	1,293,436
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 1,707,370**	**$ 1,718,728**

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

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 – ORGANIZATION

The Dalmatian Dreams Foundation dba Dream Foundation (the Organization) began in July, 1994, as a project implemented by Access Theatre. The Organization was granted independent 501(c)(3) status from the Internal Revenue Service in 1996. The Organization's fictitious business name statement (Dream Foundation) was filed on September 3, 1998. The purpose of the Organization is to grant wishes to adults in the United States whose clinical life expectancy is less than one year, and whose limited resources leave them unable to manifest such dreams for themselves.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year.

Significant estimates used in the preparation of these financial statements include:

- Allocation of certain expenses by function
- Fair value of donated in-kind contributions
- Fair value of donated airline miles
- Depreciable lives of property and equipment

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts in checking, savings, money market accounts, and certificates of deposit with maturities of 90 days or less.

Investments

Investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and Equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than $1,000.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Furniture	7 years
Equipment	5 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2012, totaled $31,574.

Contributions and Grants

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Contributions in-kind

The Organization solicits donations of items to be sold at auction or various fundraising events. The Organization has adopted the policy of recording these gifts in-kind at their estimated fair market value.

Donated Airline Mileage

Airline mileage is donated by individuals to support the programs of the Organization. Airline companies have stipulated a value of four cents per mile, which is recorded in the Organization's books as a contribution when received and an expense when used. Unused mileage at December 31, 2012, is recorded as donated airline mileage on the statement of financial position.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exempt Status

The Organization is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (1).

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2012, the Organization had no uncertain tax positions requiring accrual.

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2009 and 2008, respectively.

Financial Statement Presentation

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets consist of funds free of any donor-imposed restrictions and which the governing board has discretionary control for use in carrying out the general operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and other inflows of funds temporarily subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Organization that fulfill donor stipulations. At December 31, 2012, the temporarily restricted net assets represent contributions receivable for Dreams to be fulfilled after December 31, 2012 and earnings on donor-restricted endowment funds that have not yet been appropriated for expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the endowment fund assets can be used to support the Organization's general activities and are reported with unrestricted amounts on the statement of activities.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly, according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Donated Services

Some individuals and organizations have donated time to the Dream Foundation to further its programs and objectives. Donated items are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. Donated services, which meet certain authoritative criteria and can be objectively valued, have been reflected as contributions in-kind in the accompanying statements.

Subsequent Events

The Organization has evaluated subsequent events through June 20, 2013, the date which the financial statements were available to be issued.

Note 3 – PLEDGES RECEIVABLE

Unconditional promises to give at December 31, 2012, represent temporarily restricted gifts of $45,375, which are expected to be received during 2013. At December 31, 2012, these amounts are considered fully collectible and therefore no allowance for uncollectible promises to give has been recorded.

Note 4 – LEASES

The Organization leases office space in Santa Barbara for a term of ten years beginning January 2006, and ending December 2016 at $4,970 monthly. In addition, the Organization received in-kind rent valued at $47,712 for the year ended December 31, 2012, for the Santa Barbara office.

Total rent expense, inclusive of related parking, storage, and common area expenses allocations, for the Organization was $116,118 for the year ended December 31, 2012.

The future minimum lease payments are as follows for the years ending December 31:

2013	$ 59,640
2014	59,640
2015	59,640
2016	59,640
Total	$ 238,560

Note 5 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At December 31, 2012, investments consist of the following:

	Cost	Market Value	Unrealized Gain (Loss)
Cash held for investment	$ 70,642	$ 70,642	$ -
Corporate bonds	93,853	92,293	(1,560)
Equities and mutual funds	943,127	1,118,509	175,382
Total	$ 1,107,622	$ 1,281,444	$ 173,822

The following summarizes the net change in unrealized gain on investments:

	Cost	Market Value	Unrealized Gain
Balance at end of the year	$ 1,107,622	$ 1,281,444	$ 173,822
Balance at beginning of the year	914,868	1,006,112	91,244
Net change in unrealized gain			$ 82,578

The following summarizes the investment return included as unrestricted revenue in the statement of activities for the year ended December 31, 2012:

Investment and dividend income	$ 30,873
Unrealized gain on value of securities	82,578
Realized gain on value of securities	6,638
Investment fees	(10,704)
Total Investment Return	$ 109,385

Note 6 – FAIR VALUE MEASUREMENT

The Organization has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles 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. A fair value hierarchy gives the highest priory to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity;

Note 6 – FAIR VALUE MEASUREMENT (continued)

Where quoted market prices are available in an active market, securities are classified with Level 1 of the valuation hierarchy. Level 1 securities include highly-liquid mutual funds, corporate bonds and publically traded securities. The Organization did not classify any assets as Level 2 or Level 3 as of December 31, 2012.

The following is a description of the valuation methodologies and presentation of assets measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy at December 31, 2012:

Cash held for investment – Cash held for investment purposes includes money market funds and cash equivalent assets, and is valued at face value.

Corporate bonds – Corporate bonds provide a hedge against deflation, provide a stable return, and to minimize the overall volatility of the Account. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

Equities and mutual funds – Equities and mutual funds include fixed income mutual funds as well as a variety of publically traded stocks from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

Description	Level 1	Level 2	Level 3	Total
Investments				
Cash held for investment	$ 70,642	$ -	$ -	$ 70,642
Corporate bonds	92,293	-	-	92,293
Equities				
Information technology	290,555	-	-	290,555
Fixed income mutual funds	255,057	-	-	255,057
Consumer discretionary	132,636	-	-	132,636
Industrial	130,470	-	-	130,470
Healthcare	84,986	-	-	84,986
Materials	65,333	-	-	65,333
Consumer staples	57,705	-	-	57,705
Energy	36,491	-	-	36,491
Financial	31,660	-	-	31,660
Real assets	23,181	-	-	23,181
Transportation	10,435	-	-	10,435
Total Equities	1,118,509	-	-	1,118,509
Total assets measured at fair value	$ 1,281,444	$ -	$ -	$ 1,281,444

Note 7 – ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified, with the explicit prohibition by the donor, 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 funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the Organization considers the following factors in making a determination to appropriate or invest 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) Other resources of the Organization
(7) The investment policies of the Organization

Endowment Investment and Spending Policies

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 long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for donor-specified periods. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

The Organization's endowment is invested in a diversified portfolio of cash, equities, and fixed income. The portfolio's objective is to achieve a total return equivalent to or greater than the Organization's financial requirements over the long-term time horizon. Long-term investment strategies are used to manage risk and ensure that charitable dollars grow and are available forever.

Note 7 – ENDOWMENT FUNDS (continued)

The Organization uses a total investment return methodology for determining its spending policy each year. The portfolio's total returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy calculates the amount of money annually distributed from the Organization's endowed funds for Dreams and administrative support. There was no current spending appropriated in 2012 from endowment assets. The spending policy is reviewed annually in light of changing market assumptions, investment returns and the rate of inflation. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment assets to grow. Historically, the Organization has used a 6% spending policy when the fair market value is in excess of corpus.

As of December 31, 2012, Endowment Net Asset composition by type of Fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ 28,805	$ 442,197	$ 471,002
Board-restricted	810,442	-	-	810,442
Total endowment funds	$ 810,442	$ 28,805	$ 442,197	$ 1,281,444

Changes in endowment net assets for the year ended December 31, 2012, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets Including board designated, beginning of year	$ 563,915	$ -	$ 442,197	$ 1,006,112
Net investment return (investment income, realized and unrealized gains and losses)	76,527	28,805	-	105,332
Contributions	170,000	-	-	170,000
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	$ 810,442	$ 28,805	$ 442,197	$ 1,281,444

Note 8 – CONCENTRATIONS AND MARKET RISK

Concentration of Revenue

A substantial portion of the grant and corporate donation revenue for the year ended December 31, 2012, were from two donors.

Credit Risk

The Foundation maintains cash balances at several banks insured by the Federal Deposit Insurance Corporation (FDIC) under a special government guarantee program until December 31, 2012, and other bank account balances are kept within the limits insured by FDIC. As of December 31, 2012, all bank cash balances fall within this program.

Subsequent to December 31, 2012, the Federal Deposit Insurance Corporation (FDIC) only insures the first $250,000 of funds on deposit at any one institution. The Foundation had uninsured cash of approximately $1,500,000.

Market Risk

The Organization holds its investments in a diversified portfolio. Nevertheless, these investments 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 reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Note 9 – RETIREMENT PLANS

The Organization provides a Simplified Employee Pension Individual Retirement Account (SEP IRA) employer sponsored plan. An employee over 21 years old who has worked for the Organization for three consecutive years and has made at least $400 during the prior calendar year is eligible to participate in the Plan. Once an employee is eligible, they are immediately 100% vested. The Organization makes a percentage contribution of employee compensation to be determined on an annual basis by approval of the board of directors. Total contributions by the Organization for the year ended December 31, 2012, were $23,542.

The Organization also offers an employee elective-deferral plan under Internal Revenue Code 403(b). Any full or part-time employee is eligible to participate in the Plan. The minimum contribution amount in order to participate in the Plan is $50 per month. An employee may borrow up to 50% of their account balance with a minimum loan of $1,000.

Note 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors. For the year ended December 31, 2012, the passage of time restrictions resulted in net assets released from restriction of $140,400