MENNONITE EDUCATION AGENCY, INC.

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Mennonite Education Agency, Inc.
Goshen, Indiana

We have audited the accompanying consolidated statements of financial position of Mennonite Education Agency, Inc. (the "Organization") as of June 30, 2011 and 2010, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mennonite Education Agency, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

South Bend, Indiana
September 22, 2011

MENNONITE EDUCATION AGENCY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	$ -	$ 76,851
Investments - Agencies	139,583,702	114,366,656
Investment in insurance reserve	45,560	38,937
Accounts receivable	27,592	14,368
Prepaid expenses	-	271
Total current assets	139,656,854	114,497,083
Property and equipment		
Office equipment	130,863	130,337
Leasehold improvements	15,746	15,746
Less accumulated depreciation	(123,863)	(122,701)
Net property and equipment	22,746	23,382
Investments	675,843	561,398
	$ 140,355,443	$ 115,081,863
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to agencies	$ 139,583,702	$ 114,366,656
Accounts payable	135,737	114,150
Accrued payroll and related taxes	9,426	7,257
Current portion of long term debt	3,206	3,103
Total current liabilities	139,732,071	114,491,166
Long-term liabilities		
RELE loans payable	72,561	95,382
Benefits payable	62,016	65,797
Long term debt	5,948	8,894
Total long-term liabilities	140,525	170,073
Net assets		
Unrestricted:		
Undesignated	140,636	130,142
Board designated	105,614	88,787
Total unrestricted	246,250	218,929
Temporarily restricted	236,597	201,695
Total net assets	482,847	420,624
	$ 140,355,443	$ 115,081,863

See accompanying notes to consolidated financial statements.

MENNONITE EDUCATION AGENCY, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended June 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	2011 Total	Unrestricted	Temporarily Restricted	2010 Total
Revenue, support, and gains						
Contributions - Conferences and Congregations	$ 186,809	$ -	$ 186,809	$ 207,974	$ -	$ 207,974
Contributions - Other	64,732	2,091	66,823	77,112	215	77,327
Racial ethnic leadership education	-	50,384	50,384	-	53,692	53,692
Hispanic pastoral leadership education	47,853	70,379	118,232	39,064	60,372	99,436
Bequests	38,679	-	38,679	37,898	-	37,898
Support from institutions	333,833	-	333,833	336,873	-	336,873
Consulting income	43,245	-	43,245	74,510	-	74,510
Investment management fees	211,955	-	211,955	215,271	-	215,271
Investment income	7,165	3,750	10,915	3,979	2,247	6,226
Other income	8,324	-	8,324	10,441	-	10,441
Realized and unrealized gains	86,613	47,717	134,330	34,711	20,403	55,114
Net assets released from purpose and time restrictions	139,419	(139,419)	-	198,349	(198,349)	-
Total revenue, support, and gains	1,168,627	34,902	1,203,529	1,236,182	(61,420)	1,174,762
Program						
Institutional relations	510,763	-	510,763	500,073	-	500,073
Racial ethnic leadership education	31,436	-	31,436	43,099	-	43,099
Church relations	146,134	-	146,134	138,647	-	138,647
Special projects	45,736	-	45,736	76,837	-	76,837
Hispanic pastoral leadership education	153,855	-	153,855	164,754	-	164,754
Total program	887,924	-	887,924	923,410	-	923,410
Supporting Services						
General and administrative	158,882	-	158,882	161,804	-	161,804
Fund raising	44,862	-	44,862	45,548	-	45,548
First Fruits to Mennonite Church USA Executive board	49,638	-	49,638	72,284	-	72,284
Total supporting services	253,382	-	253,382	279,636	-	279,636
Total expenses	1,141,306	-	1,141,306	1,203,046	-	1,203,046
Change in net assets	27,321	34,902	62,223	33,136	(61,420)	(28,284)
Net assets, beginning of year	218,929	201,695	420,624	185,793	263,115	448,908
Net assets, end of year	$ 246,250	$ 236,597	$ 482,847	$ 218,929	$ 201,695	$ 420,624

See accompanying notes to consolidated financial statements.

MENNONITE EDUCATION AGENCY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 62,223	$ (28,284)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	6,207	9,066
Net realized and unrealized gains on investments	(134,330)	(55,114)
Change in fair value of investment in insurance pool	(6,623)	(8,703)
Change in assets and liabilities		
Accounts receivable	(13,224)	19,636
Prepaid expenses	271	6,900
Accounts payable	21,587	35,842
Accrued payroll and related taxes	2,169	(1,917)
Benefits payable	(3,781)	(5,601)
Net cash from operating activities	(65,501)	(28,175)
Cash flows from investing activities		
Purchases of property and equipment	(5,571)	(1,908)
Proceeds from sale of investments	32,361	33,042
Purchases of investments	(12,476)	(9,175)
Net cash from investing activities	14,314	21,959
Cash flows from financing activities		
Principal payments on RELE loans payable	(22,821)	(6,668)
Principal payments on long term debt	(2,843)	(3,264)
Net cash from financing activities	(25,664)	(9,932)
Net decrease in cash and cash equivalents	(76,851)	(16,148)
Cash and cash equivalents at beginning of year	76,851	92,999
Cash and cash equivalents at end of year	$ -	$ 76,851

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Mennonite Education Agency, Inc., (the Agency), works with more than forty elementary and secondary schools, colleges, universities, and seminaries to provide a Mennonite education experience to more than 15,000 students of all ages. The organization also works with conferences, congregations, and individuals throughout the church involved in the unique qualities of Mennonite education.

The Mennonite Education Agency Investment Fund LLC (the Fund) performs the duties of the investment committee. The Agency is the sole member of the Fund, and appoints 100% of the Fund's Board of Managers. The Fund is responsible for the continued oversight and direction of the Agency's pooled endowment fund.

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of Mennonite Education Agency, Inc. and Mennonite Education Agency Investment Fund LLC (collectively referred to as the "Organization"). All inter-organization accounts and transactions between affiliated organizations have been eliminated in consolidation.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial Statement Presentation: The financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Board designated net assets represent those assets that are internally designated for special projects and student financial aid.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. For the years ended June 30, 2011 or 2010, the Organization did not have any permanently restricted net assets.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP 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 reporting period. Areas where significant estimates are used in the accompanying consolidated financial statements include the fair values of investment securities and other financial instruments, investment in insurance reserves, and accrued liability for post retirement benefits other than pension. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are either interest-bearing and federally insured up to $250,000 or non-interest bearing and fully guaranteed by the federal government. At times these amounts may exceed federally insured limits. Additionally, for purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. See Notes 2 and 12 for additional information on the nature of the Organization's investments.

The Organization manages pooled long-term investment funds for 21 educational institutions and other church affiliated not-for-profit organizations (Investments - Agencies) along with investments owned by the Organization. These investments are carried at fair value, and are administered by Mennonite Foundation Inc., a subsidiary of Mennonite Mutual Aid Board, and managed by selected investment asset managers. The objective of the pooled long-term investment funds is to maximize capital appreciation and to protect the principle portion of the fund while following socially responsible investing criteria. All asset managers are required to follow specific guidelines set forth by the Organization. The Organization also determines an allowable payout rate from the earnings on these investments.

Accounts Receivable: The Organization's accounts receivable consists primarily of amounts due from Mennonite schools and other organizations. Management periodically reviews the accounts receivable aging and writes off any accounts that appear to be uncollectible.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the Organization's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed. The Organization does not accrue interest on past due accounts.

Management has not recorded an allowance for doubtful accounts at June 30, 2011 or 2010 as they believe all amounts to be collectible.

Property and Equipment: Property and equipment are stated at cost or, if donated to the Organization, at fair value on the date of acquisition. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method. Depreciation expense for the years ended June 30, 2011 and 2010 was $6,207 and $9,066, respectively.

Impairment of Long-Lived Assets: On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of June 30, 2011 and 2010 management believes that no impairments existed.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence of donor restrictions and the nature of such restrictions, if they exist.

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 consolidated statements of activities and changes in net assets as net assets released from purpose and time restrictions.

If a restriction is fulfilled in the same accounting period in which the contribution is received, the contribution is reported as unrestricted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments: The Organization's carrying amount for its financial instruments which include cash and cash equivalents, investments - agencies, investment in insurance reserve, accounts receivable, accounts payable, RELE loans payable, benefits payable, and long term debt approximate fair value.

Income Taxes: The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

U.S. GAAP requires that a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Due to its tax-exempt status, the Organization is not subject to U.S. federal income tax or state income tax. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at June 30, 2011 or 2010.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on total net assets or the change in net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2011 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2011. Management has performed their analysis through September 22, 2011, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The Organization's investments are in a pooled fund which is sponsored by the Organization. The following schedule reflects the fair value at June 30, 2011 and 2010 of the investments by net asset classification. See Note 12 for more information.

	2011	2010
Pooled Funds:		
Unrestricted:		
Undesignated	$ 337,263	$ 277,518
Designated	102,276	82,185
Total undesignated	439,539	359,703
Temporarily restricted	236,304	201,695
	$ 675,843	$ 561,398

NOTE 2 - INVESTMENTS (Continued)

The following schedule summarizes the investment return for the years ended June 30, 2011 and 2010:

	2011	2010
Interest and dividends	$ 10,915	$ 6,226
Net realized and unrealized gains	134,330	55,114
	$ 145,245	$ 61,340

NOTE 3 - INVESTMENTS-AGENCIES

The Organization's investments are in a pooled endowment fund which is sponsored by the Organization. The following schedule reflects the fair value at June 30, 2011 and 2010 of the investments by net asset classification. See Note 12 for the detailed composition of the underlying assets in which the endowment pool is invested.

	2011	2010
Pooled endowment funds	$ 137,879,663	$ 112,647,319
Pooled annuity funds	1,704,039	1,719,337
	$ 139,583,702	$ 114,366,656

NOTE 4 - RELE LOANS PAYABLE

The Organization's Racial/Ethnic Leadership Education (RELE) loan program is a program that provided financial aid in the form of grants and loans to underrepresented student ethnic groups within Mennonite Church USA. The RELE program included the Hispanic Education in Theology and Leadership loan program whereby eligible students qualified to have their student loans underwritten by the Organization and "forgivable" on the stipulation that they serve in an approved leadership role in a minority church or Mennonite Church agency after graduating from Goshen College. The program, administered by Goshen College, was partially funded by donor contributions as well as by the Organization. The Organization underwrote low-interest bearing government student loans which were and continue to be paid back out of an escrow account funded by the Organization. This loan program discontinued making forgivable loans during the fiscal year ended June 30, 2007. However certain loans are eligible for forgiveness through the fiscal year ending June 30, 2021. The total of the RELE loans payable resulting from the underwriting of these student loans by the Organization was $72,561 and $95,382, as of June 30, 2011 and 2010, respectively.

NOTE 5 - BENEFITS PAYABLE

A former CEO of Mennonite Board of Education, Inc. (the predecessor to the Agency) was also under contract with Goshen College. As a Goshen College employee, the CEO was entitled to benefits provided by the college, which included full health insurance coverage for the faculty member and spouse until the time of death. It was concluded that Goshen College would manage the benefit and assume a portion of the liability based on the employee's years of service to Goshen College, and the Agency would assume the balance. Goshen College pays 23.1% of the liability and the Agency pays 76.9% of the liability.

NOTE 6 - CAPITAL LEASE OBLIGATION

The Organization acquired a copier by entering into a capital lease during the year ended June 30, 2009. The copier has been recognized as an asset, with an off-setting initial capital lease obligation of $15,999. The lease calls for monthly payments in the amount of $294. Future minimum lease payments for the remainder of the lease term are as follows:

2012	$ 3,533
2013	3,533
2014	2,650
	9,716
Less amount representing interest	(562)
Present value of net minimum lease payments	$ 9,154

NOTE 7 - LEASE COMMITMENT

The Organization leases office space with lease terms that expired on August 31, 2010. The Organization is continuing to lease on a month to month basis.

Total rent expense was $29,700 for the years ended June 30, 2011 and 2010.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

The Organization's temporarily restricted net assets are either donor-restricted for specific purposes or for use in a specified period of time. At June 30, 2011 and 2010 the restricted purposes are as follows:

	2011	2010
LMSN	$ 167,107	$ 137,324
Peoplehood Education	69,194	64,371
Other	296	-
	$ 236,597	$ 201,695

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2011	2010
RELE	$ 41,384	$ 56,430
LMSN	7,000	6,000
HPLE	79,379	127,903
Peoplehood Education	11,656	8,016
	$ 139,419	$ 198,349

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Organization contributed an amount equal to 7 percent of compensation to a retirement fund for each employee working 20 hours or more each week for the year ended June 30, 2011. Total contributions were $26,321 for the year ended June 30, 2011. No contributions were made to the plan to the year ended June 30, 2010.

NOTE 10 - INVESTMENT IN MENNONITE EDUCATORS BENEFIT PLAN

The Organization is in a pool with five other entities, referred to as the Mennonite Educators Benefit Plan ("MEBP"), to pay for major medical expenses of covered employees. Each participating entity made an initial investment into the MEBP. The participating entities submit to the plan health care claims incurred by their employees during the fiscal year. At fiscal year end the participating entities are responsible for their proportionate share of the claims incurred. Each entity's proportionate share is determined by the MEBP.

The MEBP has established policies for determining the ownership of the net assets of the MEBP. The amount recorded as "investment in insurance reserve" has been determined based on these policies as of June 30, 2011 and 2010 to be $45,560 and $38,937, respectively. The Organization's share of income or loss of the pool is recorded in the consolidated statements of activities and changes in net assets.

Should the MEBP ever dissolve, final disposition is subject to MEBP membership policies.

NOTE 11 - AFFILIATED ORGANIZATIONS

The Agency is one of four church-wide program boards of Mennonite Church USA. The other affiliated program boards consist of Mennonite Mission Network, Mennonite Mutual Aid, and Mennonite Publishing Network. Mennonite Church USA consists of congregations that are affiliated with one another in regional district conferences. The conferences serve as the main administrative structure for congregations. The conferences are represented at a General Assembly that meets every two years to act in matters of interest to the Mennonite Church USA constituency. The Executive Board of Mennonite Church USA functions on behalf of the General Assembly when the Assembly is not in session.

Additionally, the Agency contributes 10% of its unrestricted revenue adjusted for investment management fees and net assets released from restriction, to Mennonite Church USA as its contribution under the First Fruits Program. For the years ended June 30, 2011 and 2010 amounts contributed to Mennonite Church USA were $49,638 and $72,284 respectively.

Mennonite Education Agency, Inc. also has an affiliation with several educational institutions. In addition to appointing certain members to the institutions' boards of directors, the Organization develops certain guidelines relating to the use of endowment earnings.

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2011			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 7,781,865	$ -	$ -	$ 7,781,865
Equity securities - large cap	23,773,092	-	-	23,773,092
Equity securities - mid cap	10,846,249	-	-	10,846,249
Equity securities - small cap	8,840,965	-	-	8,840,965
Equity securities - international	29,013,936	-	-	29,013,936
Equity mutual funds	6,908,812	6,119,802	-	13,028,614
Fixed income mutual funds	26,874,349	-	-	26,874,349
Real estate mutual funds	53,322	5,046,082	2,905,129	8,004,533
Commodity mutual funds	93,780	9,467,846	-	9,561,626
Government obligations	-	1,310,913	-	1,310,913
Fund of funds	97,040	-	1,126,363	1,223,403
Total investments	$ 114,283,410	$ 21,944,643	$ 4,031,492	$ 140,259,545

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair Value Measurements at June 30, 2010			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 8,044,285	$ -	$ -	$ 8,044,285
Equity securities - large cap	30,575,740	-	-	30,575,740
Equity securities - mid cap	19,334,145	-	-	19,334,145
Equity securities - small cap	9,072,339	-	-	9,072,339
Equity securities - international	23,021,270	-	-	23,021,270
Equity mutual funds	2,805,959	994,145	-	3,800,104
Fixed income mutual funds	12,983,766	-	-	12,983,766
Real estate mutual funds	142,191	4,298,086	2,418,273	6,858,550
Government obligations	-	1,139,536	-	1,139,536
Fund of funds	98,319	-	-	98,319
Total investments	$ 106,078,014	$ 6,431,767	$ 2,418,273	$ 114,928,054

A reconciliation of beginning and ending balances for the Organization's fair value measurements using Level 3 inputs is as follows:

Level 3 Instruments	Total
Investments at July 1, 2009	$ 5,201,024
Additions	208,250
Withdrawals	(12,776)
Investment returns	(2,978,225)
Investments at June 30, 2010	$ 2,418,273
Investments at July 1, 2010	$ 2,418,273
Additions	1,275,824
Investment returns	337,395
Investments at June 30, 2011	$ 4,031,492

Inputs and Valuation Techniques

In determining fair value, management uses various valuation approaches. With respect to investments for which quoted prices in active markets are observable (Level 1 inputs), management determines fair value based on the quoted prices at the measurement date.

With respect to investments using significant observable inputs other than Level 1 prices (Level 2) or significant unobservable inputs (Level 3) management determines fair value using the net asset value ("NAV"), but incorporates information such as historical and current performance of underlying assets, cash flow projections, levels of subscription and redemption, liquidity, and financial trend analysis of individual investment managers. The NAVs of investment vehicles are determined on the accrual basis of accounting in conformity with U.S. GAAP. Investment managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals, and/or the income approach.

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

In most instances, the Organization possesses the ability to redeem its investment at the NAV at the measurement date (Level 2 inputs), and in some instances additional restrictions on redemption, such as lock-ups and gates, are in place such that investment redemption at NAV is not possible at the measurement date (Level 3 inputs).

Equity Securities

The fair values of equity securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). Common stocks include a variety of large cap, mid cap, small cap, and international companies which have varying levels of capitalization.

Equity Mutual Funds

Equity mutual funds consist of mutual funds which are primarily invested in equity securities. The fair values of mutual funds, which are readily marketable, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). For equity mutual funds not traded on an active market, management has full transparency to the holdings of the funds, and the fair value of these investments is based on NAV, which is determined by the managers based upon the market prices of the underlying holdings of the funds (Level 2 inputs).

Fixed Income Mutual Funds

Fixed income mutual funds consist of mutual funds which are primarily invested in fixed income securities. The fair values of mutual funds, which are readily marketable, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Real Asset Mutual Funds

Real asset mutual funds consist of mutual funds invested in commodities and futures contracts, as well as funds invested in real estate securities and other real estate investments. The fair value of real asset mutual funds is based on several valuation techniques including NAV reported by fund managers, which is determined by managers based on the value of underlying holdings of the funds (Level 2 and 3 inputs).
Commodities Funds

Commodity funds consist of investments in in future contracts. The fair value of commodity mutual funds, which are readily marketable, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1). The fair value of commodity investments is based several valuation techniques including NAV reported by fund managers, which is determined by managers based on the value of underlying holdings of the funds (Level 3 inputs). At June 30, 2011, there are no restrictions on redemption.

Government Obligations

Government obligations consist of investments in in government debt securities. The fair value of government obligations are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying on exclusively on quoted prices for the specific securities but rather relying on the relationship to other benchmark quoted securities. At June 30, 2011, there are no restrictions on redemption.

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Funds of Funds

Funds of funds consist of secondary private equity holdings invested in various funds with investment objectives focused on steady cash returns. The fair value of funds of funds mutual funds, which are readily marketable, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1). The fair value of funds of funds investments is based several valuation techniques including NAV reported by fund managers, which is determined by managers based on the value of underlying holdings of the funds (Level 3 inputs).

Fair Values Based on Calculated Net Asset Values (NAV)

The table below presents liquidity information pertaining to investments for which fair values are determined on the basis of NAV and other valuation techniques at June 30, 2011:

	Fair Value	Redemption Frequency	Redemption Notice
Equity funds	$ 6,119,802	Daily	1-30 days
Commodities funds	9,467,846	Monthly	1-30 days
Real estate funds	7,951,211	Gated	Currently gated
Government Obligations	1,310,913	Daily	1-30 Days
Fund of funds	1,126,363	Gated	Currently gated
Level 2 and Level 3	$ 25,976,135		

Equity Mutual Funds: The funds' objectives are to seek long-term growth of capital through investment world wide of in publicly traded equities. At June 30, 2011, there are no restrictions on redemption. The primary objective of these funds is to achieve long-term growth of capital. In pursuing this objective, these funds invest in diversified portfolios of small cap, mid cap, and large cap equity securities in countries other than the United States. The underlying assets of these funds consist of equities that are traded on international stock exchanges throughout the world. At June 30, 2011, there are no restrictions on redemption.

Commodities Funds: The objectives of these funds are to provide an enhancement to investors' portfolios and to provide a partial inflation hedge with an attractive risk return profile as compared to other products using a commodity index as a pool of commodities. To achieve these objectives, these funds invest substantially all of their assets in future contracts. At June 30, 2011, there are no restrictions on redemption.

Real Estate Funds: These funds are designed to permit investors to commingle a portion of their assets for investment in both publicly owned real estate securities and privately owned real estate investments. Underlying assets in these funds consist of publicly traded real estate securities (in managed accounts), investment in private real estate operating companies, private real estate partnerships, and privately held real estate investment trusts ("REITs"). At June 30, 2011, redemption on these funds is subject to a gate.

Government Obligations: These funds look to invest in government debt securities. The primary objective of these funds is to returns in a low risk environment. At June 30, 2011, there are no restrictions on redemption.

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fund of Funds: The secondary private equity fund looks to provide a steady cash return for investors. To achieve these objectives, these funds invest in pre-existing investor committments for investors looking for liquidity. The Organization cannot withdrawal funds on an as needed basis, but they can sell or trade the Organization's interest provided the general partner approves. At June 30, 2011, redemption on these funds is subject to a gate.

At June 30, 2011, the Organization has $3,873,637 of unfunded commitments to fund these investments.

NOTE 13 - ENDOWMENT COMPOSITION

The Organization's endowment primarily consists of mutual funds. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by applicable standards, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition as of June 30, 2011 and 2010 is as follows:

2011:

	Board Designated	Temporarily Restricted	Total
Board designated	$ 102,276	$ -	$ 102,276
Donor-restricted	-	236,301	236,301
Total endowment	$ 102,276	$ 236,301	$ 338,577

2010:

	Board Designated	Temporarily Restricted	Total
Board designated	$ 82,185	$ -	$ 82,185
Donor-restricted	-	201,695	201,695
Total endowment	$ 82,185	$ 201,695	$ 283,880

Changes in endowment net assets for years ended June 30, 2011 and 2010 were as follows:

2011:

	Board Designated	Temporarily Restricted	Total
Beginning balance	$ 82,185	$ 201,695	$ 283,880
Interest and dividend income	1,607	3,329	4,936
Unrealized gain on investments	20,684	48,138	68,822
Additions	-	1,795	1,795
Appropriations for expenditure	(2,200)	(18,656)	(20,856)
Total endowment	$ 102,276	$ 236,301	$ 338,577

NOTE 13 - ENDOWMENT COMPOSITION (Continued)

2010:

	Board Designated	Temporarily Restricted	Total
Beginning balance	$ 75,139	$ 195,598	$ 270,737
Interest and dividend income	915	2,246	3,161
Unrealized gain on investments	7,360	20,403	27,763
Additions	-	235	235
Appropriations for expenditure	(1,229)	(16,787)	(18,016)
Total endowment	$ 82,185	$ 201,695	$ 283,880

Interpretation of UPMIFA: The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Organization classifies as temporarily restricted net assets those donor-restricted gifts that are available to be spent for specified purposes or in specific periods, in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Return Objectives and Risk Parameters: 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold for a donor-specified period(s) as well as Board-designated funds.

Strategies Employed for Achieving Objectives: The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Organization to develop a significant source of revenue to support the endeavors of the Organization.

Spending Policy and How the Investment Objectives Relate to Spending Policy: Distributions shall not exceed 5% of the average net asset valuation for the previous 40 quarters in any given fiscal year.

Fund 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 UPMIFA requires the Organization to retain as a fund of perpetual duration. Cumulative deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no deficiencies as of June 30, 2011 and 2010.