Gunnip&company LLP
Certified Public Accountants and Consultants

STROUD WATER RESEARCH CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

CONTENTS

Gunnip&company LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Stroud Water Research Center, Inc.

We have audited the accompanying statement of financial position of Stroud Water Research Center, Inc. (a nonprofit corporation) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2009 financial statements and, in our report dated September 29, 2010 we expressed an unqualified opinion on those financial statements. As noted in Note 15 to the financial statements, the Corporation has restated its 2009 financial statements to account for its classification of net assets, in conformity with accounting principles generally accepted in the United States of America.

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 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 audit provides 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 Stroud Water Research Center, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gunnip & Company, LLP

September 20, 2011

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FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

STROUD WATER RESEARCH CENTER, INC.

DECEMBER 31, 2010 AND 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Cash	$ 184,083	$ 332,248
Accounts receivable	472,945	307,232
Grants receivable	953,563	1,006,470
Pledges receivable	336,463	100,315
Prepaid expenses	38,689	23,756
Total current assets	1,985,743	1,770,021
PROPERTY AND EQUIPMENT		
Land	2,357,839	1,749,246
Buildings and improvements	3,910,974	3,909,144
Equipment	1,783,040	1,721,860
Vehicles	178,314	178,314
	8,230,167	7,558,564
Less accumulated depreciation	3,100,467	2,817,117
	5,129,700	4,741,447
CONSTRUCTION IN PROGRESS	1,321,724	622,375
PLEDGES RECEIVABLE	643,085	131,128
LOAN ACQUISITION COSTS, LESS ACCUMULATED AMORTIZATION OF $ 0 IN 2010 ($ 3,250 IN 2009)	58,670	50,750
LOAN RESERVES	2,140,880	0
INVESTMENTS	14,975,330	14,115,573
BENEFICIAL INTEREST IN PERPETUAL TRUST	8,292,026	7,682,008
	$ 34,547,158	$ 29,113,302

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES		
Current portion of long-term debt	$ 4,793	$ 4,499
Accounts payable and accrued expenses	505,783	335,920
Taxes payable-payroll	3,396	5,220
Total current liabilities	513,972	345,639
LONG-TERM DEBT	4,633	9,451
BOND PAYABLE	3,250,000	690,708
PENSION BENEFIT OBLIGATION	479,871	967,212
Total liabilities	4,248,476	2,013,010
NET ASSETS		
Unrestricted	16,642,850	15,125,417
Temporarily restricted	2,375,199	1,304,260
Permanently restricted	11,280,633	10,670,615
	30,298,682	27,100,292
	$ 34,547,158	$ 29,113,302

See accompanying notes to financial statements.

FOR THE YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
OPERATING REVENUE					
Research programs	$ 6,430	$ 1,755,249	$ 0	$ 1,761,679	$ 2,178,859
Education/public programs	9,903	425,608		435,511	250,549
Annual fund	342,586			342,586	241,137
Contributions	34,265	1,990,489		2,024,754	1,027,953
Contribution from beneficial interest in perpetual trust	356,500			356,500	409,171
Other income	59,589			59,589	56,241
Special event	132,351			132,351	188,066
	941,624	4,171,346	0	5,112,970	4,351,976
Net assets released from restriction	3,100,407	(3,100,407)	0	0	0
Total operating revenue	4,042,031	1,070,939	0	5,112,970	4,351,976
OPERATING EXPENSES					
Program services					
Research	2,334,375			2,334,375	2,526,666
Education	454,441			454,441	400,550
Total program services	2,788,816	0	0	2,788,816	2,927,216
Supporting services					
Outreach	195,462			195,462	256,790
Finance and administrative	521,130			521,130	589,225
Information services	291,773			291,773	289,802
Facilities	335,544			335,544	337,304
Communications and marketing	87,818			87,818	123,457
Special event	46,864			46,864	57,324
Other expenses	291,322			291,322	112,960
Total supporting services	1,769,913	0	0	1,769,913	1,766,862
Total operating expenses	4,558,729	0	0	4,558,729	4,694,078
NET GAIN (LOSS) FROM OPERATIONS	(516,698)	1,070,939	0	554,241	(342,102)

FOR THE YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
NET GAIN (LOSS) FROM OPERATIONS (cont'd)	(516,698)	1,070,939	0	554,241	(342,102)
OTHER CHANGES					
Pension-related changes other than net periodic pension cost	428,999			428,999	543,083
Investment income	291,298			291,298	45,512
Net realized and unrealized gains on					
Beneficial interest in perpetual trust			610,018	610,018	912,911
Investments	1,313,834			1,313,834	1,991,577
Total other changes	2,034,131	0	610,018	2,644,149	3,493,083
CHANGE IN NET ASSETS	1,517,433	1,070,939	610,018	3,198,390	3,150,981
NET ASSETS, BEGINNING OF YEAR AS RESTATED	15,125,417	1,304,260	10,670,615	27,100,292	23,949,311
NET ASSETS, END OF YEAR	$ 16,642,850	$ 2,375,199	$ 11,280,633	$ 30,298,682	$ 27,100,292

STATEMENT OF CASH FLOWS

STROUD WATER RESEARCH CENTER, INC.

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING ACTIVITIES		
Change in net assets	$ 3,198,390	$ 3,150,981
Adjustment to reconcile change in net assets to net cash provided from operating activities		
Depreciation and amortization	334,100	306,887
Net realized and unrealized gains	(1,923,852)	(2,904,488)
Contributed investments	(636,024)	(219,395)
(Increase) decrease in operating assets		
Accounts receivable	(165,713)	(13,900)
Grants receivable	52,907	(378,860)
Pledges receivable	(981,835)	(66,475)
Prepaid expenses	(14,933)	7,093
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	169,863	29,145
Pension benefit obligation	(487,341)	(548,312)
Taxes payable-payroll	(1,824)	(551)
Net cash used by operating activities	(456,262)	(637,875)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,370,952)	(681,779)
Purchase of investment securities	(1,968,839)	(15,187,831)
Proceeds from sale of investment securities	3,058,940	15,799,224
Net cash used by investing activities	(280,851)	(70,386)
FINANCING ACTIVITIES		
Proceeds from bond payable	374,037	636,708
Loan acquisition costs	(14,295)	0
Pledge payments received	233,730	78,685
Repayment of notes payable	(4,524)	(4,525)
Net cash from financing activities	588,948	710,868
NET CHANGE IN CASH	(148,165)	2,607
CASH, BEGINNING OF YEAR	332,248	329,641
CASH, END OF YEAR	$ 184,083	$ 332,248
CASH PAID FOR		
Interest	$ 782	$ 782
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Contributed investments	$ 636,024	$ 219,395
Loan acquisition costs acquired through bond payable	$ 44,375	$ 0
Loan reserves for bond payable	$ 2,140,880	$ 0

See accompanying notes to financial statements.

Note 1 Summary of Corporation activities and significant accounting policies

Background

Stroud Water Research Center, Inc. ("the Corporation") operates as a nonprofit corporation established under Delaware law. The Corporation's purpose is to advance knowledge of stream and river ecosystems through interdisciplinary research; to develop and communicate new ecological ideas; to provide solutions for water resource problems worldwide, and to promote public understanding of freshwater ecology through education programs, conservation leadership, and professional service.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Prior-year information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Basis of presentation

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 958 – Not-for-Profit Entities ("ASC 958"), the Corporation reports 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.

Contributions and revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Note 1 Summary of Corporation activities and significant accounting policies (cont'd)

Net asset classifications

FASB ASC 958-10, Not-for-Profit Entities-Disclosure provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The accounting standard also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Delaware adopted UPMIFA effective July 31, 2007, the provisions of which apply to endowment funds existing on or established after that date. During the years ended December 31, 2010 and 2009, the Corporation has determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – resources contributed by donors under the stipulation that the principal of the gift be retained intact in perpetuity and that investment earnings on those gifts, both yields and gain/losses, be used to support operations. The donor may further stipulate that the earnings be applied to specific operating purposes.

Temporarily restricted net assets – resources contributed by donors subject to use for stipulated purposes or in stipulated future time periods.

Unrestricted net assets – resources available to support any operating need of the Corporation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. 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.

Note 1 Summary of Corporation activities and significant accounting policies (cont'd)

Net asset classifications (cont'd)

The Corporation's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

The Board of Directors of the Corporation 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. As a result of this interpretation, the Corporation classifies 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 Corporation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Corporation, and (7) the Corporation's investment policies.

The Corporation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The Corporation's objective is for its spending and investment policies to work together to achieve this objective. The investment guidelines are based upon an investment horizon of greater than ten years. In establishing the risk tolerances for this strategy, the Corporation's ability to withstand short and intermediate-term variability were considered. The current long-term return objective is to return an average of 8%. Actual returns in any given year may vary from this amount.

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

Note 1 Summary of Corporation activities and significant accounting policies (cont'd)

Net asset classifications (cont'd)

The spending policy calculates the amount of money annually distributed from the Corporation's various endowed funds to fund Corporation operations and capital acquisitions. The current spending policy is to distribute an amount equal to 5% of a thirteen quarter weighted average of the value of endowment assets. Distributions from the endowment in 2010 and 2009 to fund current operations were \$ 1,208,405 and \$ 1,306,710, respectively, which were in line with the 5% policy.

Income taxes

The Corporation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code but can be subject to tax on unrelated trade or business income.

The Corporation adheres to FASB ASC 740 – Income Taxes. For the years ended December 31, 2010 and 2009, the Corporation has determined it did not have a material tax liability for uncertain tax positions.

The Corporation's policy for penalties and interest assessed by income taxing authorities is to include them in other expenses. For the years ended December 31, 2010 and 2009, the Corporation did not incur any interest and penalties from taxing authorities.

The federal Return of Organization Exempt from Income Tax (Form 990) of the Corporation for 2007, 2008 and 2009 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Property and equipment

Buildings, improvements, equipment and vehicles are recorded at cost. Maintenance and repairs are charged to expense as incurred and major renewals and improvements are capitalized.

Note 1 Summary of Corporation activities and significant accounting policies (cont'd)

Depreciation

Depreciation is computed over the estimated useful lives of property and equipment on the straight-line method. The annual depreciation rates are based on the following ranges of useful lives:

Buildings	20-30 years
Building improvements	5-20 years
Equipment	3-10 years
Vehicles	5 years

Depreciation expense was $ 283,350 for the year ended December 31, 2010 ($ 299,921 for the year ended December 31, 2009).

Loan acquisition costs

Loan acquisition costs are being amortized using the interest method based on the terms of the bond. Loan acquisition costs of $ 50,750 as of December 31, 2009 were amortized in full in 2010 due to the replacement of the bond referenced in Note 6, which resulted in additional loan acquisition costs of $ 58,670.

Amortization expense for the year ended December 31, 2010 was $ 50,750 ($ 3,250 in 2009).

Expected amortization for each of the next five years is as follows:

2011	$	1,263
2012	$	1,324
2013	$	1,387
2014	$	1,454
2015	$	1,524

Beneficial interest in perpetual trust

Under the terms of the perpetual trust held and administered by a third party, the Corporation is the beneficiary of income earned on those trust's assets in perpetuity. The Corporation recognized the fair value of the trust's assets as permanently restricted contribution revenue and an asset (beneficial interest in perpetual trust) when it was notified of the trust's existence.

Changes in the fair value of the trust's assets are recognized in the period the change occurs as permanently restricted unrealized gains or losses. The change in value recognized in 2010 was an unrealized gain of $ 610,018 ($ 912,911 unrealized gain in 2009).

The Corporation records income, in the period it is received from the trust, as an unrestricted contribution. Contributions received from the trust in 2010 and 2009 were $ 356,500 and $ 409,171, respectively.

Note 1 Summary of Corporation activities and significant accounting policies (cont'd)

Investments

Investments are comprised of common stock, mutual funds, alternative investment and cash management funds. Investments are carried at fair value.

Advertising costs

Advertising costs are charged to operations when incurred. Total expense for the years ended December 31, 2010 and 2009 were $ 160 and $ 63, respectively.

Subsequent events

The date to which events occurring after December 31, 2010, the date of the most recent Statement of Financial Position, have been evaluated for possible adjustment to the financial statements or disclosure is September 20, 2011, which is the date on which the financial statements were available to be issued.

Note 2 Financial instruments

Concentrations of credit risk

Financial instruments which potentially subject the Corporation to significant concentrations of credit risk are principally cash, receivables and investments.

The Corporation's cash is maintained in bank deposit accounts with financial institutions that at times exceeds federally insured limits. The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

Receivables represent unsecured support and revenue and the collectability of these accounts is periodically reviewed by management; an allowance for doubtful accounts is established if required.

The investments are unsecured and are managed by professional advisors subject to the Corporation's investment policy. The degree and concentration of credit risk vary by the type of investment.

Note 2 Financial instruments (cont'd)

Fair value measurement of financial instruments

The Corporation values its financial instruments in accordance with FASB ASC 820 – Fair Value Measurements and Disclosures. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The definitions, framework, and disclosures required by FASB ASC 820 apply to other accounting pronouncements that require or permit fair value measurement. FASB ASC 820 does not require any new fair value measurements of reported balances. The adoption of FASB ASC 820 had no material effect on the financial statements.

FASB ASC 820 establishes a three-level hierarchy that prioritizes the factors (inputs) used to calculate the fair value of assets and liabilities:

Level 1 - inputs are unadjusted quoted prices, such as a New York Stock Exchange closing price in active markets for identical assets. Level 1 is the highest priority in the hierarchy.

Level 2 - inputs may include quoted prices for similar assets and liabilities in active markets, as well as other significant inputs that are observable at commonly quoted intervals, such as interest rates, foreign exchange rates, and yield curves.

Level 3 - inputs are unobservable. Typically, assumptions determine the inputs since there is little, if any, related market activity. Level 3 is the lowest priority in the hierarchy.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments - the fair value of Level 1 securities is determined by reference to quoted market prices. The fair value of Level 2 equity securities is determined by using a market approach and reflects the fair value of an investment's underlying securities divided by the number of shares that are outstanding within the fund.

Beneficial interest in perpetual trust - the fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 2 Financial instruments (cont'd)

Fair value measurement of financial instruments (cont'd)

Fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

Fair Value Measurement at Reporting Date Using:

	Fair Value	Level 1	Level 2
Cash management fund	$ 1,040,829	$ 1,040,829	$ 0
Equities - common stock	114,503	114,503	
Mutual Funds			
Domestic blended equities	764,771	764,771	
Domestic large cap equities	1,436,286	1,436,286	
Domestic small cap equities	1,250,983	1,250,983	
Fixed income	1,460,885	1,460,885	
International equities - developed	862,423	862,423	
International equities - emerging markets	500,453	500,453	
Atlernative investment	423,938		423,938
Investment in limited partnership	7,120,259		7,120,259
Total investments	$ 14,975,330	$ 7,431,133	$ 7,544,197
Beneficial interest in perpetual trust	$ 8,292,026	$ 0	$ 8,292,026

Note 2 Financial instruments (cont'd)

Fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

	Fair Value Measurement at Reporting Date Using:		
	Fair Value	Level 1	Level 2
Cash management fund	$ 951,430	$ 951,430	$ 0
Equities - common stock	200,575	200,575	
Mutual Funds			
Domestic blended equities	636,561	636,561	
Domestic large cap equities	1,088,456	1,088,456	
Domestic small cap equities	995,121	995,121	
Fixed income	863,324	863,324	
International equities - developed	703,362	703,362	
International equities - emerging markets	430,585	430,585	
Atlernative investment	1,424,143		1,424,143
Investment in limited partnership	6,822,016		6,822,016
Total investments	$ 14,115,573	$ 5,869,414	$ 8,246,159
Beneficial interest in perpetual trust	$ 7,682,008	$ 0	$ 7,682,008

Note 3 Pledges receivable

Pledges receivable consisted of the following at December 31:

	2010	2009
Receivable in less than one year	$ 336,463	$ 100,315
Receivable in one to five years	705,437	140,316
Receivable in greater than five years	0	0
Total pledges	1,041,900	240,631
Less discounts to net present value	62,352	9,188
Less allowance for uncollectible pledges	0	0
	$ 979,548	$ 231,443

Note 4 Investments

Investments are stated at fair value and are summarized as follows at December 31:

2010

	Cost	Fair Value	Unrealized Appreciation/ (Depreciation)
Common stock	$ 114,353	$ 114,503	$ 150
Mutual funds	5,005,822	6,275,801	1,269,979
Alternative investment	492,804	423,938	(68,866)
Investment in limited partnership	5,567,476	7,120,259	1,552,783
Cash management fund	1,040,829	1,040,829	0
	$ 12,221,284	$ 14,975,330	$ 2,754,046

2009

	Cost	Fair Value	Unrealized Appreciation
Common stock	$ 191,666	$ 200,575	$ 8,909
Mutual funds	4,027,058	4,717,409	690,351
Alternative investment	1,499,850	1,424,143	(75,707)
Investment in limited partnership	5,802,557	6,822,016	1,019,459
Cash management fund	951,430	951,430	0
	$ 12,472,561	$ 14,115,573	$ 1,643,012

Investment income consisted of the following for the years ended December 31:

	2010	2009
Interest and dividends	$ 130,445	$ 291,458
Partnership income (loss)	190,871	(197,443)
Fees and other expenses	(30,018)	(48,503)
	$ 291,298	$ 45,512

Note 5 Long-term debt

		2010		2009
Note payable, finance company, payable in monthly installments of $ 442 including interest at 6.35%, secured by vehicle, due December 2012	$	9,426	$	13,950
Less current maturity		4,793		4,499
	$	4,633	$	9,451

Interest expense was $ 782 for each of the years ended December 31, 2010 and 2009.

The following are the remaining maturities of long-term debt:

2011	$	4,793
2012	$	4,633
2013	$	0
2014	$	0
2015	$	0

Note 6 Bond payable

In 2008 the Corporation entered into an agreement to construct a new building to accommodate the needs of their education, communications, development and business departments. The overall budget of the project is approximately $ 8,300,000. A portion of the funding for the project has been obtained from tax exempt bond financing in the amount of $ 6,500,000 that was approved by the Central and Western Chester County Industrial Development Authority and is being advanced by Brown Brothers Harriman & Co (BBH). This bond has replaced the previous bond obtained for $ 3,500,000 that was being funded by Wilmington Trust of Pennsylvania (WTP). The remaining funding for the new building is being obtained through a capital campaign. In December 2010, BBH made advances of $ 1,064,747 to replace the WTP bond issue, $ 44,375 in legal fees related to the new bond issue, as well as $ 2,140,878 in loan reserves that BBH holds in an interest bearing account and the Corporation can draw upon for reimbursement of construction costs as they are incurred. The outstanding balance on the bond payable as of December 31, 2010 was $ 3,250,000 ($ 690,708 at December 31, 2009).

Note 6 Bond payable (cont'd)

The first $ 3,250,000 of the bond issue (fixed rate portion) bears interest at 4.70% until December 23, 2025. At this time, the remaining principal from the original advance plus advances of the remaining $ 3,250,000 (floating rate portion) will bear interest at 67% of the 90 day LIBOR rate plus 200 basis points. Payments of interest only at this rate will be payable monthly until March 2014, at which point interest and principal payments will be due in accordance with the schedule outlined in the bond issue through December 2035.

The previous bond issue from WTP had an interest rate dependent on the LIBOR index (2.41% at December 31, 2009).

$ 9,157 of interest was capitalized in the year ended December 31, 2010 related to the construction of the new building ($ 13,149 in 2009).

Following are maturities of the bond payable for each of the next five years, thereafter and in the aggregate:

2011	$ 0
2012	$ 0
2013	$ 0
2014	$ 86,591
2015	$ 90,732
Thereafter	$ 3,072,677
	$ 3,250,000

Note 7 Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2010	2009
Research programs	$ 125,104	$ 245,050
Education/public programs	43,039	24,165
Other programs	27,161	27,756
Assistant Directors Fund	890,363	628,479
New building	1,289,532	378,810
	$ 2,375,199	$ 1,304,260

Note 8 Permanently restricted net assets

Permanently restricted net assets are restricted to investment in perpetuity, the investment income and gains and losses, however, are expendable for the mission of the Corporation. Permanently restricted net assets consisted of the following at December 31:

	2010	2009
Investments	$ 2,988,607	$ 3,078,607
Beneficial interest in perpetual trust	8,292,026	7,682,008
	$ 11,280,633	$ 10,760,615

Note 9 Net assets released from restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors are as follows for the years ended December 31:

	2010	2009
Research programs	$ 1,875,194	$ 1,642,077
Education/public programs	406,735	224,544
Other programs	595	387,485
Assistant Director's Fund	118,534	103,142
New building	699,349	465,239
	$ 3,100,407	$ 2,822,487

Note 10 Major contributors

Of the $ 2,381,254 in contributions received during the year ended December 31, 2010, approximately 63%, or $ 1,501,835, of these amounts were received from five contributors (approximately 52% of $ 1,437,124, or $ 750,000 from two contributors during 2009). Pledges receivable from major contributors totaled $ 684,245 as of December 31, 2010 ($ 200,630 in 2009).

Note 11 Major grantors

Of the $ 1,761,679 in program grants and contracts received during the year ended December 31, 2010, approximately 78%, or $ 1,376,480 of these contributions were received from three grantors (approximately 43% of $ 2,178,859, or $ 935,786 from three grantors during 2009). Grants receivable from major grantors totaled $ 539,569 at December 31, 2010 ($ 633,045 at December 31, 2009).

Note 12 Pension plan

The Corporation follows FASB ASC 715 - Compensation - Retirement Benefits, for recognition and disclosure of its pension plan activity.

The Corporation has a defined benefit pension plan which covers all full-time employees with a minimum of one year of service. Annual pension benefits beginning at normal retirement age are equal to 1.25% of final average compensation for each year of service.

The following tables set forth further information about the Corporation's defined benefit pension plan for the years ended December 31:

Pension plan obligations and funded status:

	2010	2009
Projected benefit obligation	$ 4,403,331	$ 4,191,266
Fair value of plan assets	3,923,460	3,224,054
Funded status	$ (479,871)	$ (967,212)
Accumulated benefit obligation	$ 3,787,839	$ 3,476,218
Employer contributions	$ 275,000	$ 275,000
Participant contributions	$ 0	$ 0
Benefits paid	$ (70,573)	$ (67,840)

Amounts recognized in the statement of financial position:

	2010	2009
Pension benefit obligation	$ 479,871	$ 967,212

Note 12 Pension plan (cont'd)

Amounts recognized in the statement of activities:

Components of net periodic benefit cost	2010	2009
Service cost	$ 199,866	$ 204,266
Interest cost	238,800	243,489
Amortization of net gain	1,475	34,161
Expected return on plan assets	(223,483)	(177,984)
Net periodic benefit cost	216,658	303,932
Changes in plan assets and benefit obligations recognized in other changes in unrestricted net assets		
Net gain	(427,524)	(543,083)
Amortization of net gain	(1,475)	(34,161)
Total recognized in net periodic benefit cost and other changes in unrestricted net assets	$ (212,341)	$ (273,312)

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from other changes in unrestricted net assets into the net periodic benefit over the next year are $ 0 and $ 0.

The following assumptions were used in accounting for the pension plan:

Weighted average assumptions used to determine pension benefit obligation at December 31:

	2010	2009
Discount rate	5.75%	5.75%
Rate of compensation increase	3.00%	3.00%

Weighted average assumptions used to determine net periodic pension benefit cost for the year ended December 31:

	2010	2009
Discount rate	5.75%	5.75%
Rate of compensation increase	3.00%	3.00%
Expected return on plan assets	7.00%	7.00%

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Note 12 Pension plan (cont'd)

The percentage of the fair value of total pension plan assets held as of December 31, 2010 by asset category is as follows:

Cash and alternatives	4.5 %
Equities	49.8 %
Fixed income securities	38.4 %
Other	7.3 %
Total	100.0 %

The Corporation expects to contribute approximately $ 250,000 to the pension plan in the year ended December 31, 2011. No plan assets are expected to be returned to the Corporation during the year ended December 31, 2011. Future benefit payments, which reflect expected service as appropriate, are expected to be paid as follows:

2011	$ 73,986
2012	$ 79,264
2013	$ 107,854
2014	$ 138,728
2015	$ 194,434
2016 – 2020	$ 1,892,186

Note 13 Commitments

The Corporation leases equipment under an operating lease that expires in August 2014.

At December 31, 2010, future minimum rental payments required are as follows:

2011	$ 9,348
2012	9,348
2013	9,348
2014	6,232
Total minimum lease payments	$ 34,276

Rent expense for 2010 and 2009 was $ 6,248 and $ 4,697, respectively.

Note 14 Endowment assets

Endowment net asset composition by type of fund as of December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds				
Donor-restricted	$ 0	$ 2,179,895	$ 11,280,633	$ 13,460,528
Board-designated	10,786,376	0	0	10,786,376
	$ 10,786,376	$ 2,179,895	$ 11,280,633	$ 24,246,904

Changes in endowment net assets for the year ended December 31, 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2010	$ 10,351,120	$ 1,007,289	$ 10,670,615	$ 22,029,024
Investment return:				
Investment income, net of fees	291,298	0	0	291,298
Net realized / unrealized gains	1,313,834	0	610,018	1,923,852
Total investment return	1,605,132	0	610,018	2,215,150
Contributions transferred into endowment	0	1,990,489	0	1,990,489
Appropriation of assets for expenditure	(1,987,759)	(817,883)	0	(2,805,642)
Other changes:				
Transfers to board-designated endowment	817,883	0	0	817,883
Endowment net assets, December 31, 2010	$ 10,786,376	$ 2,179,895	$ 11,280,633	$ 24,246,904

Endowment net asset composition by type of fund as of December 31, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds				
Donor-restricted	$ 0	$ 1,007,289	$ 10,670,615	$ 11,677,904
Board-designated	10,351,120	0	0	10,351,120
	$ 10,351,120	$ 1,007,289	$ 10,670,615	$ 22,029,024

Note 14 Endowment assets

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2009	$ 9,130,145	$ 640,895	$ 9,757,704	$ 19,528,744
Investment return:				
Investment income, net of fees	45,512	0	0	45,512
Net realized / unrealized gains	1,991,577	0	912,911	2,904,488
Total investment return	2,037,089	0	912,911	2,950,000
Contributions transferred into endowment	0	934,775	0	934,775
Appropriation of assets for expenditure	(1,384,495)	(568,381)	0	(1,952,876)
Other changes:				
Transfers to board-designated endowment	568,381	0	0	568,381
Endowment net assets, December 31, 2009	$ 10,351,120	$ 1,007,289	$ 10,670,615	$ 22,029,024

Note 15 Prior period adjustment

The accompanying financial statements for 2009 have been restated to properly account for the Corporation's classification of net asset restrictions. The effect of the restatement as of June 30, 2009 was to increase unrestricted net assets by $ 10,659,062, temporarily restricted net assets by $ 457,289, and reduce permanently restricted net assets by $ 11,116,351. At the beginning of 2009, unrestricted net assets were increased by $ 8,371,313, temporarily restricted net assets by $ 640,895, and permanently restricted net assets were reduced by $ 9,012,208 for the effect of the restatement on prior years.