

Chicago Horticultural Society

**Consolidated Financial Statements
and Independent Auditor's Report
December 31, 2010 and 2009**



Blackman Kallick, LLP
10 South Riverside Plaza
9th Floor
Chicago, IL 60606

CHICAGO HORTICULTURAL SOCIETY
YEARS ENDED DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Chicago Horticultural Society:

We have audited the accompanying consolidated statements of financial position of **Chicago Horticultural Society** (an Illinois not-for-profit corporation) as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Society's 2009 financial statements and, in our report dated May 24, 2010, we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Chicago Horticultural Society** 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.

May 24, 2011

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009
(000's omitted)

	2010	2009
ASSETS		
Cash	\$ 376	\$ 847
Due from redemption of investments	1,200	-
Pledges receivable	14,749	17,926
Accounts receivable	1,651	1,419
Tax revenue receivable	1,106	218
Bond funds held by trustee	-	725
Prepaid expenses	113	140
Investments	57,027	50,049
Beneficial interests in third-party trusts	1,271	1,205
Unamortized bond issue costs	700	727
Property and equipment, net	111,895	114,757
	<u>\$ 190,088</u>	<u>\$ 188,013</u>
LIABILITIES		
Accounts payable	\$ 1,147	\$ 1,395
Accrued expenses	1,049	959
Deferred revenue	1,055	1,139
Note payable	2,251	2,813
Gift annuity obligations	744	728
Derivative instrument	2,165	459
Bonds payable	50,000	50,000
	<u>58,411</u>	<u>57,493</u>
NET ASSETS		
Unrestricted	86,147	85,265
Temporarily restricted	24,182	25,088
Permanently restricted	21,348	20,167
	<u>131,677</u>	<u>130,520</u>
Total net assets	<u>131,677</u>	<u>130,520</u>
	<u>\$ 190,088</u>	<u>\$ 188,013</u>
Total liabilities and net assets	<u>\$ 190,088</u>	<u>\$ 188,013</u>

See accompanying notes to consolidated financial statements.

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2010 (With Summarized Comparative Information for 2009)
(000's omitted)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
	Operating	Designated	Total				
OPERATING REVENUES							
Forest Preserve District of Cook County							
Tax revenue	\$ 9,057	\$ -	\$ 9,057	\$ -	\$ -	\$ 9,057	\$ 9,039
Personal Property Replacement Tax	350	-	350	-	-	350	328
Capital improvement bonds	-	75	75	-	-	75	-
Contributions	2,788	2,205	4,993	5,556	1,181	11,730	13,737
Government grants	4,394	733	5,127	-	-	5,127	3,556
Sponsorships	403	1	404	-	-	404	310
Membership	3,286	-	3,286	-	-	3,286	3,247
Visitor programs and operations	3,739	81	3,820	-	-	3,820	3,306
Education fees	1,171	-	1,171	-	-	1,171	1,170
Investment income	323	-	323	1,158	-	1,481	1,576
Fundraising benefits - Net of \$1,110 and \$940 of direct expenses in 2010 and 2009, respectively	600	-	600	-	-	600	442
Other income	381	12	393	-	-	393	449
Release from restrictions	2,817	6,468	9,285	(9,285)	-	-	-
Total operating revenues	<u>29,309</u>	<u>9,575</u>	<u>38,884</u>	<u>(2,571)</u>	<u>1,181</u>	<u>37,494</u>	<u>37,160</u>
OPERATING EXPENSES							
Program services							
Gardens and grounds	9,175	6	9,181	-	-	9,181	8,536
Scientific affairs	5,238	-	5,238	-	-	5,238	4,357
Education and community programs	5,601	219	5,820	-	-	5,820	5,254
Visitor programs and operations	3,087	-	3,087	-	-	3,087	2,848
Membership	951	-	951	-	-	951	895
Depreciation and amortization	-	7,523	7,523	-	-	7,523	6,749
Support services							
Development	1,381	1,131	2,512	-	-	2,512	2,806
Administration	3,199	2,094	5,293	-	-	5,293	4,970
Total operating expenses	<u>28,632</u>	<u>10,973</u>	<u>39,605</u>	<u>-</u>	<u>-</u>	<u>39,605</u>	<u>36,415</u>
(Decrease) increase in net assets before nonoperating activities	<u>677</u>	<u>(1,398)</u>	<u>(721)</u>	<u>(2,571)</u>	<u>1,181</u>	<u>(2,111)</u>	<u>745</u>
NONOPERATING ACTIVITIES							
Investment return net of amount designated for current use	-	3,310	3,310	1,665	-	4,975	5,915
Change in fair value of derivative instruments, net of payments	-	(1,707)	(1,707)	-	-	(1,707)	1,035
Total nonoperating activity	<u>-</u>	<u>1,603</u>	<u>1,603</u>	<u>1,665</u>	<u>-</u>	<u>3,268</u>	<u>6,950</u>
Increase (decrease) in net assets	<u>677</u>	<u>205</u>	<u>882</u>	<u>(906)</u>	<u>1,181</u>	<u>1,157</u>	<u>7,695</u>
Net assets, beginning of year	<u>4,168</u>	<u>81,097</u>	<u>85,265</u>	<u>25,088</u>	<u>20,167</u>	<u>130,520</u>	<u>122,825</u>
Net assets, end of year	<u>\$ 4,845</u>	<u>\$ 81,302</u>	<u>\$ 86,147</u>	<u>\$ 24,182</u>	<u>\$ 21,348</u>	<u>\$ 131,677</u>	<u>\$ 130,520</u>

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2010 and 2009
(000's omitted)

	2010	2009
Cash flows from operating activities:		
Increase in net assets	\$ 1,157	\$ 7,695
Depreciation	7,496	6,722
Amortization of bond issue cost	27	27
Realized and unrealized gains on investments	(5,596)	(6,884)
Unrealized loss (gain) on derivative instrument	1,707	(1,035)
Contributions restricted for long-term investment	(1,181)	(102)
Gift annuity obligations	16	(39)
Changes in assets and liabilities:		
Pledges receivable	2,325	1,798
Accounts receivable and other assets	(1,093)	(556)
Beneficial interests in third-party trusts	(66)	(207)
Unamortized bond issue costs	-	(4)
Accounts payable, accrued expenses, and deferred revenue	(683)	31
Net cash provided by operating activities	<u>4,109</u>	<u>7,446</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,193)	(18,747)
Proceeds from sale of investments	22,530	15,577
Purchase of investments	<u>(25,112)</u>	<u>(23,129)</u>
Net cash used in investing activities	<u>(6,775)</u>	<u>(26,299)</u>
Cash flows from financing activities:		
Release of bond funds from trustee	725	18,111
Repayments of principal on note payable	(562)	-
Collections of contributions restricted for investment in endowment	<u>2,032</u>	<u>1,257</u>
Net cash provided by financing activities	<u>2,195</u>	<u>19,368</u>
(Decrease) increase in cash	(471)	515
Cash, beginning of year	<u>847</u>	<u>332</u>
Cash, end of year	<u><u>\$ 376</u></u>	<u><u>\$ 847</u></u>
Supplemental disclosure of cash flow information:		
Interest paid, net of interest capitalized	\$ 1,783	\$ 986
Due from redemption of investments	<u>\$ 1,200</u>	<u>\$ -</u>
Non-cash property and equipment additions	<u><u>\$ 441</u></u>	<u><u>\$ 348</u></u>

See accompanying notes to consolidated financial statements.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

1. ORGANIZATION

The Chicago Horticultural Society (Society) operates the Chicago Botanic Garden (CBG) on land owned by the Forest Preserve District of Cook County (the "District") under an agreement expiring in 2015. Such agreement provides for an automatic renewal for 40 years upon agreement of the parties.

The Board of Directors of the Society has adopted the following Mission Statement:

"The mission of the Chicago Botanic Garden is to promote the enjoyment, understanding and conservation of plants and the natural world."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation—The consolidated financial statements include the accounts of the Society, Chicagoland Grows, Inc. and Windy City Harvest (collectively referred to as the "Society"). There are no significant intercompany transactions between these entities.

Basis of Presentation—The consolidated financial statements of the Society have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAPUSA).

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

Classification of Net Assets—The Society's net assets have been grouped into the following three classes:

- *Unrestricted*—Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by actions of the Board of Directors.
- *Temporarily Restricted*—Net assets whose use by the Society is subject to donor-imposed restrictions that can be fulfilled by actions of the Society pursuant to those restrictions or that expire by the passage of time.
- *Permanently Restricted*—Net assets subject to donor-imposed restrictions that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on these assets.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Revenue—Contributions are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions. Contributions received with donor imposed restrictions limiting the use of the donated assets are reported as temporarily restricted revenue. When a donor restriction expires, that is, when a 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 as net assets released from restriction.

Government grant revenue is recognized as expenses are incurred on the project.

Tax revenue appropriated and collected by the District partially supports the services provided by the Society under its agreement with the District to operate the Chicago Botanic Garden. Amounts received from the District under the agreement for 2010 represent the amounts appropriated by the District for 2009 property taxes and personal property replacement taxes, which are due for payment from taxpayers in 2010 for ultimate distribution to the Society. Tax revenues also include the Society's share of any amounts remitted to the District by the Cook County Collector (the County) for prior year property tax payments, net of the Society's share of any property tax refunds returned to the taxpayers by the County. Support from the District for any given year is recognized at the net amount reported as collected by the District to operate the Chicago Botanic Garden. A receivable is recorded at year-end for any amounts reported as collected by the District but not yet remitted to the Society.

The Society recognizes revenue from the District bond issue as costs are incurred on capital improvements.

Membership revenue is recognized in full in the year received. This method reasonably approximates the earnings process for membership revenue.

Pledges Receivable—Contributions, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Conditional promises are recorded when donor stipulations are substantially met.

Accounts Receivable—Accounts receivable consist of government grants and other receivables that are carried at original invoice or voucher amount. Management monitors the collection of these receivables on a monthly basis and amounts are written off when deemed uncollectible.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments—Investments are measured at fair value in the accompanying consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, changes in unrealized holding gains and losses, interest and dividends) on investments is included in investment income and return in the consolidated statements of activities. Gains and losses on securities transactions are accounted for on the specific-identification method. Certain investments require advance notice to sell the Society's share of its investment.

The Society's investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and will materially affect the amounts reported in the consolidated financial statements.

In 1996, the Society established a spending policy based on the total return concept, and approved an investment payout of five (5) percent of the average fair value of the long-term investment pool for allocation to operations as directed by the Board of Directors. To the extent the investment payout exceeds investment income, it is reported as a nonoperating activity in the consolidated statements of activities.

Fair Value Measurements—The Society adopted the fair value measurements topic under GAAPUSA, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Effective January 1, 2010, the Society adopted new guidance that requires the Society to report significant transfers between Level 1 and Level 2 and the reasons for those transfers, as well as disclosing the reasons for transfers in or out of Level 3. Additionally, the guidance requires the Society to clarify existing disclosure requirements about the level of disaggregation, inputs and valuation techniques. The adoption of this guidance did not have an impact on the Society's financial statements, other than expanded disclosures.

The new guidance also requires the reconciliation of changes in Level 3 fair value measurements to present purchases, sales and settlements separately on a gross basis rather than as a net amount, effective for fiscal years beginning after December 15, 2010. The Society does not expect the adoption of the guidance for Level 3 activity to have significant impact on its financial statements, other than expanded disclosures.

In 2009, the Society adopted the guidance on fair value measurements that permits the use of net asset value for certain investments that do not have a readily determinable fair value. The effect of the adoption of this guidance on the Society's financial statements and disclosures is disclosed further in Note 7.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment—All real property of the CBG, whether purchased with District tax funds or private funds, is owned by the District. Real property of Windy City Harvest (WCH) is owned by WCH. Personal property is owned by CBG and WCH. Property and equipment, whether owned by the District or the Society, is capitalized on the Society's books and depreciation is recorded using the straight-line method, based on estimated useful lives of the related assets or the term of the agreement. The useful lives of building and improvements, land improvements and equipment are 20 to 40 years, 20 years and 3 to 10 years, respectively.

Museum Assets—Purchased museum assets and rare books are capitalized at the time of purchase and not depreciated. Contributed material or services are not valued and thus are not reflected in the consolidated financial statements.

Financial Instruments—The Society's financial instruments consist of cash, investments, bonds payable and derivative financial instruments. Based on the weekly remarketing of the interest rates, the carrying amount of the bonds approximates its fair value as of December 31, 2010 and 2009. The respective fair value determination for the remaining financial instruments is disclosed further in Note 7.

Derivative Instruments—The Society's derivatives are recognized as a liability on the statement of financial position and measured at fair value. Any change in fair value is recognized immediately in earnings unless the derivatives qualify as a hedge.

In order to present the interest expense at the fixed amount paid, the periodic settlement payments are recorded as interest expense and are included as operating expenses in the statements of activities. The change in the fair value of these financial instruments, net of the periodic settlement payments, has been recorded in nonoperating activities in the statements of activities. See Note 12 for further disclosures.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment - GAAPUSA addresses the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA was enacted in Illinois effective June 30, 2009. A key component of UPMIFA is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. See the further disclosure in Note 14.

Income Tax - The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 (as amended from time to time) as well as similar provisions of state and local revenue laws.

Chicagoland Grows, Inc. is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Chicagoland Grows, Inc. is one of most innovative plant introduction programs in the horticulture industry. The program's main goal is to develop and promote the use of new plant cultivars that are well-adapted to the growing conditions of the Upper Midwest.

WCH is tax exempt under Section 501(c)(3) of the Internal Revenue Code. WCH is a an organic vegetable and plant production enterprise that provides instruction in sustainable horticulture and urban agriculture to residents of Chicago's North Lawndale and West Side neighborhoods.

The Society's application of GAAPUSA regarding uncertain tax positions had no effect on its financial position as management believes the Society has no material unrecognized income tax liabilities, including any potential risk of loss of its exempt status. The Society would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax liabilities as income tax expense. The Society is no longer subject to examination by tax authorities for federal, state or local income taxes for periods before 2007.

Use of Estimates—The preparation of financial statements in conformity with GAAPUSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Event— Management has evaluated subsequent events through May 24, 2011, the date of issuance of the Society's consolidated financial statements, and May 24, 2010, with respect to the comparative 2009 consolidated financial statements. No material subsequent events have occurred since December 31, 2010 that required recognition or disclosure to these financial statements.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

3. FOREST PRESERVE DISTRICT OF COOK COUNTY BOND ISSUE

In 2004, the District issued \$100 million of general obligation bonds, of which \$25 million were to be used to finance certain capital improvements and renovations at the Chicago Botanic Garden. The District is responsible for retiring the bonds. The Society recognized \$75 and \$0 of revenue from the bond issue for 2010 and 2009, respectively.

4. PLEDGES RECEIVABLE

Pledges in excess of one year are adjusted to fair value using an interest rate of 0.32% to 2.62% for the discount rate. Unconditional promises to give are expected to be received in the following periods:

	<u>2010</u>	<u>2009</u>
Within one year	\$ 5,312	\$ 6,244
One to five years	9,682	12,175
More than five years	253	305
Less:		
Discount to present value	(439)	(719)
Allowance for uncollectible promises to give	(59)	(79)
	<u>\$ 14,749</u>	<u>\$ 17,926</u>

5. BENEFICIAL INTERESTS IN THIRD-PARTY TRUSTS

Beneficial interests in third-party trusts primarily consist of charitable remainder trusts. These interests are adjusted to fair value using an interest rate of 4.27% to 8.40% for the discount rate.

	<u>2010</u>	<u>2009</u>
Gross beneficial interests	\$ 2,022	\$ 1,947
Less discount to present value	(751)	(742)
	<u>\$ 1,271</u>	<u>\$ 1,205</u>

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

6. INVESTMENTS

Investments consist of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Corporate bonds and fixed income funds	\$ 8,133	\$ 7,931
Common stock and equity funds	29,257	18,755
Money market funds	6,748	9,577
Hedge funds	4,799	6,290
Private equity funds	4,743	4,178
Real estate funds	3,347	3,318
	<u>\$ 57,027</u>	<u>\$ 50,049</u>

Total investment return consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 860	\$ 607
Realized gain on sale of investments	1,048	561
Change in unrealized gain on investments	4,548	6,323
	<u>\$ 6,456</u>	<u>\$ 7,491</u>

Investment income included in operations totaled \$1,481 and \$1,576 for 2010 and 2009, respectively. The total investment return is net of \$33 and \$59 of investment management fees on separately managed accounts for 2010 and 2009, respectively.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

7. FAIR VALUE MEASUREMENT

GAAPUSA defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAPUSA describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. The standard does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based upon the inputs to the valuation technique:

- *Level 1* - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Investments included in Level 1 include listed equities.
- *Level 2* - Observable market-based inputs or unobservable inputs that are corroborated by market data. Investments which are generally included in this category include less liquid and certain over-the-counter derivatives. Investments that are included in this category also include investments in investment partnerships such as hedge funds.
- *Level 3* - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using net asset value per share of the funds. Investments that are included in this category generally include investments in investment partnerships such as private equity and real estate funds.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurements. The Society's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgments and considers factors specific to the investment. The following section describes the valuations techniques used by the Society to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

7. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the Society's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2010:

Description	Total Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity mutual funds				
U.S. large-cap	\$ 11,313	\$ 11,313	\$ -	\$ -
U.S. mid-cap	2,885	2,885	-	-
U.S. small-cap	2,880	2,880	-	-
U.S. growth	469	469	-	-
International growth	8,755	8,755	-	-
Emerging market value	2,955	2,955	-	-
Fixed income mutual funds				
U.S. core bond	8,133	8,133	-	-
Other				
Multi-strategy hedge funds	4,799	-	4,799	-
Private equity funds	4,743	-	-	4,743
Real estate funds	3,347	-	-	3,347
Subtotal	50,279	37,390	4,799	8,090
Beneficial interests in third-party trusts	1,271	-	1,271	-
	<u>\$ 51,550</u>	<u>\$ 37,390</u>	<u>\$ 6,070</u>	<u>\$ 8,090</u>
Liabilities:				
Derivative instruments	<u>\$ 2,165</u>	<u>\$ -</u>	<u>\$ 2,165</u>	<u>\$ -</u>

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

7. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the Society's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2009:

Description	Total Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Corporate bonds and fixed income funds	\$ 7,931	\$ 7,931	\$ -	\$ -
Common stock and equity funds	18,755	18,755	-	-
Hedge funds:				
Multi-strategy	6,215	-	6,215	-
Hedged equity	75	-	75	-
Private equity funds	4,178	-	-	4,178
Real estate funds	3,318	-	-	3,318
Subtotal	40,472	26,686	6,290	7,496
Beneficial interests in third-party trusts	1,205	-	1,205	-
	<u>\$ 41,677</u>	<u>\$ 26,686</u>	<u>\$ 7,495</u>	<u>\$ 7,496</u>
Liabilities:				
Derivative instruments	\$ 459	\$ -	\$ 459	\$ -

Not included in the above tables are \$6,748 and \$9,577 in cash and cash equivalents in brokerage accounts as of December 31, 2010 and 2009, respectively.

Level 1

Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

7. FAIR VALUE MEASUREMENT (CONTINUED)

Level 2

Estimated fair values for hedge funds were based on net asset value per share of the funds with no redemption restrictions.

The derivative instrument consists solely of interest rate swaps that are not traded on an exchange and are recorded at fair value based on a variety of observable inputs, including contractual terms, interest rate curves, yield curves, credit curves, measure of volatility and correlations of such inputs. Valuation adjustments may be made in the determination of fair value, which was obtained by an independent third-party advisor. These adjustments include amounts to reflect counterparty credit quality and liquidity risk. A schedule of potential counterparty risk was also provided by an independent third-party advisor. This schedule assumed the maximum exposure assuming the counterparty had no claims-paying ability and had not posted collateral with a third party. The Society's derivative instrument is classified as Level 2 in the fair value hierarchy.

The beneficial interests in trusts are stated at the estimated fair value based on the Society's percentage of the trust applied to the total fair value of the trust, which is based primarily on quoted market prices. Changes in fair value of the underlying trust assets, as determined by the trustees that hold and manage these assets, are recognized in the consolidated statements of activities in the periods in which they occur.

Level 3

Estimated fair value of private equity funds and real estate funds were based on net asset value per share of the funds with redemption restrictions longer than 90 days.

The fair value of the Society's investments in investment partnerships generally represents the amount the Society would expect to receive if it were to liquidate its investment in the investment partnerships excluding any redemption charges that may apply. In circumstances where the investment partnerships' net asset values were deemed to differ from fair value due to illiquidity or other factors, net asset values were adjusted accordingly to reflect illiquidity reserves. As of December 31, 2010 and 2009, the Society reduced the net asset values used to determine fair values by \$269 and \$222, respectively, to reflect illiquidity and/or nontransferability based on the use of discounted cash flow analyses and/or the evaluation of relevant market evidence combined with management's best estimates, which included a significant degree of judgment. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

CHICAGO HORTICULTURAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

7. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy as of December 31, 2010:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	Private Equity Funds	Real Estate Funds	Total
Assets:			
Beginning balance, December 31, 2009	\$ 4,178	\$ 3,318	\$ 7,496
Total gain/losses (realized and change in unrealized) included in change in net assets	935	(219)	716
Purchases, issuances, and settlements (net)	(370)	248	(122)
Ending balance, December 31, 2010	<u>\$ 4,743</u>	<u>\$ 3,347</u>	<u>\$ 8,090</u>
The amount of total gain/losses for the year included in change in net assets attributable to the change in unrealized losses relating to assets still held at December 31, 2010	<u>\$ 615</u>	<u>\$ (219)</u>	<u>\$ 396</u>

Level 3 gains/losses (realized and change in unrealized) are reported on the statement of activities as investment return net of amount designated for current use.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

7. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy as of December 31, 2009:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			Total
	Hedge Funds	Private Equity Funds	Real Estate Funds	
Assets:				
Beginning balance, December 31, 2008	\$ 8,640	\$ 2,749	\$ 3,059	\$ 14,448
Total gain/losses (realized and change in unrealized) included in change in net assets	-	1,079	(173)	906
Purchases, issuances, and settlements (net)	-	350	432	782
Transfers in and/or out of Level 3*	(8,640)	-	-	(8,640)
Ending balance, December 31, 2009	<u>\$ -</u>	<u>\$ 4,178</u>	<u>\$ 3,318</u>	<u>\$ 7,496</u>
The amount of total gain/losses for the year included in change in net assets attributable to the change in unrealized losses relating to assets still held at December 31, 2009	<u>\$ -</u>	<u>\$ 995</u>	<u>\$ (173)</u>	<u>\$ 822</u>

Level 3 gains/losses (realized and change in unrealized) are reported on the statement of activities as investment return net of amount designated for current use.

* The transfer to level 2 is a result of the adoption of the guideline on fair value measurement as disclosed in Note 2, Summary of Significant Accounting Policies, Fair Value Measurements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

7. FAIR VALUE MEASUREMENT (CONTINUED)

	Fair Value as of December 31, 2010	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds:				
Multi-strategy ^(a)	\$ 4,799	\$ -	quarterly	45-90 days
Private equity funds ^(c)	4,743	1,640		
Real estate funds ^(d)	3,347	292		
	<u>\$ 12,889</u>	<u>\$ 1,932</u>		

	Fair Value as of December 31, 2009	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds:				
Multi-strategy ^(a)	\$ 6,215	\$ -	quarterly	45-90 days
Hedge Equity ^(b)	75	-		
Private equity funds ^(c)	4,178	2,442		
Real estate funds ^(d)	3,318	619		
	<u>\$ 13,786</u>	<u>\$ 3,061</u>		

- a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The investments include hedge funds that invest directly in individual equity, fixed income, derivative and private securities. The investments also include a hedge fund of funds that invests in hedge funds through a multi-manager, multi-strategy approach. The underlying hedge fund managers invest in individual equity, fixed income, derivative and private securities through various strategies in different global markets. The fund of funds typically invests over 50% of its portfolio in managers pursuing an equity long/short strategy. Investments representing approximately 24% of the value of the investments in this category are in the process of being redeemed and will be liquidated over time. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

7. FAIR VALUE MEASUREMENT (CONTINUED)

- b. In 2009, this category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair value of the investment in this category has been estimated using the net asset value per share of the investment. The investment in this category was redeemed in 2009, with the remaining redemption proceeds received in 2010.
- c. This category includes several private equity funds that invest in a wide range of equity and equity-related securities of management buyout transactions and special equity transactions. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. These investments may not be redeemed without the prior written consent of the general partner. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over five to eight years. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment in this category will be sold, the fair value of each individual investment has been estimated using the net asset value of the Society's ownership interest in partners' capital, with one exception. The exception, which comprises approximately six percent of the total investment in this category, represents an investment redeemed in 2009 pursuant to a special consent granted by the general partner to all investors in the fund. As of December 31, 2010 and 2009, the Society reduced the net asset value used to determine fair value of this investment by \$269 and \$222, respectively, to reflect illiquidity and/or nontransferability based on the evaluation of relevant market evidence combined with management's best estimate, which included a degree of judgment.
- d. This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Society's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. These investments may not be redeemed without the prior written consent of the general partner. It is estimated that the underlying assets of the fund will be liquidated over the next three to eight years. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Society's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an action process. The investee fund's management must approve of the buyer before the sale of the investment can be completed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

8. PROPERTY AND EQUIPMENT

Property and equipment are reflected at cost and consist of the following:

	2010	2009
Buildings and improvements	\$ 85,641	\$ 85,694
Land improvements	60,134	59,482
Equipment	12,758	12,369
Museum assets	4,225	4,225
Construction in progress	4,567	1,321
	<u>167,325</u>	<u>163,091</u>
Accumulated depreciation	<u>(55,430)</u>	<u>(48,334)</u>
	<u>\$ 111,895</u>	<u>\$ 114,757</u>

Construction in progress as of December 31, 2010 consists of expenditures associated primarily with the construction of the plant evaluation bridge and the Brown Nature Reserve, development of the children's campus and various other projects. Construction in progress as of December 31, 2009 consisted of expenditures associated with the development of new children's campus and various other projects. Accounts payable included \$441 and \$348 of construction in progress of various projects as of December 31, 2010 and 2009, respectively. The Society follows the policy of capitalizing interest as a component of the cost of the property, plant, and equipment constructed for its own use.

Interest costs of \$0 and \$590 on the Series 2008 bonds, which are net of earnings from unspent bond proceeds, were capitalized in 2010 and 2009, respectively. Capitalized interest is classified as buildings and improvements within property and equipment.

9. LINE OF CREDIT

The Society has a \$10 million line of credit available. Outstanding amounts bear interest at a prime based rate or a LIBOR plus 0.50%. There were no borrowings outstanding on this line of credit as of December 31, 2010. The line expires on September 13, 2011, but it is management's expectation that the line will be renewed by the bank. The Society has agreed to maintain a funded indebtedness (cash, unrestricted investments and unrestricted pledges to indebtedness) financial ratio of at least .75 to 1.0. The Society was in compliance with this covenant as of year end.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(000s omitted)

10. NOTE PAYABLE

In September 2007, Windy City Harvest entered into a note payable agreement with a related party, SFF Lender, LLC, to borrow \$2,813 for a land purchase. SFF Lender, LLC is an entity created by the Steans Family Foundation, one of the initial funding sponsors of WCH. The note bears interest at 6% payable quarterly. Payments may be made periodically, with a final payment to be made when the note matures in 2013. During 2010 the Society made a principal payment of \$562. The note payable was \$2,251 and \$2,813 as of December 31, 2010 and 2009, respectively.

11. BONDS PAYABLE

Bonds payable at December 31, 2010 and 2009, consist of the following amounts due to the Illinois Finance Authority, which issued Adjustable Demand Revenue Bonds on the Society's behalf:

	<u>2010</u>	<u>2009</u>
Series 2008, payable 2043	\$ 30,000	\$ 30,000
Series 1999, payable 2029	<u>20,000</u>	<u>20,000</u>
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

The Society has obtained a letter of credit from a bank for each bond issue, which provides credit enhancement for the bonds. The letter of credit for the Series 1999 bonds expires August 31, 2013. The letter of credit for the Series 2008 bonds expires July 31, 2013.

The bonds' proceeds were used by the Society to finance the costs of construction, to equip new operating facilities and gardens and to pay certain issuance costs.

The bonds' interest rate is adjustable weekly based on a national index of tax-exempt variable rate bonds. The weekly rates for 2010 and 2009 averaged 0.31% and 0.44%, respectively. Interest expense on the bonds for 2010 and 2009 was \$1,711 and \$1,102, respectively. Total interest costs on the bonds for 2010 and 2009 were \$1,711 and \$1,692, respectively.

In the event that the remarketing agent is unable to remarket the bonds, the bonds become pledged bonds to the bank under the letter of credit. If the letter of credit cannot be renewed and an alternative letter of credit cannot be obtained, the bonds require payment according to an amortization schedule consisting of eight quarterly installments of principal with the initial installment due 366 days after a drawing under the letter of credit.

The Society has agreed to maintain a funded indebtedness (cash, unrestricted investments and unrestricted pledges to indebtedness) financial ratio of at least 0.75 to 1.0 on the combined bond issues. The Society was in compliance with this covenant as of year end.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Society entered into two interest rate swap agreements, which are considered derivative financial instruments. These agreements, which are not designated as hedging instruments, were entered into in order to manage interest rate exposure. The Society does not utilize interest rate swaps or other similar financial instruments for trading or other speculative purposes. The counterparty for these swap agreements is JPMorgan Chase Bank, N.A. (the "Bank"), a major financial institution with which the Society also has other financial relationships.

The principal objective of these swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on floating rate debt. These swap agreements are a contract to exchange fixed interest payments for the floating rate interest received over the life of the swap agreements without the exchange of the underlying notional amounts. Effective June 1, 2006, the Society entered into an agreement to limit the interest rate exposure to 4.13% on a notional amount of \$12,000 that expires on June 1, 2016. On July 1, 2010 the agreement was blended with an extended agreement to limit interest rate exposure to 3.56% on a notional amount of \$12,000. The revised agreement expires on July 1, 2025. Effective February 12, 2009, the Society entered into an agreement to limit the interest rate exposure to 2.385% on a notional amount of \$38,000 that expires on February 1, 2019. The Society is exposed to credit loss in the event of nonperformance by the Bank to the interest rate swap agreements. However, the Society does not anticipate nonperformance by the Bank.

The following table presents the amounts and the locations of the amounts relating to the Society's interest rate swaps in the Society's financial statements as of and for the year ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Statement of Financial Position Information Location on statement of fair value of liability:		
Derivative instrument	\$ 2,165	\$ 459
Statement of Activities Information:		
Change in fair value of derivative instruments, net of periodic settlement payments	\$ (1,707)	\$ 1,035
Periodic settlement payments recorded as interest expense and included in the operating expenses	(1,273)	(826)
Total (loss) gain on derivative instruments	<u>\$ (2,980)</u>	<u>\$ 209</u>

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Year Ended December 31, 2010 (With Comparative Information for 2009)

(000s omitted)

13. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available primarily for garden construction and improvements.

Net assets of \$9,285 and \$9,377 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time in 2010 and 2009, respectively.

Permanently restricted net assets consist of endowment funds as of December 31, 2010 and 2009. The income earned on the investment of permanently restricted net assets is generally available for use in garden maintenance and supporting the Society's research programs.

14. ENDOWMENT

The Society's endowment consists of 68 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAPUSA, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on existences or absences of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Society 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 Society 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 Society in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society 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 purpose of the Society 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 Society
- (7) The investment policies of the Society

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(000s omitted)

14. ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the total return of the weighted average blend of a combination of global equity and fixed income benchmarks utilizing strategies consistent with the Society's portfolio strategy while assuming a moderate level of investment risk. Additional comparisons are made to endowment and foundation peer groups. The Society expects its endowment funds, over time, to provide a long-term average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has established a spending policy based on the total return concept and approved an investment payout of five (5) percent of the average fair value of the long-term investment pool for allocation to operations as directed by the Board of Directors. In establishing this policy, the Society considered the long-term expected return on its endowment. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

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

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with GAAPUSA, deficiencies of this nature that are reported in unrestricted net assets were \$322 and \$670 as of December 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

CHICAGO HORTICULTURAL SOCIETY

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(000s omitted)

14. ENDOWMENT (CONTINUED)

Endowment net assets composition by type of fund as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (322)	\$ 6,466	\$ 21,348	\$ 27,492
Board-designated endowment funds	<u>27,599</u>	<u>-</u>	<u>-</u>	<u>27,599</u>
Total Funds	<u>\$ 27,277</u>	<u>\$ 6,466</u>	<u>\$ 21,348</u>	<u>\$ 55,091</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ 20,800	\$ 4,801	\$ 20,167	\$ 45,768
Investment return:				
Investment income	479	381	-	860
Net appreciation (realized and change in unrealized)	<u>3,067</u>	<u>2,442</u>	<u>-</u>	<u>5,509</u>
Total investment return	<u>3,546</u>	<u>2,823</u>	<u>-</u>	<u>6,369</u>
Contributions	403		1,181	1,584
Appropriation of endowment assets for expenditure	(1,472)	(1,158)	-	(2,630)
Transfers to add assets to board-designated endowment funds	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Ending balance	<u>\$ 27,277</u>	<u>\$ 6,466</u>	<u>\$ 21,348</u>	<u>\$ 55,091</u>

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(000s omitted)

14. ENDOWMENT (CONTINUED)

Endowment net assets composition by type of fund as of December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (670)	\$ 4,801	\$ 20,167	\$ 24,298
Board-designated endowment funds	<u>21,470</u>	<u>-</u>	<u>-</u>	<u>21,470</u>
Total Funds	<u>\$ 20,800</u>	<u>\$ 4,801</u>	<u>\$ 20,167</u>	<u>\$ 45,768</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ 11,771	\$ -	\$ 20,065	\$ 31,836
Net asset reclassification based on change in law	<u>(2,885)</u>	<u>2,885</u>	<u>-</u>	<u>-</u>
Endowment net assets after reclassification	<u>8,886</u>	<u>2,885</u>	<u>20,065</u>	<u>31,836</u>
Investment return:				
Investment income	319	253	-	572
Net appreciation (realized and change in unrealized)	<u>3,759</u>	<u>2,991</u>	<u>-</u>	<u>6,750</u>
Total investment return	4,078	3,244	-	7,322
Contributions	544		102	646
Appropriation of endowment assets for expenditure	(1,008)	(1,328)	-	(2,336)
Transfers to add assets to board-designated endowment funds	<u>8,300</u>	<u>-</u>	<u>-</u>	<u>8,300</u>
Ending balance	<u>\$ 20,800</u>	<u>\$ 4,801</u>	<u>\$ 20,167</u>	<u>\$ 45,768</u>

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(000s omitted)

15. EMPLOYEE BENEFIT PLAN

The Society sponsors an Internal Revenue Code Section 403(b) defined contribution money purchase retirement plan. Participation in the plan is voluntary for all eligible employees who have completed one year of service. The employee and the Society make contributions to the plan trustee. The Society's expense for this plan for 2010 and 2009 was \$245 and \$238, respectively.

Beginning in 2010, the Society established an Internal Revenue Code Section 457(b) Plan covering employees with certain contractual arrangements. The benefits under the plan are contingent upon completion of contractual obligations and are valued on an annual basis to reflect the return on the Society's investments. The value of these funds was \$45 as of December 31, 2010. The Society contributed benefits of \$45 under this plan for the year ended December 31, 2010.

16. CONCENTRATIONS

The Society maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant credit risk on cash.

17. RELATED-PARTY TRANSACTIONS

The Society purchases goods and services from several businesses that are associated with the Board of Directors in its normal course of business. Total expenditures to these related companies amounted to \$807 and \$745 for 2010 and 2009, respectively. These goods and services were provided at rates consistent with the market rates for not-for-profit organizations.

18. RECLASSIFICATIONS

For comparability, the 2009 consolidated financial statements reflect reclassifications where appropriate to conform to the consolidated financial statement presentation used in 2010.