

**LCU FOUNDATION  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**LCU FOUNDATION  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
LCU Foundation

We have audited the accompanying statements of financial position of LCU Foundation ("LCU") as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of LCU'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LCU's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of LCU Foundation as of December 31, 2009 and 2008, and its changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, effective January 1, 2009, LCU changed its method of accounting for uncertainty in income taxes, and effective January 1, 2008, adopted new accounting guidance with respect to fair value measurements.

  
CERTIFIED PUBLIC ACCOUNTANTS

May 3, 2010

**LCU FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 727,792	\$ 792,035
Investments, at fair value	15,245,928	12,812,049
Prepaid expenses	4,901	9,696
Prepaid and refundable income taxes	16,899	28,300
Other receivable	<u>3,075</u>	<u>5,812</u>
Total current assets	15,998,595	13,647,892
Fixed assets, at cost, less accumulated depreciation of \$20,416 and \$15,642 in 2009 and 2008, respectively	14,318	19,092
Security deposits	<u>10,282</u>	<u>10,282</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,023,195</u></b>	<b><u>\$ 13,677,266</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 200	\$ 1,100
Taxes payable	<u>1,338</u>	<u>-</u>
Total current liabilities	<u>1,538</u>	<u>1,100</u>
Commitments (Note 5)		
Net assets:		
Unrestricted	16,003,657	13,658,166
Permanently restricted	<u>18,000</u>	<u>18,000</u>
Total net assets	<u>16,021,657</u>	<u>13,676,166</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 16,023,195</u></b>	<b><u>\$ 13,677,266</u></b>

See accompanying notes to financial statements.

**LCU FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009		2008			
	Total	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted
Revenues, gains and other support:						
Dividend and interest income	\$ 419,508	\$ 419,508	\$ -	\$ 603,910	\$ 603,910	\$ -
Net realized and unrealized gains (losses) on investments	2,535,177	2,535,177	-	(5,596,083)	(5,596,083)	-
Contributions	<u>31,009</u>	<u>31,009</u>	-	<u>23,089</u>	<u>23,089</u>	-
Total revenues, gains and other support	<u>2,985,694</u>	<u>2,985,694</u>	-	<u>(4,969,084)</u>	<u>(4,969,084)</u>	-
Expenses:						
Grants	430,000	430,000	-	885,000	885,000	-
General and administrative	<u>210,203</u>	<u>210,203</u>	-	<u>302,763</u>	<u>302,763</u>	-
Total expenses	<u>640,203</u>	<u>640,203</u>	-	<u>1,187,763</u>	<u>1,187,763</u>	-
Change in net assets	2,345,491	2,345,491	-	(6,156,847)	(6,156,847)	-
Net assets - beginning	<u>13,676,166</u>	<u>13,658,166</u>	<u>18,000</u>	<u>19,833,013</u>	<u>19,815,013</u>	<u>18,000</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 16,021,657</u>	<u>\$ 16,003,657</u>	<u>\$ 18,000</u>	<u>\$ 13,676,166</u>	<u>\$ 13,658,166</u>	<u>\$ 18,000</u>

See accompanying notes to financial statements.

**LCU FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,345,491	\$ (6,156,847)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	4,773	4,870
Loss on sale of investments	1,315,965	529,528
Unrealized loss (gain) on investments	(3,851,142)	5,066,555
Changes in assets and liabilities:		
Prepaid expenses	4,795	11,183
Accounts payable and accrued expenses	28,738	(5,702)
Prepaid and refundable taxes	(16,899)	(68,300)
Other receivable	<u>2,737</u>	<u>(1,659)</u>
Net cash used in operating activities	<u>(165,542)</u>	<u>(620,372)</u>
Cash flows from investing activities:		
Purchases of fixed assets	-	(2,323)
Proceeds from sale of investments	3,633,198	9,283,159
Purchase of investments	<u>(3,531,899)</u>	<u>(8,018,862)</u>
Net cash provided by investing activities	<u>101,299</u>	<u>1,261,974</u>
Net increase (decrease) in cash and cash equivalents	(64,243)	641,602
Cash and cash equivalents - beginning	<u>792,035</u>	<u>150,433</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 727,792</u></b>	<b><u>\$ 792,035</u></b>

See accompanying notes to financial statements.

**LCU FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

LCU Foundation ("LCU") invests in the future of women pursuing careers that serve the community. By easing the financial burden of New York City housing, LCU gives these women independence and the opportunity to devote themselves to their education. LCU provides housing grants to educational institutions located in New York City.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. LCU classifies net assets, revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics are combined into similar categories, as follows:

- Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets are assets whose use has been limited by donors to a specific time period and/or purpose. There were no temporarily restricted net assets at December 31, 2009 and 2008.
- Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity. At December 31, 2009 and 2008, funds to be held in perpetuity, the income from which is unrestricted, amounted to \$18,000.

Recently Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that established the FASB Accounting Standards Codification ("Codification" or "ASC") as the source of authoritative generally accepted accounting principles ("GAAP") recognized by the FASB to be applied to all nongovernmental entities. The Codification supersedes all of the existing accounting and reporting standards applicable to privately held companies upon its effective date and, subsequently, the FASB will not issue new standards in the form of FASB Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. The guidance is not intended to change or alter existing GAAP. The guidance became effective for LCU for the fiscal year ended December 31, 2009. The guidance did not have an impact on LCU's financial position, results of operations or cash flows. All references to previous numbering of FASB Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts have been removed from the financial statements and accompanying notes.

In September 2006, the FASB issued authoritative guidance for fair value measurements, which has been codified in FASB ASC 820, *Fair Value Measurements and Disclosures*. The new guidance enhances existing guidance for measuring assets and liabilities at fair value. The guidance defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The Company adopted the standard as amended by subsequent FASB standards beginning January 1, 2008, on a prospective basis, with respect to fair value measurements of

LCU FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Adopted Accounting Pronouncements (Continued)

assets and liabilities that are measured at fair value on a recurring basis (at least annually) in periods subsequent to initial recognition. In February 2008, the FASB issued authoritative guidance that permits companies to partially defer the guidance for one year for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The remaining aspects of the fair value measurement standard were adopted prospectively beginning January 1, 2009, and did not have a material effect on the accompanying financial statements.

In May 2009, the FASB issued guidance related to subsequent events, which was primarily codified into FASB ASC 855, *Subsequent Events*. This guidance establishes general standards of accounting for and disclosure of events that occur after the date of the statement of financial position but before financial statements are issued. In particular, the guidance sets forth: (1) the period after the date of the statement of financial position during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the date of the statement of financial position in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the date of the statement of financial position.

FASB ASC 855 is effective for interim or annual periods ending after June 15, 2009, and is to be applied prospectively. LCU adopted FASB ASC 855 as of December 31, 2009. LCU has evaluated all events or transactions that occurred after December 31, 2009, up through the date that the financial statements were available to be issued on May 3, 2010.

On January 1, 2009, LCU adopted the new standard regarding accounting for uncertainty in income taxes. LCU is required to apply the "more likely than not" threshold to the recognition and derecognition of tax positions. The standard also provides guidance on the measurement of tax positions, balance sheet classification, interest and penalties, accounting in interim periods, disclosures and transition. Adoption of the standard did not have a material effect on LCU's financial statements.

Use of Estimates

The preparation of financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

LCU classifies highly liquid investments with maturity dates of three months or less when purchased as cash equivalents. Cash balances are maintained at a financial institution and a brokerage firm. At times, LCU maintains balances in excess of the insured amounts.



**LCU FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fixed Assets and Depreciation

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using both straight-line and accelerated methods over the estimated useful lives of the assets, which are as follows:

Equipment	7 years
Furniture and fixtures	7 years
Computers	5 years
Leasehold improvements	15 years

Cash Flow

Net cash provided by operating activities for the years ended December 31, 2009 and 2008, reflects cash payments of \$0 and \$73,040, respectively, for an excise tax on investment income.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the new standard, fair value is defined as the exit price, or the amount 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.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that LCU has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**LCU FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

LCU is an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. As a private foundation, LCU is subject to minimum distribution requirements and an excise tax on net investment income.

Since the guidance related to accounting for uncertainty in income taxes discussed in "Recently adopted accounting pronouncements" above was not required for the 2008 financial statements, LCU continued to utilize its prior policy of accounting for contingencies with respect to accounting for uncertain tax positions in those financial statements. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, LCU had no uncertain tax positions that qualified for either recognition or disclosure in the 2008 financial statements.

LCU files income tax returns within the U.S. federal jurisdiction and in New York State and local jurisdictions. LCU is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2006.

**NOTE 3. INVESTMENTS**

Investments, which consist of mutual funds/investments, are stated at fair value. Accordingly, the net gains from investment activities for the year represent the net change in the carrying value of securities owned as of the date of the statement of financial position, as well as the net gain recognized from the sale of securities. For the years ended December 31, 2009 and 2008, there was an unrealized gain (loss) of \$3,851,143 and \$(5,066,555), respectively. Advisory fees for the years ended December 31, 2009 and 2008, were \$52,500 and \$57,000, respectively, and are netted against investment income.

Investments consisted of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Investments, at cost	\$ 16,241,296	\$ 17,650,565
Unrealized losses	<u>(995,368)</u>	<u>(4,838,516)</u>
Investments, at fair value	<u>\$ 15,245,928</u>	<u>\$ 12,812,049</u>

**LCU FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 4. FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 16,520	\$ 16,520
Leasehold improvements	7,820	7,820
Office equipment	2,020	2,020
Computer	<u>8,374</u>	<u>8,374</u>
	34,734	34,734
Less: accumulated depreciation	<u>(20,416)</u>	<u>(15,642)</u>
Fixed assets, net	<u>\$ 14,318</u>	<u>\$ 19,092</u>

Depreciation expense was \$4,773 and \$4,870 for the years ended December 31, 2009 and 2008, respectively.

**NOTE 5. COMMITMENTS**

Grants

At its February 11, 2010 board meeting, LCU approved grants to educational institutions and charitable organizations in the amount of \$507,000 for the calendar year 2010.

Operating Leases

On December 2, 2005, LCU entered into a ten-year and three-month lease agreement for new office space. The lease commenced on March 1, 2006.

The minimum rental payments for each of the next five years and thereafter are as follows:

<u>Year ending December 31:</u>	
2010	\$ 40,000
2011	42,000
2012	43,000
2013	44,000
2014	45,000
Thereafter	<u>64,000</u>
Total minimum lease payments	<u>\$ 278,000</u>

Rent expense for the years ended December 31, 2009 and 2008, totaled \$40,016 and \$39,765, respectively.

**NOTE 6. EMPLOYEE BENEFIT PLAN**

LCU has a SIMPLE IRA Plan that plan provides for all employees to participate in an elective deferral, and for LCU to provide for a 3% matching contribution, up to an aggregate of \$6,000. During 2009 and 2008, LCU contributed \$1,686 and \$4,039, respectively, to the retirement plan.

**LCU FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**NOTE 7. FAIR VALUE MEASUREMENTS**

As of December 31, 2009 and 2008, LCU's investments are considered Level 1 within the valuation hierarchy, which are valued based upon quoted prices available in active markets for identical investments.

<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 695,666	\$ -	\$ -	\$ 695,666
Mutual funds	<u>15,245,928</u>	<u>-</u>	<u>-</u>	<u>15,245,928</u>
	<u>\$ 15,941,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,941,594</u>

<u>December 31, 2008</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 779,719	\$ -	\$ -	\$ 779,719
Mutual funds	<u>12,812,049</u>	<u>-</u>	<u>-</u>	<u>12,812,049</u>
	<u>\$ 13,591,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,591,768</u>

**ADDITIONAL INFORMATION**

## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors  
LCU Foundation

Our report on our audits of the basic financial statements of LCU Foundation for the years ended December 31, 2009 and 2008, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the schedules of expenses on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

May 3, 2010

  
CERTIFIED PUBLIC ACCOUNTANTS

**LCU FOUNDATION**  
**SCHEDULE I - GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Salaries and wages	\$ 89,109	\$ 120,911
Rent and utilities	40,016	39,765
Professional fees	24,284	26,065
Payroll taxes and employee welfare	8,059	11,227
Miscellaneous	7,599	13,848
Insurance	8,848	8,935
Depreciation	4,773	4,870
Printing and postage	4,215	5,025
Telephone	4,030	2,584
Temporary salaries	3,156	6,498
Equipment rentals	2,235	1,853
Repairs and maintenance	1,809	9,077
Professional dues	1,696	1,600
Employee benefit plans	1,686	4,039
Data processing	1,050	1,351
Excise tax	7,638	6,391
Contributions	-	500
Events	-	<u>38,224</u>
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>\$ <u>210,203</u></b>	<b>\$ <u>302,763</u></b>

See independent auditors' report on additional information.