

**LCU FOUNDATION
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
YEARS ENDED DECEMBER 31, 2010 AND 2009**

**LCU FOUNDATION
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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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, 2010 and 2009, 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, 2010 and 2009, 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 3, 2011

LCU FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 897,195	\$ 727,792
Investments, at fair value	15,924,805	15,245,928
Prepaid expenses	2,380	4,901
Prepaid and refundable income taxes	-	16,899
Other receivable	<u>1,420</u>	<u>3,075</u>
Total current assets	16,825,800	15,998,595
Fixed assets, less accumulated depreciation of \$24,584 and \$20,416 in 2010 and 2009, respectively	10,150	14,318
Security deposits	<u>10,282</u>	<u>10,282</u>
TOTAL ASSETS	<u>\$ 16,846,232</u>	<u>\$ 16,023,195</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 9,200	\$ 200
Taxes payable	<u>624</u>	<u>1,338</u>
Total current liabilities	<u>9,824</u>	<u>1,538</u>
Commitments (Note 5)		
Net assets:		
Unrestricted	16,818,408	16,003,657
Permanently restricted	<u>18,000</u>	<u>18,000</u>
Total net assets	<u>16,836,408</u>	<u>16,021,657</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,846,232</u>	<u>\$ 16,023,195</u>

See accompanying notes to financial statements.

LCU FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	Total	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted
Revenues, gains and other support:						
Dividend, interest and other income, net	\$ 467,329	\$ 467,329	\$ -	\$ 418,463	\$ 418,463	\$ -
Net realized and unrealized gains on investments	992,288	992,288	-	2,535,177	2,535,177	-
Contributions	<u>57,050</u>	<u>57,050</u>	-	<u>31,009</u>	<u>31,009</u>	-
Total revenues, gains and other support	<u>1,516,667</u>	<u>1,516,667</u>	-	<u>2,984,649</u>	<u>2,984,649</u>	-
Expenses:						
Grants	507,000	507,000	-	430,000	430,000	-
General and administrative	<u>194,916</u>	<u>194,916</u>	-	<u>209,158</u>	<u>209,158</u>	-
Total expenses	<u>701,916</u>	<u>701,916</u>	-	<u>639,158</u>	<u>639,158</u>	-
Increase in net assets	814,751	814,751	-	2,345,491	2,345,491	-
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 16,836,408</u>	<u>\$ 16,818,408</u>	<u>\$ 18,000</u>	<u>\$ 16,021,657</u>	<u>\$ 16,003,657</u>	<u>\$ 18,000</u>

See accompanying notes to financial statements.

**LCU FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 814,751	\$ 2,345,491
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	4,168	4,773
Loss on sale of investments	669,104	1,315,965
Unrealized gain on investments	(1,661,392)	(3,851,142)
Distributive share of income	(13,830)	-
Changes in assets and liabilities:		
Prepaid expenses	2,521	4,795
Accounts payable and accrued expenses	9,000	28,738
Prepaid and refundable taxes	16,899	(16,899)
Other receivable	1,655	2,737
Income taxes payable	(714)	-
Net cash used in operating activities	<u>(157,838)</u>	<u>(165,542)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	6,695,828	3,633,198
Purchase of investments	<u>(6,368,587)</u>	<u>(3,531,899)</u>
Net cash provided by investing activities	<u>327,241</u>	<u>101,299</u>
Net increase (decrease) in cash and cash equivalents	169,403	(64,243)
Cash and cash equivalents - beginning	<u>727,792</u>	<u>792,035</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 897,195</u>	<u>\$ 727,792</u>

See accompanying notes to financial statements.

LCU FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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, 2010 and 2009.
- Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity. At December 31, 2010 and 2009, funds to be held in perpetuity, the income from which is unrestricted, amounted to \$18,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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, 2010 AND 2009

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, 2010 and 2009, reflects \$1,312 and \$0, respectively, of cash payments for an excise tax on investment income.

Fair Value Measurements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This update amends FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, to require new disclosures for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques, and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3. These disclosures are effective for reporting periods beginning after December 15, 2009. Additional new disclosures regarding the purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010. LCU adopted certain of the relevant disclosure provisions of ASU 2010-06 on January 1, 2010, and will adopt certain other provisions on January 1, 2011.

FASB ASC 820 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.

LCU FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

On January 1, 2009, LCU adopted, prospectively, new accounting guidance found in FASB ASC 820 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Adoption of the new guidance did not have a material impact on LCU's financial statements.

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.

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.

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 taxing authorities for years before 2007.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, LCU has evaluated subsequent events through May 3, 2011, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

LCU FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 3. INVESTMENTS

Investments, which consist of mutual funds/investments and an investment in a private investment fund, 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, 2010 and 2009, there was an unrealized gain of \$1,661,392 and \$3,851,143, respectively. Advisory fees for the years ended December 31, 2010 and 2009, were \$50,000 and \$52,500, respectively, and are netted against investment income.

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

	<u>2010</u>	<u>2009</u>
Mutual funds/investments at cost	\$ 13,652,606	\$ 16,241,296
Private investment fund, at cost	1,600,000	-
Unrealized gain (losses)	<u>672,199</u>	<u>(995,368)</u>
Investments, at fair value	<u>\$ 15,924,805</u>	<u>\$ 15,245,928</u>

NOTE 4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</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>(24,584)</u>	<u>(20,416)</u>
Fixed assets, net	<u>\$ 10,150</u>	<u>\$ 14,318</u>

Depreciation expense was \$4,168 and \$4,773 for the years ended December 31, 2010 and 2009, respectively.

NOTE 5. COMMITMENTS

Grants

At its February 10, 2011 board meeting, LCU approved grants to educational institutions and charitable organizations in the amount of \$530,000 for the calendar year 2011.

**LCU FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 5. COMMITMENTS (CONTINUED)

Operating Leases

On December 2, 2005, LCU entered into a ten-year and three-month lease agreement for new office space commencing 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>	
2011	\$ 42,000
2012	43,000
2013	44,000
2014	45,000
2015	46,000
Thereafter	<u>18,000</u>
Total minimum lease payments	<u>\$ 238,000</u>

Rent expense for the years ended December 31, 2010 and 2009, totaled \$40,484 and \$39,338, 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 2010 and 2009, LCU contributed \$1,236 and \$1,686, respectively, to the retirement plan.

NOTE 7. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach*: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach*: Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach*: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

As of December 31, 2010 and 2009, LCU's investments are considered Level 1 and Level 2 within the valuation hierarchy valued based upon quoted prices available in active markets for identical investments.

LCU FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

<u>December 31, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Valuation Technique</u>
Money market funds	\$ 836,561	\$ -	\$ -	\$ 836,561	(a)
Mutual funds	14,192,863	-	-	14,192,863	(a)
Private investment fund	-	1,731,942	-	1,731,942	(a)
	<u>\$ 15,029,424</u>	<u>\$ 1,731,942</u>	<u>\$ -</u>	<u>\$ 16,761,366</u>	

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

As of December 31, 2010 LCU has an investment in Hammond Associates Access Equity Enhanced Fund, L.P. (the "Fund"). The Fund is an open-end private investment fund currently offering monthly subscription and redemption options to investors. Investments in the Fund can be redeemed monthly with 15 days' prior notice, and there is no lock-up period or redemption gate inhibiting redemptions. As of December 31, 2010, the Fund's investment portfolio was held in Level 1 and Level 2 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments in securities, at fair value	\$ 63,463,939	\$ -	\$ -	\$ 63,463,939
Investment in affiliated private investment fund	-	55,237,046	-	55,237,046
Unrealized appreciation on futures contracts	122,638	-	-	122,638
Total assets	<u>\$ 63,586,577</u>	<u>\$ 55,237,046</u>	<u>\$ -</u>	<u>\$ 118,823,623</u>
Liabilities:				
Securities sold, not yet purchased, at fair value	\$ 4,296,151	\$ -	\$ -	\$ 4,296,151
Unrealized depreciation on futures contracts	67,340	-	-	67,340
Options written, at fair value	76,190	-	-	76,190
Total liabilities	<u>\$ 4,439,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,439,681</u>

ADDITIONAL INFORMATION



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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, 2010 and 2009, 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 3, 2011

LCU FOUNDATION
SCHEDULE I - GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Salaries and wages	\$ 64,000	\$ 89,109
Rent and utilities	35,424	38,971
Professional fees	23,955	24,284
Payroll taxes and employee welfare	7,870	8,059
Fundraising expenses	6,118	-
Insurance	5,193	8,848
Depreciation	4,168	4,773
Printing and postage	14,201	4,215
Telephone	3,513	4,030
Temporary salaries	708	3,156
Equipment rentals	1,836	2,235
Repairs and maintenance	902	1,809
Professional dues	1,878	1,696
Employee benefit plans	1,236	1,686
Data processing	844	1,050
Excise tax	10,312	7,638
Miscellaneous	7,151	7,599
Events	<u>5,607</u>	<u>-</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ <u>194,916</u>	\$ <u>209,158</u>

See independent auditors' report on additional information.