

BEST FRIENDS OF NEENAH-MENASHA, INC.

NEENAH, WISCONSIN

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Best Friends of Neenah-Menasha, Inc.
Neenah, Wisconsin

We have audited the statement of financial position of Best Friends of Neenah-Menasha, Inc. (a non-profit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 the 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 Best Friends of Neenah-Menasha, Inc. at 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.

The 2009 financial statements were reviewed by us and in our report dated April 13, 2010, we stated that we were not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

May 4, 2011

BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2010</u> (Audited)	<u>2009</u> (Reviewed))
Current assets:		
Cash and cash equivalents	\$ 43,491	\$ 40,849
Unconditional promises to give	2,600	904
Grants receivable	5,000	2,625
Available for sale securities	808,345	771,574
Prepaid expenses	<u>1,784</u>	<u>1,723</u>
Total current assets	<u>861,220</u>	<u>817,675</u>
Property and equipment:		
Furniture and equipment	16,141	13,091
Less accumulated depreciation	<u>12,831</u>	<u>12,543</u>
Net property and equipment	<u>3,310</u>	<u>548</u>
Other assets:		
Beneficial interest in assets held by the Community Foundation	<u>3,085</u>	<u>2,546</u>
TOTAL ASSETS	<u><u>\$ 867,615</u></u>	<u><u>\$ 820,769</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 658	\$ 1,855
Payroll liabilities	<u>8,287</u>	<u>11,474</u>
Total current liabilities	<u>8,945</u>	<u>13,329</u>
Net assets:		
Unrestricted:		
Property and equipment, net	3,310	548
Investments	808,345	771,574
Beneficial interest in assets held by the Community Foundation	3,085	2,546
Undesignated	<u>33,462</u>	<u>25,237</u>
Total unrestricted	848,202	799,905
Temporarily restricted	<u>10,468</u>	<u>7,535</u>
Total net assets	<u>858,670</u>	<u>807,440</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 867,615</u></u>	<u><u>\$ 820,769</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN

STATEMENTS OF ACTIVITIES
For the Years Ended December 31,

	2010 (Audited)		Totals
	Unrestricted	Temporarily Restricted	
Support and revenue			
Fund-raising events	\$ 34,385	\$ --	\$ 34,385
Direct cost of fund-raising events	(14,677)	--	(14,677)
Net fund-raising support	19,708	--	19,708
Public support, fees, grants, and revenues:			
United Way	135,568	--	135,568
Contributions	49,168	2,600	51,768
Grants	--	74,382	74,382
Donated supplies and services	9,824	--	9,824
Program fees	1,682	--	1,682
Interest and dividends, net of fees	19,303	--	19,303
Gain on available for sale securities	54,942	--	54,942
Gain on beneficial interest in assets held by the Community Foundation	396	--	396
Net assets released from restrictions:			
Satisfaction of program restrictions	71,424	(71,424)	--
Satisfaction of time restrictions	2,625	(2,625)	--
Total public support, fees, grants, and other revenues	364,640	2,933	367,573
Expenses:			
Program services	257,256	--	257,256
Management and general	32,597	--	32,597
Fund-raising	26,490	--	26,490
Total expenses	316,343	--	316,343
Change in net assets	48,297	2,933	51,230
Net assets, beginning of year	799,905	7,535	807,440
Net assets, end of year	\$ 848,202	\$ 10,468	\$ 858,670

2009 (Reviewed)		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
\$ 50,155	\$ --	\$ 50,155
(29,631)	--	(29,631)
20,524	--	20,524
133,504	--	133,504
44,708	3,780	48,488
11,000	64,855	75,855
17,015	--	17,015
2,048	--	2,048
17,985	--	17,985
100,415	--	100,415
302	--	302
71,825	(71,825)	--
7,252	(7,252)	--
<u>426,578</u>	<u>(10,442)</u>	<u>416,136</u>
273,929	--	273,929
26,656	--	26,656
26,810	--	26,810
<u>327,395</u>	<u>--</u>	<u>327,395</u>
99,183	(10,442)	88,741
<u>700,722</u>	<u>17,977</u>	<u>718,699</u>
<u>\$ 799,905</u>	<u>\$ 7,535</u>	<u>\$ 807,440</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31,

	2010 (Audited)			
	Program Services	Management and General	Fund- Raising	Total
Salaries and wages	\$ 152,253	\$ 24,028	\$ 18,118	\$ 194,399
Employee benefits	15,106	2,384	1,797	19,287
Payroll taxes	11,030	1,741	1,312	14,083
Professional services	3,275	321	314	3,910
Supplies	3,099	586	303	3,988
Telephone	2,041	510	--	2,551
Postage	3,170	396	1,862	5,428
Occupancy	23,758	1,584	1,056	26,398
Insurance	3,178	212	141	3,531
Equipment rental and maintenance	4,046	315	134	4,495
Membership dues and subscriptions	1,232	--	280	1,512
Travel	2,562	189	400	3,151
Meeting and training	2,376	18	147	2,541
Marketing	1,730	--	416	2,146
Printing	4,806	261	157	5,224
Depreciation	258	14	15	287
Miscellaneous	680	38	38	756
Scholarships and grants	2,920	--	--	2,920
Camp Onaway supplies	1,069	--	--	1,069
Match Christmas party supplies	1,433	--	--	1,433
Volunteer recognition supplies	984	--	--	984
Program supplies / activity fees	16,250	--	--	16,250
	<u>16,250</u>	<u>--</u>	<u>--</u>	<u>16,250</u>
 Total expenses	 \$ 257,256	 \$ 32,597	 \$ 26,490	 \$ 316,343

2009
(Reviewed)

<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
\$ 167,423	\$ 16,137	\$ 18,155	\$ 201,715
22,637	2,182	2,455	27,274
11,652	1,123	1,263	14,038
1,550	1,395	155	3,100
1,988	1,112	270	3,370
1,950	488	--	2,438
2,870	428	986	4,284
21,801	2,308	1,539	25,648
3,515	234	157	3,906
4,231	332	146	4,709
1,223	63	282	1,568
1,999	109	65	2,173
1,200	300	--	1,500
1,971	--	1,109	3,080
4,944	269	161	5,374
875	164	55	1,094
217	12	12	241
2,905	--	--	2,905
1,298	--	--	1,298
1,463	--	--	1,463
361	--	--	361
15,856	--	--	15,856
<u>\$ 273,929</u>	<u>\$ 26,656</u>	<u>\$ 26,810</u>	<u>\$ 327,395</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2010 <u>(Audited)</u>	2009 <u>(Reviewed)</u>
Cash flows from operating activities:		
Support received	\$ 279,037	\$ 283,546
Cash paid for operating expenses	(310,677)	(307,060)
Investment fees paid	(4,511)	(4,260)
Investment income	<u>23,814</u>	<u>22,245</u>
Net cash used in operating activities	<u>(12,337)</u>	<u>(5,529)</u>
Cash flows from investing activities:		
Transfers to investment accounts	(625)	(1,145)
Transfers from investment accounts	18,796	17,099
Transfers to the Community Foundation	(143)	(1,100)
Payments for property and equipment	<u>(3,049)</u>	<u>- -</u>
Net cash provided by investing activities	<u>14,979</u>	<u>14,854</u>
Net increase in cash	2,642	9,325
Cash - beginning of year	<u>40,849</u>	<u>31,524</u>
Cash - end of year	<u>\$ 43,491</u>	<u>\$ 40,849</u>
Significant non-cash items:		
In-kind donations of materials, supplies, and services	\$ 9,824	\$ 17,015

**RECONCILIATIONS OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

For the Years Ended December 31,

	<u>2010</u> <u>(Audited)</u>	<u>2009</u> <u>(Reviewed)</u>
Change in net assets	\$ 51,230	\$ 88,741
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	287	1,094
Gain on investments	(54,942)	(100,415)
Gain on assets held by the Community Foundation	(396)	(302)
(Increase) decrease in operating assets:		
Unconditional promises to give	(1,696)	3,252
Grants receivable	(2,375)	(125)
Prepaid expenses	(61)	97
Increase (decrease) in operating liabilities:		
Accounts payable	(1,197)	1,217
Payroll liabilities	<u>(3,187)</u>	<u>912</u>
Net cash used in operating activities	<u><u>\$ (12,337)</u></u>	<u><u>\$ (5,529)</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

Nature of Activities

Best Friends of Neenah-Menasha, Inc. (Organization) is a not-for-profit corporation organized in the State of Wisconsin to help young people thrive through the power of mentoring friendships and supportive family networks. The Organization is supported primarily through donor contributions, grants and the United Way.

Basis of Presentation

The Organization's financial statements are presented in accordance with the requirements of the Non-Profit Entities Topic of the FASB Accounting Standards Codification. Under this Topic, 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 include all net assets that are not temporarily or permanently restricted.

Temporarily restricted net assets include contributed net assets for which donor time and purpose restrictions have not been met and the ultimate purpose of the contributions is not permanently restricted.

Permanently restricted net assets consist of amounts restricted by donors to be maintained by the Organization in perpetuity. There were no permanently restricted net assets at December 31, 2010 or 2009.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. The Organization generally limits its exposure to credit risk from balances on deposits in financial institutions in excess of the FDIC-insured limit. During the years ended December 31, 2010 and 2009, the Organization did not exceed the FDIC-insured limit.

Accounts Receivable

Receivables are written off when deemed uncollectible. No allowance for uncollectible accounts has been provided since it is believed that the amount of such an allowance would be insignificant.

Available for Sale Securities

Available for sale securities are reported on the statement of financial position at fair market value as of the date of the statement. Investments are recorded at fair market value when received as a gift. All ordinary income and realized and unrealized gains and losses are accounted for on the statement of activities.

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Property and Equipment

Property and equipment are valued at cost or, if donated, at fair value at the date of donation. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight-line method based on the estimated useful lives of the respective assets.

The Organization has adopted the practice of capitalizing all equipment purchases greater than \$500.

Contributions and Unconditional Promises to Give

Contributions are considered to be available for unrestricted uses unless specifically restricted by the donor.

Unconditional promises to give cash and other assets are reported at fair value on the date that the promise is received. Conditional promises to give and indications of intention to give are reported at fair value at the date the gift is deemed to be unconditional. The gifts are reported as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met within the same year as received are reflected as temporarily restricted contributions and net assets released from restrictions in the accompanying financial statements.

In-Kind Donations

The Organization records various types of in-kind contributions including professional services, securities, equipment, and supplies. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. Other than donations of securities or fixed assets, the amounts reflected in the accompanying financial statements as in-kind contributions are offset by a like amount included in assets or expenses.

Functional Expenses

Expenses by function have been allocated among program and supporting services based on estimates made by the Organization's management.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Available for Sale Securities:

Available for sale securities are held in an endowment fund managed by Associated Wealth Management. Disbursements from the fund are only made with proper Board of Director's approval.

Available for sale securities consist of the following at December 31,

	2010		
	Cost	Fair Value	Excess (Deficiency) of Fair Value Over Cost
Cash investment fund	\$ 9,346	\$ 9,346	\$ --
Common trust funds	232,611	217,644	(14,967)
U.S. Treasury notes	72,753	78,697	5,944
Corporate bonds	232,253	241,692	9,439
Mutual funds	224,048	260,966	36,918
	\$ 771,011	\$ 808,345	37,334
Deficiency of fair value under cost at beginning of year			(4,646)
Unrealized gains			41,980
Net realized gains for the year			12,962
Net investment gain for the year			\$ 54,942
	2009		
	Cost	Fair Value	Excess (Deficiency) of Fair Value Over Cost
Cash investment fund	\$ 13,599	\$ 13,599	\$ --
Certificates of deposit	50,000	51,126	1,126
Common trust funds	295,356	271,655	(23,701)
U.S. Treasury notes	71,195	75,796	4,601
Corporate bonds	170,869	181,378	10,509
Mutual funds	175,201	178,020	2,819
	\$ 776,220	\$ 771,574	(4,646)
Deficiency of fair value under cost at beginning of year			(114,644)
Unrealized gains			109,998
Net realized losses for the year			(9,583)
Net investment gain for the year			\$ 100,415

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Available for Sale Securities - Continued:

Investment income is reported net of fees of \$4,511 and \$4,260 for the years ended December 31, 2010 and 2009, respectively.

Note 3. Beneficial Interest in Funds Held by the Community Foundation:

Beneficial interest in assets held by the Community Foundation consists of investments in pooled funds at Community Foundation for the Fox Valley Region, Inc. (CFFVR), which is carried at the fair value of the underlying securities in the fund. The following is a description of the fund:

Best Friends of Neenah-Menasha Future Fund

The fund was established in 2001 by the Organization for the benefit of Best Friends of Neenah-Menasha. The Board intends not to take distributions from the fund until it reaches a minimum of \$10,000. The CFFVR has variance power for this fund. Variance power allows the CFFVR to modify the restrictions on distributions from the funds. All assets of this fund are legally the assets of CFFVR. These funds are presented in the financial statements as unrestricted net assets.

Balances in the fund are as follows for the years ended December 31,

	2010	2009
	\$ 3,085	\$ 2,546
	\$ 3,085	\$ 2,546

Note 4. Temporarily Restricted Net Assets:

Temporarily restricted net assets are restricted for a specific purpose as specified by the donor. The funds are not released to the unrestricted operations until that purpose or time restriction is met. Temporarily restricted net assets are available for the following purposes at December 31,

	2010	2009
Helping Hand Program	\$ 1,987	\$ 2,786
Single Parent Take a Break Program	881	1,220
Other contributions / grants	5,000	2,625
Promises to give - time restricted	2,600	904
	\$ 10,468	\$ 7,535

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Temporarily Restricted Net Assets - Continued:

Net assets were released from donor restrictions by incurring expenses or capital expenditures satisfying the purpose specified by the donors as follows:

	2010	2009
Helping Hand Program	\$ 2,799	\$ 10,473
Single Parent Take a Break Program	339	342
M.Y.S.T.E.P.S. Program	3,191	--
Lunch mentoring program	16,362	8,263
After-school mentoring	22,862	22,464
Community-based mentoring	21,667	14,625
Community-based mentoring - Guy Stuff Program	1,800	5,000
PT support specialist	--	8,580
Camp Onaway supplies	2,000	1,298
Other restrictions	--	780
Grants and contributions - time restrictions	2,625	4,000
Promises to give - time restrictions	404	3,252
	\$ 74,049	\$ 79,077

Helping Hand Program is used to help support activity fees for young boys and girls whose family would not ordinarily be able to provide these fees on their own such as camping and other retreat fees, school pictures, yearbooks, and other school-related fees, sports events and training fees, and cultural event fees.

Single Parent Take a Break Program is used to help provide single parents with the support needed to enjoy activities they would not ordinarily be able to provide on their own such as memberships to the YMCA and movie theater passes.

M.Y.S.T.E.P.S (Mentors and Youth Striving Toward Educational Progression Successfully) Program is designed to ensure that youth that graduate from the program become self-sufficient adults, focusing on higher education as a means to that end.

Note 5. Tax Exempt Status:

The Organization, a voluntary health and welfare organization, is a not-for-profit, voluntary health agency exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation, and donations made to the Organization qualify for the charitable deduction. The Organization is also exempt from Wisconsin income taxes.

The Organization adopted the provisions of the Income Taxes Topic of the FASB Accounting Standards Codification. As a result, the Organization evaluates its tax positions based on whether or not the position is more likely than not to be sustained upon examination by taxing authorities. The Organization continually evaluates its tax positions, changes in tax law and new authoritative rulings for potential implications on its tax status.

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Major Funding Source:

Best Friends of Neenah-Menasha, Inc. received a majority of its public support from the following funding source for the years ended December 31,

	2010	2009
United Way	46%	45%

These percentages do not include investment activity, which is included with the Organization's revenues on the statements of activities.

Note 7. Self-Funding for State Unemployment Compensation:

The Organization has elected to self-fund unemployment claims. As such, it pays no unemployment taxes to the State of Wisconsin. Payments are necessary only if an employee applies for unemployment compensation from the State. An irrevocable letter of credit for \$3,081 in favor of the Treasurer of the Unemployment Reserve Fund of the State of Wisconsin has been established with Associated Bank, N.A. to assure this reimbursement. The letter of credit expires December 31, 2015.

Note 8. Lease:

The Organization leases office space from United Community Services, Inc. under an operating lease. As a part of the lease agreement, each tenant must have a member on the board of United Community Services, as it has a volunteer board of directors. The executive director of Best Friends of Neenah-Menasha is a member of the board of directors of United Community Services, Inc.

The term of this lease is for a period of three lease years beginning on January 1, 2011, and terminates at midnight on December 31, 2013. The lease automatically renews for three successive years unless proper notice of termination is given at least two months prior to the expiration of the then current lease term. Rent payments are due in the amount of \$2,422.74 per month and are subject to annual increases, which shall be determined by a majority vote of the landlord's Board of Directors.

Rent expense was \$25,638 and \$24,889 for the years ended December 31, 2010 and 2009, respectively.

The future minimum lease payments are as follows for the year ending December 31,

2011	\$ 29,073
2012	29,073
2013	29,073
Total	\$ 87,219

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. SEP (Simplified Employee Pension)/401 (k)/ Roth 401(k) plans:

The Organization has adopted a tax deferred retirement plan (SEP) covering all employees after they are employed for 90 days. The Organization contributes monthly at 4% of each covered employee's salary to the plan. Total contributions for the years ended December 31, 2109 and 2009, were \$6,952 and \$7,831, respectively.

Employees are allowed to make additional personal contributions to a 401(k) retirement plan on a pre-tax basis. This replaces the Organization's 403(b) plan that was in place in previous years. The Organization also offers a Roth 401(k) retirement plan on an after-tax basis for employees to make additional contributions. Employees are immediately vested at 100% in these plans.

Note 10. In-Kind Support:

The value of donated materials and services included as revenue and support in the financial statements and the corresponding expenses are as follows for the years ended December 31,

	2010			
	Program Expenses	Management and General Expenses	Fund- Raising Expenses	Total
Program supplies / activity fees	\$ 2,734	\$ --	\$ --	\$ 2,734
Direct cost of fund-raising events	--	--	7,090	7,090
Totals	\$ 2,734	\$ --	\$ 7,090	\$ 9,824
	2009			
	Program Expenses	Management and General Expenses	Fund- Raising Expenses	Total
Program supplies / activity fees	\$ 3,395	\$ --	\$ --	\$ 3,395
Marketing	1,229	--	--	1,229
Direct cost of fund-raising events	--	--	12,391	12,391
Totals	\$ 4,624	\$ --	\$ 12,391	\$ 17,015

Note 11. Endowment Net Assets:

As required by GAAP (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 Organization does not have any endowment funds subject to donor-imposed restrictions.

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 11. Endowment Net Assets - Continued:

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Wisconsin Uniform Prudent Management of Institutional Act (WUPMIFA) 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 noted in the previous paragraph, the Organization does not have any endowment funds subject to donor - restricted funds or a formal policy to address these funds. The Organization is discussing adopting a policy and plans to adopt one in the near future.

Return Objectives and Risk Parameters

The endowment funds are invested in a manner that is intended to preserve the real value of the capital while providing an income stream from it. The objective is to provide results similar to a benchmark consisting of 50% S & P 500, 40% Merrill Lynch 1-10 Year Gov't / Corp Index, and 10% Lipper Money Market index while assuming a moderate level of risk.

Spending Policy

The Organization has a policy of appropriating for distribution no more than 5% of its endowment fund each year based on a five-year average balance.

In establishing this policy, the Organization considered the long-term expected returns on endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term objectives within prudent constraints.

The Organization had the following endowment-related activities for its Board-Designated Endowment Funds as of December 31:

	<u>2010</u>	<u>2009</u>
Endowment assets, beginning of year	\$ 774,120	\$ 688,257
Investment return		
Investment income	36,894	17,901
Net appreciation	<u>42,160</u>	<u>100,717</u>
Total investment return	79,054	118,618
Contributions to endowment funds	768	2,245
Appropriation of endowment assets for expenditure	<u>(42,512)</u>	<u>(35,000)</u>
Endowment assets, end of year	<u>\$ 811,430</u>	<u>\$ 774,120</u>

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 12. Fair Value Measurements:

As defined in the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets.

Level 2 - Fair value measurement is based on 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; or 3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data.

Level 3 - Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the organization's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

The fair value of the available for sale securities is based on published unit values reported to the Organization by Associated Wealth Management.

The fair value of funds held at Community Foundation for the Fox Valley Region, Inc. is based on information provided by the Community Foundation and, they have not historically adjusted this information.

**BEST FRIENDS OF NEENAH-MENASHA, INC.
NEENAH, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 12. Fair Value Measurements - Continued:

Classifications of these funds as of December 31, 2010 and 2009, are as follows:

	2010			
	Level 1	Level 2	Level 3	Total
Available for sale securities:				
Cash and equivalents	\$ 9,346	\$ --	\$ --	\$ 9,346
Common Trust Funds	--	217,644	--	217,644
U.S. Treasury notes	78,697	--	--	78,697
Corporate bonds	241,692	--	--	241,692
Mutual funds	260,966	--	--	260,966
Beneficial interest in assets held by the Community Foundation	--	3,085	--	3,085
	<u>\$ 590,701</u>	<u>\$ 220,729</u>	<u>\$ --</u>	<u>\$ 811,430</u>
	2009			
	Level 1	Level 2	Level 3	Total
Available for sale securities:				
Cash and equivalents	\$ 64,725	\$ --	\$ --	\$ 64,725
Common Trust Funds	--	271,655	--	271,655
U.S. Treasury notes	75,796	--	--	75,796
Corporate bonds	181,378	--	--	181,378
Mutual funds	178,020	--	--	178,020
Beneficial interest in assets held by the Community Foundation	--	2,546	--	2,546
	<u>\$ 499,919</u>	<u>\$ 274,201</u>	<u>\$ --</u>	<u>\$ 774,120</u>

Note 13. Subsequent Events:

The Organization has evaluated all subsequent events through May 4, 2011, the date on which the financial statements were available to be issued.