CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.

FINANCIAL STATEMENTS

June 30, 2011 and 2010

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.
Bloomington, Indiana

FINANCIAL STATEMENTS
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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Children's Organ Transplant Association, Inc.
Bloomington, Indiana

We have audited the accompanying statements of financial position of Children's Organ Transplant Association, Inc. (COTA) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the COTA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 14, 2011

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 202,156	$ 355,569
Interest receivable	281,000	255,000
Accounts receivable	50,236	60,471
Pledges receivable (Note 2)	138,223	129,380
Prepaids and other assets	30,627	46,254
Investments (Note 6)	21,994,129	21,339,276
Property and equipment, net (Note 5)	564,729	624,607
	$ 23,261,100	$ 22,810,557
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 69,908	$ 63,639
Line of credit (Note 7)	93,193	69,902
Note payable	4,305	14,527
	167,406	148,068
Net assets		
Unrestricted net assets	(490,141)	191,860
Unrestricted net assets, board designated	2,489,175	2,489,175
Total unrestricted	1,999,034	2,681,035
Temporarily restricted net assets	20,861,779	19,795,856
Permanently restricted net assets	232,881	185,598
	23,093,694	22,662,489
	$ 23,261,100	$ 22,810,557

See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
REVENUE								
Contributions	$ 189,334	$ 4,238,921	$ 47,283	$ 4,475,538	$ 181,116	$ 3,395,030	$ 163,410	$ 3,739,556
Other fundraising and net proceeds from special events	46,342	-	-	46,342	(9,555)	-	-	(9,555)
Interest and dividend income (net of investment expenses of $76,995 and $62,145)	1,286,179	471	-	1,286,650	1,188,903	-	-	1,188,903
Realized and unrealized gain (loss) on investments	(654,686)	956	-	(653,730)	1,238,249	-	-	1,238,249
Lease income and other	98,557	-	-	98,557	91,218	-	-	91,218
Net assets released from restrictions	3,174,425	(3,174,425)	-	-	2,416,512	(2,416,512)	-	-
Total revenues	4,140,151	1,065,923	47,283	5,253,357	5,106,443	978,518	163,410	6,248,371
EXPENSES								
Patient campaign program	4,043,220	-	-	4,043,220	3,228,697	-	-	3,228,697
Donor awareness program	30,078	-	-	30,078	40,244	-	-	40,244
Total program expenses	4,073,298	-	-	4,073,298	3,268,941	-	-	3,268,941
Management and general	540,728	-	-	540,728	451,693	-	-	451,693
Fundraising	208,126	-	-	208,126	183,753	-	-	183,753
Total expenses	4,822,152	-	-	4,822,152	3,904,387	-	-	3,904,387
Change in net assets	(682,001)	1,065,923	47,283	431,205	1,202,056	978,518	163,410	2,343,984
Net assets, beginning of year	2,681,035	19,795,856	185,598	22,662,489	1,478,979	18,817,338	22,188	20,318,505
Net assets, end of year	$ 1,999,034	$ 20,861,779	$ 232,881	$ 23,093,694	$ 2,681,035	$ 19,795,856	$ 185,598	$ 22,662,489

See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2011 (with summary total for the year ended June 30, 2010

	Patient Campaign	Donor Awareness	Management and General	Fundraising	2011 Total	2010 Total
Salaries and wages	$ 405,772	$ 18,532	$ 290,206	$ 102,218	$ 816,728	$ 753,179
Payroll taxes	32,310	1,190	23,788	6,384	63,672	55,253
Employee benefits	90,906	3,243	62,424	21,642	178,215	140,489
Professional services and fees	22,519	404	21,411	25,174	69,508	81,894
Transplant patient-related expenses	3,174,425	-	-	-	3,174,425	2,416,512
Travel	105,510	1,923	47,830	1,303	156,566	140,497
Certification fees	10,236	-	-	-	10,236	10,432
Advertising	83,099	2,448	22,484	29,786	137,817	72,167
Utilities	4,005	120	2,514	964	7,603	7,598
Insurance	8,310	277	5,315	2,015	15,917	18,922
Repairs and maintenance	7,441	204	4,793	1,751	14,189	30,122
Depreciation	34,163	1,068	21,609	8,249	65,089	66,439
Supplies and office equipment	11,330	88	12,886	491	24,795	24,565
Postage	30,125	273	7,945	5,016	43,359	43,670
Telephone	10,525	198	4,815	1,528	17,066	16,323
Miscellaneous	12,544	110	12,708	1,605	26,967	26,325
	$ 4,043,220	$ 30,078	$ 540,728	$ 208,126	$ 4,822,152	$ 3,904,387

See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2010

	Patient Campaign	Donor Awareness	Management and General	Fundraising	2010 Total
Salaries and wages	$ 408,320	$ 25,746	$ 231,759	$ 87,354	$ 753,179
Payroll taxes	30,058	1,718	18,917	4,560	55,253
Employee benefits	71,748	4,148	49,120	15,473	140,489
Professional services and fees	26,770	1,059	24,264	29,801	81,894
Transplant patient-related expenses	2,416,512	-	-	-	2,416,512
Travel	97,239	1,451	39,870	1,937	140,497
Certification fees	10,432	-	-	-	10,432
Advertising	45,394	2,103	8,055	16,615	72,167
Utilities	3,831	180	2,633	954	7,598
Insurance	9,540	448	6,557	2,377	18,922
Repairs and maintenance	13,894	624	12,295	3,309	30,122
Depreciation	33,499	1,574	23,021	8,345	66,439
Supplies and office equipment	10,974	321	12,536	734	24,565
Postage	27,850	585	5,437	9,798	43,670
Telephone	9,641	280	4,918	1,484	16,323
Miscellaneous	12,995	7	12,311	1,012	26,325
	$ 3,228,697	$ 40,244	$ 451,693	$ 183,753	$ 3,904,387

See accompanying notes to financial statements.

CHILDREN'S ORGAN TRANSPLANT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 431,205	$ 2,343,984
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	65,089	66,439
Realized and unrealized loss/(gain) on investments	653,730	(1,238,249)
Change in assets and liabilities		
Interest receivable	(26,000)	(25,500)
Accounts receivable	10,235	(32,562)
Pledge receivable	(8,843)	(99,380)
Prepaid and other assets	15,627	(7,993)
Accounts payable and accrued expenses	6,269	(2,936)
Net cash from operating activities	1,147,312	1,003,803
Cash flows from investing activities		
Purchase property and equipment	(5,211)	(19,735)
Proceeds from sale of investments	7,137,446	16,448,713
Purchase of investments	(8,446,029)	(17,233,863)
Net cash from investing activities	(1,313,794)	(804,885)
Cash flows from financing activities		
Proceeds from short term debt	144,291	285,000
Payment of short term debt	(121,000)	(250,000)
Payment on note payable	(10,222)	(10,031)
Net cash from financing activities	13,069	24,969
Net change in cash and cash equivalents	(153,413)	223,887
Cash and cash equivalents at beginning of year	355,569	131,682
Cash and cash equivalents at end of year	$ 202,156	$ 355,569
Supplemental cash flow information		
Interest paid	$ 1,494	$ 2,429

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Children's Organ Transplant Association, Inc. (COTA) was incorporated as a not-for-profit organization in 1986 under the laws of the State of Indiana. Throughout the United States, COTA assists families with children in need of organ transplants in fundraising efforts. COTA also educates the public regarding the need for organ and tissue donations.

COTA is made up of a Board of Directors, a dedicated staff and volunteer campaign coordinators. The Board sets the direction of COTA, makes policy and reviews the status of the organization on a regular basis. The staff implements the direction and policy set by the Board and runs the day-to-day operations of COTA. Staff duties include the management of the National Headquarters; the organization and development of new campaigns; continuing support of existing campaigns; financial accounting and reporting for patient accounts; the recruitment, training and support of volunteer corps; promotions and public relations of COTA; and the development of national fundraising programs to run the organization.

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Income Taxes: COTA is exempt from income taxes on income from related activities under Section 501(c) (3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, COTA has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

COTA is subject to income taxes on income generated from activities that are unrelated to its exempt purpose. Unrelated business income taxes totaled $0 for the years ended June 30, 2011 and 2010.

Financial Accounting Standards Board (FASB) guidance states that a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit will be recorded.

COTA is generally no longer subject to examination by taxing authorities for years before 2008. COTA does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. COTA recognizes interest and/or penalties related to income tax matters in income tax expense. COTA did not have any amounts accrued for interest and penalties at June 30, 2011 and 2010.

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

Use of Estimates in Preparation of Financial Statements: 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to $250,000 per financial institution. Additionally, for purposes of the statement of cash flows, COTA considers all highly liquid investments purchased with an original maturity of 3 months or less to be cash equivalents. From time to time COTA's cash balances exceed federally insured limits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments are recorded at fair value based on estimates made by the investment trust administrators using current quoted market prices or the market prices of similar securities. Alternative investments such as limited partnerships, structured notes and real estate investment trusts are valued based upon net asset values or other unobservable inputs, as independent market valuations are not available. COTA believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

Investments are initially recorded at cost if they were purchased or at their fair value on the date of the gift if they were received as a donation. Unrealized gains and losses on investments are included in the statements of activities.

COTA's Board of Directors has approved an investment policy statement which the Board believes is a conservative approach toward preserving investment capital and meeting the cash flow needs of the organization.

Accounts Receivable: Accounts receivable balance represents the balance due to COTA in relation to the straight-line recognition of lease income under lease agreements where COTA is the lessor.

Pledges Receivable: Pledges receivable represent the remaining balance of unconditional promises to give that have not yet been paid. Pledges that are expected to be collected within one year or less are recorded at net realizable value. Pledges that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The pledges have been discounted using a risk-weighed interest rate applicable during the time the pledge was made. Amortization of the pledge discounts are recognized as contribution revenue each year until the pledge is paid in full. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Allowance for Doubtful Accounts: The allowance for uncollectible accounts and pledges is determined by management based upon COTA's historical losses, specific circumstances and general economic conditions. Periodically, management reviews receivables and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with COTA's collection policy. At June 30, 2011 and 2010, management estimated that no allowance was needed.

Property and Equipment: Property and equipment are stated at cost or, if donated to COTA, at fair value on the date of acquisition. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method. COTA has a capitalization policy that states that all property and equipment in excess of $1,000 are to be capitalized and depreciated. The estimated useful lives are as follows:

	Years
Building and improvements	10-40
Office furniture and equipment	3-10

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unrestricted Net Assets: Unrestricted net assets represents contributions by donors and other revenues and all related expenses that the Board of Directors has discretionary control to use in carrying on the operations of COTA.

Unrestricted Net Assets, Board Designated: The Board of Directors has designated certain unrestricted net assets as the "Vernon B. Smith Memorial Fund." These funds are to be used for transplant-related expenses for the benefit of transplant patients using COTA's services.

Temporarily Restricted Net Assets: Temporarily restricted net assets are those net assets whose use has been limited by donors to later periods or to specified purposes. The majority of the temporarily restricted net assets are restricted by donor-imposed requirements that the funds be used for transplant-related expenses for patients served by COTA. COTA also has two temporarily restricted net asset accounts that require that the funds be used for transplant and transplant-related expenses for patients who reside within specific geographic areas. Net assets are released from restrictions when used for the satisfaction of program restrictions.

Permanently Restricted Net Assets: Permanently restricted net assets are those net assets for which the donor has stipulated that the contribution be maintained in perpetuity as an endowment to support future operations and program activities. Donor-imposed restrictions limiting the use of assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. Investment earnings on the endowment become part of the endowment's corpus if they are not spent in the year earned, per donor restriction.

Donated Services: In addition to receiving cash contributions, COTA receives in-kind contributions from various donors. It is the policy of COTA to record the estimated fair value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. For the years ended June 30, 2011 and 2010 there were no in-kind contributions.

Additionally, contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Advertising: Advertising costs are expensed during the period in which the advertising first takes place.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2011 and 2010 are unconditional promises to give from various donors. The pledges that are expected to be collected beyond one year have been discounted using a discount rate of 3.0%. Management believes that the pledges are fully collectible, and thus no allowance for uncollectible pledges is deemed necessary.

The following is the detail of the pledges receivable balances at June 30, 2011 and 2010:

	2011	2010
Amounts receivable in:		
Less than one year	$ 63,346	$ 35,979
One to five years	78,632	99,274
Total amounts receivable	141,978	135,253
Less: unamortized discounts	(3,755)	(5,873)
Net pledges receivable	$ 138,223	$ 129,380

NOTE 3 - PATIENT ACCOUNTS

A patient relationship is initiated by a family requesting assistance from COTA to help organize a fundraising campaign. The family signs a contract (patient agreement) which gives COTA the right to raise funds on behalf of the patient and use the patient's picture and story as promotional material. COTA works with the family to set-up the campaign's initial organization prior to COTA's on-site visit. From there, volunteers, family and COTA work as a team to raise the necessary funds to cover the costs of transplant and related costs.

At the start of the campaign, COTA sets up a Corporate Depository Account (field bank account) for the campaign, and all previous fundraising accounts are transferred to the field account. COTA assumes responsibility and control of these funds upon deposit in the field accounts. A volunteer designated by the family coordinates local fundraising efforts and the collections from local fundraising events and makes deposits to the field account. In addition, some donors send contributions directly to COTA's office. The funds are recorded as temporarily restricted contributions in COTA's accounting system when deposited.

Contributions received from donors with a restriction that they be used for patient transplant related expenses are allocated to specific patient accounts according to set procedures approved and reviewed by COTA’s Allocation Committee, a standing committee of the Board of Directors, on a quarterly basis. The allocations are based upon the estimated cost of the transplant that is needed by the patient. As transplant-related expenses are incurred by the patients, the funds are released from restriction.

When the patient has a successful transplant procedure, subsequent transplant-related expenses will continue to be reviewed for payment by COTA. When a patient passes away and after all transplant-related expenses are considered, the money remaining is re-allocated to a pool that is available for meeting approved expenses of other patient accounts. In addition to transplant expenses, these funds also pay for patient websites, merchant fees, and general emergency grants for patients. The Allocations Committee reviews the funding needs of patients on a quarterly basis, and reallocates funds to patient accounts as the needs arise. On an annual basis the needs of all past patients are reviewed for possible allocations. For the years ended June 30, 2011 and 2010, reallocations from the pool of funds from deceased patients were $752,788 and $237,253, respectively.

NOTE 3 - PATIENT ACCOUNTS (Continued)

Though COTA is dedicated to ensuring that no child is excluded from a life saving organ transplant because of a lack of funds, COTA is not legally required by contract to cover all transplant-related expenses. When COTA provides additional funding to a patient's campaign, COTA may utilize funds from the patient reallocation fund and the Vernon B. Smith Memorial Fund, at its discretion.

At June 30, 2011 and 2010, COTA had approximately 1,047 and 934 active patient accounts, representing $20,861,779 and $19,795,856 of temporarily restricted net assets. For the years ended June 30, 2011 and 2010, COTA had temporarily restricted contributions for transplant-related expenses of $4,238,921 and $3,395,030.

NOTE 4 - PATIENT COMMITMENTS AND GUARANTEES

Some health care providers may require a commitment from COTA to cover the transplant expense for an individual so that if a transplant organ becomes available, the hospital is assured that it will be paid for its services. After COTA has made a commitment to a health care provider for an individual patient, they continue to work with the family to raise money to cover the commitment made by COTA and other costs.

When an organ is available and a transplant has taken place, but the family has not raised enough money to cover COTA's commitment, then COTA records a contribution expense and guarantee liability on the statement of financial position. As of June 30, 2011 and 2010, no guarantee liabilities are outstanding.

NOTE 5 - PROPERTY AND EQUIPMENT

COTA's property and equipment are as follows at June 30:

	2011	2010
Land	$ 80,645	$ 80,645
Buildings and improvements	799,870	799,870
Office furniture and equipment	360,665	355,455
	1,241,180	1,235,970
Accumulated depreciation	(676,451)	(611,363)
	$ 564,729	$ 624,607

NOTE 6 - INVESTMENTS

COTA's investments at fair value consist of the following at June 30:

	2011	2010
Money market funds	$ 817,310	$ 433,757
Municipal bonds	8,812,844	9,029,687
Corporate bonds	7,688,628	6,213,981
Exchange traded funds	-	247,945
Mutual funds	71,583	31,658
Large cap equities	1,736,599	1,577,644
Preferred equities	860,225	554,362
Limited partnerships	1,833,920	2,936,424
Structured notes	173,020	313,818
	$ 21,994,129	$ 21,339,276

Investment return is comprised of the following at June 30:

	2011	2010
Interest and dividend income, net of investment expenses of $76,995 and $62,145 for 2011 and 2010	$ 1,286,650	$ 1,188,903
Realized gains on investments	$ 199,267	$ 159,581
Unrealized gains (losses) on investments	$ (852,997)	$ 1,078,668

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in COTA's financial statements.

NOTE 7 - LINE OF CREDIT

COTA has an unsecured line of credit at a local bank which provides for borrowings of up to $200,000. Interest is charged on amounts borrowed at a rate of 4.25% at June 30, 2011 and 2010. The line of credit expires on January 14, 2012. Outstanding balances at June 30, 2011 and 2010 were $93,193 and $69,902. Interest expense was $1,307 and $745 for the years ended June 30, 2011 and 2010.

NOTE 8 - EMPLOYEE BENEFITS

For the years ending June 30, 2011 and 2010, COTA sponsored two defined contribution retirement plans. Contributions to both plans are made for all employees with at least one year of service. The first plan requires mandatory employer contributions of 7% of each eligible employee's total compensation. Contributions under the second plan are a matching contribution by COTA. Each eligible employee may contribute up to the IRS limits of his or her salary and COTA will match 4% of their contribution. Considering both defined contribution plans, the maximum amount contributed by COTA cannot exceed 11% of each eligible employee's compensation. Employee benefit expense under these plans was $85,833 and $81,689 for the years ending June 30, 2011 and 2010.

NOTE 9 - OPERATING LEASE COMMITMENTS

COTA has entered into a lease agreement as the lessor of a portion of their headquarters building beginning September 15, 2008 through September 14, 2013. The lesee has an option to extend the term for four additional terms of five years each. The cost of insurance, taxes, and maintenance are paid by the lessee. Other expenses related to the lease are included in the general and administrative expense of COTA. Total minimum rentals to be collected under the operating lease with noncancelable lease terms as of June 30, 2011 over future fiscal years are:

2012	$ 106,800
2013	106,800
2014	17,800
	$ 231,400

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair values of equities, mutual funds, money market funds, and preferred equities are based on quoted prices on nationally recognized securities exchanges. (Level 1 inputs)

The fair value of corporate and municipal bonds are based on inputs that are observable, but not active using the market approach. These inputs include matrix pricing models and comparison to prices of similar asets. (Level 2 inputs)

The fair value of alternative investments, such as limited partnerships, are based upon the net asset value or its equivalent using the market method, as reported by the entities, with additional analysis performed by management, as such investments have significant unobservable valuation inputs. To the extent that a legal or contractual restriction is specific to (and an attribute of) the investment and, therefore, would transfer with the investment upon sale to another market participant, it is considered as part of the investment's fair value determination. (Level 3 inputs)

COTA has invested in nine limited partnerships which implement various investment strategies. The limited partnerships can be classified into three different types: real estate investment trust (REIT), energy royalties, and venture capital.

- REIT limited partnerships are comprised of seven different limited partnerships that operate similarly by acquiring, developing, and operating various types of industrial or commercial real estate properties. These REIT limited partnerships operate similarly to a REIT without the legal obligation to follow REIT specific regulations. Due to the investment strategy and life cycle of the REIT's these investments have the potential to be illiquid. As of June 30, 2011, three of the REIT's, valued at $470,451, are estimated to be liquidated between October 31, 2012 and December 31, 2017. The remaining REIT's do not have any planned liquidations at this time and management has estimated that there will be no liquidations for 10 to 15 years.

- Energy royalties are comprised of one limited partnership whose strategy is to purchase energy related royalty rights contracts (primarily oil and gas). No liquidation date has been set for this limited partnership; however, management has estimated that it will be liquidated in 10 to 15 years.

- Venture capital is comprised of one limited partnership with the purpose of equipment financing and acquiring equipment to engage in equipment lending and sales activities. No liquidation date has been set for this limited partnership; however, management has estimated that it will be liquidated in 10 to 15 years.

Currently there are no unfunded commitments to any of the limited partnerships in which COTA is invested.

COTA also holds certain bonds for which the issuer has entered bankruptcy. COTA has obtained price quotes for credit default swap contracts being sold on this debt. These contracts provide payment of face value of the instruments in exchange for the security upon default. The difference between face value of the security and the current price of credit default swap contracts is being used as an estimate of the fair value of these bonds using the market approach. (Level 3 input)

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table summarizes COTA's investments that are measured at fair value on a recurring basis as of June 30, 2011 and 2010:

June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs Level Two	Significant Unobservable Inputs Level Three	Total
Money market funds	$ 817,310	$ -	$ -	$ 817,310
Municipal bonds	-	8,812,844	-	8,812,844
Corporate bonds	-	7,688,628	-	7,688,628
Mutual funds	71,583	-	-	71,583
Large cap equities	1,736,599	-	-	1,736,599
Preferred equities	860,225	-	-	860,225
Limited partnerships:				
REITs	-	-	1,279,569	1,279,569
Energy royalties	-	-	274,902	274,902
Venture capital	-	-	279,449	279,449
Structured notes	-	-	173,020	173,020
	$ 3,485,717	$ 16,501,472	$ 2,006,940	$ 21,994,129

June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs Level Two	Significant Unobservable Inputs Level Three	Total
Money market funds	$ 433,757	$ -	$ -	$ 433,757
Municipal bonds	$ -	$ 9,029,687	$ -	9,029,687
Corporate bonds	-	6,213,981	-	6,213,981
Exchange traded funds	247,945	-	-	247,945
Mututal funds	$ 31,658	$ -	$ -	31,658
Large cap equities	1,577,644	-	-	1,577,644
Preferred equities	554,362	-	-	-
Limited partnerships:				
REITs	-	-	2,136,424	2,136,424
Energy royalties	-	-	300,000	300,000
Venture capital	-	-	500,000	500,000
Structured notes	-	-	313,818	313,818
	$ 2,845,366	$ 15,243,668	$ 3,250,242	$ 21,339,276

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The tables below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2011 and 2010:

	Structured Notes	REITs	Energy Royalties	Venture Capital	Total
Beginning balance, July 1, 2010	$ 313,818	$ 2,136,424	$ 300,000	$ 500,000	$ 3,250,242
Interest and dividend income	-	70,646	-	80,249	150,895
Unrealized losses on investments	(140,798)	(856,855)	(25,098)	(220,551)	(1,243,302)
Investments/withdrawals	-	(70,646)	-	(80,249)	(150,895)
Ending balance, June 30, 2011	$ 173,020	$ 1,279,569	$ 274,902	$ 279,449	$ 2,006,940

	Bonds	Structured Notes	REITs	Energy Royalties	Venture Capital	Total
Beginning balance, July 1, 2009	$ 1,495,370	$ 313,818	$ 4,235,124	$ -	$ 500,000	$ 6,544,312
Interest and dividend income	163,163	-	93,300	-	68,750	325,213
Unrealized gains/(losses) on investments	655,238	-	(474,392)	-	-	180,846
Realized loss on sale of investment	-	-	(57,500)	-	-	(57,500)
Transfer of out Level 3	(2,313,771)	-	-	-	-	(2,313,771)
Investments/withdrawals	-	-	(1,660,108)	300,000	(68,750)	(1,428,858)
Ending balance, June 30, 2010	$ -	$ 313,818	$ 2,136,424	$ 300,000	$ 500,000	$ 3,250,242

For the years ending June 30, 2011 and 2010, COTA had unrealized gains (losses) of approximately $(1,243,000) and $123,000 on investments that were still held as of the end of the year.

NOTE 11 - ENDOWMENT COMPOSITION

The COTA's endowment consists of donor-restricted funds for operational or patient-related needs.

Interpretation of Relevant Law: The Board of Directors of COTA have 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, COTA classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

NOTE 11 - ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 1,427	$ 232,881	$ 234,308

Endowment net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (3,703)	$ -	$ 185,598	$ 181,895

Changes in endowment net assets for year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ (3,703)	$ -	$ 185,598	$ 181,895
Investment income, net of fees	-	471	-	471
Net realized and unrealized gain	3,703	956	-	4,659
Investment income, net	3,703	1,427	-	5,130
Gifts	-	-	47,283	47,283
Net assets, end of year	$ -	$ 1,427	$ 232,881	$ 234,308

Changes in endowment net assets for year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ (5,336)	$ -	$ 22,188	$ 16,852
Investment income, net of fees	289	-	-	289
Net realized and unrealized gain	1,344	-	-	1,344
Investment income, net	1,633	-	-	1,633
Gifts and bequests	-	-	163,410	163,410
Net assets, end of year	$ (3,703)	$ -	$ 185,598	$ 181,895

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 COTA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $0 and $3,703 as of June 30, 2011 and 2010. 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 were deemed prudent by the Board of Directors.

NOTE 11 - ENDOWMENT COMPOSITION (Continued)

Return Objectives and Risk Parameters COTA has adopted investment and spending policies for endowment assets that attempt to preserve and enhance the purchasing and earning value of the funds being invested, seek competitive investment performance, produce annual income, and produce growth to hedge inflation over time. COTA expects its endowment funds, over time, to provide an average rate of return of at least 5% plus CPI. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives To satisfy its objectives, COTA 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). COTA targets a diversified asset allocation of fixed income, U.S. equities, real estate and international equities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy COTA has a policy of appropriating for distribution each year up to 5% of the endowment fund's average fair value of the three fiscal year ends preceding the fiscal year in which the distribution is planned. If the fair value of the assets fall below the principal, then no amounts will be appropriated unless approved by the Board. This is consistent with COTA'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. Endowment fund principal, unless otherwise directed by the donor, shall not be expended.

NOTE 12 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2011 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2011. Management has performed their analysis through November 14, 2011, the date the financial statements were available to be issued.