

**CHRISTOPHER REEVE FOUNDATION  
D/B/A CHRISTOPHER AND DANA REEVE FOUNDATION**

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**Consolidated Financial Statements  
Years Ended December 31, 2010 and 2009  
With Report of Independent Auditors**

**CHRISTOPHER REEVE FOUNDATION**  
**D/B/A CHRISTOPHER AND DANA REEVE FOUNDATION**  
Consolidated Financial Statements  
December 31, 2010 and 2009

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Christopher Reeve Foundation

We have audited the accompanying consolidated statements of financial position of Christopher Reeve Foundation (the “Foundation”) as of December 31, 2010 and 2009, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation’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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation’s internal control over financial reporting. Our audits included 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 the Foundation’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, and 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 consolidated financial position of Christopher Reeve Foundation at December 31, 2010 and 2009, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



June 16, 2011

**CHRISTOPHER REEVE FOUNDATION  
D/B/A CHRISTOPHER AND DANA REEVE FOUNDATION**

Consolidated Statements of Financial Position

As of December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 2,471,679	\$ 2,344,171
Cash—restricted as to use (Note 2)	-	399,337
Investments (Note 3)	1,072,333	1,306,699
Grants receivable, net (Note 5)	2,854,511	1,162,818
Contributions receivable (Note 4)	3,351,478	4,958,484
Split-interest agreement	97,179	120,163
Prepaid expenses	106,310	152,818
Security deposits and other	27,377	13,663
Fixed assets, net (Note 6)	58,196	69,206
Total assets	<b>\$ 10,039,063</b>	<b>\$ 10,527,359</b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities</i>		
Accounts payable	\$ 441,349	\$ 430,214
Accrued liabilities	117,962	81,610
Research contracts payable (Note 7)	2,981,657	3,313,520
Quality of Life and other grants payable (Note 7)	492,471	500,000
Total liabilities	<b>4,033,439</b>	4,325,344
<i>Net assets</i>		
Unrestricted	<b>6,005,624</b>	6,202,015
<b>Total liabilities and net assets</b>	<b>\$ 10,039,063</b>	<b>\$ 10,527,359</b>

*See accompanying notes.*

**CHRISTOPHER REEVE FOUNDATION**  
**D/B/A CHRISTOPHER AND DANA REEVE FOUNDATION**

Consolidated Statements of Activities  
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Revenues, gains, and other support</b>		
Contributions (Notes 4 and 8)	\$ 4,093,453	\$ 6,203,062
Grant revenue (Note 5)	8,200,511	5,789,764
Special events, net	2,018,304	1,606,889
Investment income (Note 3)	<u>31,991</u>	<u>66,849</u>
Total revenues, gains and other support	<u>14,344,259</u>	13,666,564
<b>Expenses</b>		
<i>Program services</i>		
Research program (Note 7)	5,916,771	5,826,516
Public education	1,119,366	935,087
Quality of Life (Note 7)	<u>4,735,007</u>	<u>4,524,172</u>
	11,771,144	11,285,775
<i>Supporting services</i>		
Management and general	888,687	694,218
Fundraising (Notes 8 and 9)	<u>1,880,819</u>	<u>1,870,320</u>
	<u>2,769,506</u>	<u>2,564,538</u>
Total expenses	<u>14,540,650</u>	<u>13,850,313</u>
Decrease in net assets	(196,391)	(183,749)
Net assets—unrestricted at beginning of year	<u>6,202,015</u>	<u>6,385,764</u>
<b>Net assets—unrestricted at end of year</b>	<u><b>\$ 6,005,624</b></u>	<u><b>\$ 6,202,015</b></u>

*See accompanying notes.*

**CHRISTOPHER REEVE FOUNDATION**  
**D/B/A CHRISTOPHER AND DANA REEVE FOUNDATION**

Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>Cash flows used in operating activities</b>		
Change in unrestricted net assets	\$ (196,391)	\$ (183,749)
<i>Adjustments to reconcile change in unrestricted net assets to net cash (used in) provided by operating activities:</i>		
Depreciation	38,640	57,525
Change in value of split-interest agreement	22,984	14,060
Change in realized and unrealized gains on investments	(31,991)	(66,849)
Decrease (increase) in contributions receivable	1,607,006	(454,786)
(Increase) decrease in grants receivable, net	(1,691,693)	1,166,534
Decrease (increase) in prepaid expenses, security deposits, and other	32,794	(55,559)
Increase in accounts payable and accrued liabilities	47,487	242,567
(Decrease) in research contracts payable	(331,863)	(824,128)
(Decrease) increase in Quality of Life and other grants payable	(7,529)	500,000
Net cash (used in) provided by operating activities	(510,556)	395,615
<b>Cash flows provided by investing activities</b>		
Purchases of investments	(39,500)	(204,840)
Proceeds from sale of investments	305,857	625,093
Purchase of fixed assets	(27,630)	(28,314)
Net cash provided by investing activities	238,727	391,939
Net (decrease) increase in cash and cash equivalents	(271,829)	787,554
Cash and cash equivalents at beginning of year	2,743,508	1,955,954
<b>Cash and cash equivalents at end of year</b>		
Cash and cash equivalents	2,471,679	2,344,171
Cash—restricted as to use	-	399,337
	\$ 2,471,679	\$ 2,743,508

*See accompanying notes.*

**CHRISTOPHER REEVE FOUNDATION**  
**D/B/A CHRISTOPHER AND DANA REEVE FOUNDATION**  
Consolidated Statement of Functional Expenses  
Year Ended December 31, 2010

	Program Services				Supporting Services			Total Expenses 2010
	Research Program	Public Education	Quality of Life	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 289,253	\$ 406,283	\$ 1,201,462	\$ 1,896,998	\$ 428,544	\$ 562,054	\$ 990,598	\$ 2,887,596
Outsourced personnel	-	-	47,828	47,828	4,798	6,664	11,462	59,290
Other employee benefits	43,621	59,226	424,259	527,106	59,001	83,934	142,935	670,041
Payroll taxes	15,656	24,445	124,952	165,053	22,184	31,523	53,707	218,760
Total salaries and related expenses	348,530	489,954	1,798,501	2,636,985	514,527	684,175	1,198,702	3,835,687
Research contracts and allocations	5,406,909	-	-	5,406,909	-	-	-	5,406,909
Quality of Life, health promotion, and other awards and programs	-	-	1,099,832	1,099,832	-	-	-	1,099,832
Professional fees	19,110	243,095	758,542	1,020,747	215,994	128,194	344,188	1,364,935
Internet communications	-	16,703	148,598	165,301	452	10,022	10,474	175,775
Research contract reviewer fees	23,000	-	-	23,000	-	-	-	23,000
Supplies	2,544	2,855	38,023	43,422	4,330	6,132	10,462	53,884
Telephone	5,629	6,317	56,011	67,957	9,281	13,039	22,320	90,277
Postage and shipping	5,741	5,741	68,751	80,233	2,930	7,510	10,440	90,673
Office rent	22,747	25,526	279,588	327,861	35,912	50,914	86,826	414,687
Equipment rental and maintenance	3,233	3,628	35,958	42,819	4,574	6,500	11,074	53,893
Conferences, conventions, and meetings	-	-	35,982	35,982	1,040	-	1,040	37,022
Printing	10,416	10,416	39,739	60,571	13,560	13,559	27,119	87,690
Dues, subscriptions, and registration fees	-	10,024	4,464	14,488	15,761	-	15,761	30,249
Insurance	-	-	27,633	27,633	31,165	-	31,165	58,798
Library	-	-	32,586	32,586	-	-	-	32,586
Travel and lodging	6,555	25,273	158,583	190,411	11,153	33,604	44,757	235,168
Direct mail	31,544	126,176	-	157,720	-	368,014	368,014	525,734
Special events	20,062	107,203	-	127,265	-	509,063	509,063	636,328
Direct benefit to donor costs	-	-	-	-	311,552	-	311,552	311,552
Military outreach	-	-	8,201	8,201	-	-	-	8,201
Chapters	-	28,141	51,591	79,732	9,380	4,691	14,071	93,803
Staff training	-	-	-	-	-	319	319	319
Advertising	-	6,225	34,568	40,793	-	18,671	18,671	59,464
Miscellaneous	8,521	9,562	31,595	49,678	15,501	21,917	37,418	87,096
Depreciation	2,230	2,527	26,261	31,018	3,127	4,495	7,622	38,640
Subtotal	5,916,771	1,119,366	4,735,007	11,771,144	1,200,239	1,880,819	3,081,058	14,852,202
Less: Direct benefit to donor costs	-	-	-	-	(311,552)	-	(311,552)	(311,552)
Total expenses	<u>\$ 5,916,771</u>	<u>\$ 1,119,366</u>	<u>\$ 4,735,007</u>	<u>\$ 11,771,144</u>	<u>\$ 888,687</u>	<u>\$ 1,880,819</u>	<u>\$ 2,769,506</u>	<u>\$ 14,540,650</u>
Percentage of total expenses	41%	8%	32%	81%	6%	13%	19%	100%

See accompanying notes.

**CHRISTOPHER REEVE FOUNDATION**  
**D/B/A CHRISTOPHER AND DANA REEVE FOUNDATION**  
Statement of Functional Expenses  
Year Ended December 31, 2009

	Program Services				Supporting Services			Total Expenses 2009
	Research Program	Public Education	Quality of Life	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 266,114	\$ 306,735	\$ 1,188,418	\$ 1,761,267	\$ 331,570	\$ 683,087	\$ 1,014,657	\$ 2,775,924
Outsourced personnel	-	-	25,342	25,342	-	-	-	25,342
Other employee benefits	38,187	43,993	361,494	443,674	42,041	98,016	140,057	583,731
Payroll taxes	13,364	15,396	122,368	151,128	14,713	34,302	49,015	200,143
Total salaries and related expenses	317,665	366,124	1,697,622	2,381,411	388,324	815,405	1,203,729	3,585,140
Research contracts and allocations	5,358,150	-	-	5,358,150	-	-	-	5,358,150
Quality of Life, health promotion, and other awards	-	-	1,009,449	1,009,449	-	-	-	1,009,449
Professional fees	7,491	212,420	742,742	962,653	191,899	25,130	217,029	1,179,682
Internet communications	3,116	12,465	121,641	137,222	-	12,465	12,465	149,687
Government relations	-	-	-	-	-	-	-	-
Research contract reviewer fees	12,000	-	-	12,000	-	-	-	12,000
Supplies	1,963	2,261	47,264	51,488	2,161	5,038	7,199	58,687
Telephone	4,549	5,241	42,694	52,484	5,008	11,676	16,684	69,168
Postage and shipping	4,783	4,783	66,017	75,583	1,914	5,741	7,655	83,238
Office rent	19,889	22,913	261,095	303,897	21,896	51,051	72,947	376,844
Equipment rental and maintenance	3,159	3,639	39,678	46,476	3,478	8,107	11,585	58,061
Conferences, conventions, and meetings	-	-	73,700	73,700	1,657	-	1,657	75,357
Printing	11,147	11,147	101,005	123,299	11,147	11,147	22,294	145,593
Dues, subscriptions, and registration fees	-	12,767	3,178	15,945	19,151	-	19,151	35,096
Insurance	-	-	27,418	27,418	25,000	-	25,000	52,418
Library	-	-	33,388	33,388	-	-	-	33,388
Travel and lodging	4,679	15,375	146,134	166,188	7,220	29,881	37,101	203,289
Direct mail	46,996	187,984	-	234,980	-	548,289	548,289	783,269
Special events	17,695	53,087	-	70,782	-	283,033	283,033	353,815
Direct benefit to donor costs	-	-	-	-	273,367	-	273,367	273,367
Chapters	-	8,837	-	8,837	-	26,510	26,510	35,347
Staff training	-	-	-	-	-	498	498	498
Advertising	-	795	67,901	68,696	-	2,385	2,385	71,081
Miscellaneous	7,769	8,950	18,320	35,039	8,552	19,940	28,492	63,531
Depreciation	5,465	6,299	24,926	36,690	6,811	14,024	20,835	57,525
Subtotal	5,826,516	935,087	4,524,172	11,285,775	967,585	1,870,320	2,837,905	14,123,680
Less: Direct benefit to donor costs	-	-	-	-	(273,367)	-	(273,367)	(273,367)
Total expenses	\$ 5,826,516	\$ 935,087	\$ 4,524,172	\$ 11,285,775	\$ 694,218	\$ 1,870,320	\$ 2,564,538	\$ 13,850,313
Percentage of total expenses	42%	7%	33%	82%	5%	13%	18%	100%

See accompanying notes.

**CHRISTOPHER REEVE FOUNDATION**  
**D/B/A CHRISTOPHER AND DANA REEVE FOUNDATION**  
Notes to Consolidated Financial Statements  
December 31, 2010 and 2009

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**NOTE 1 ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Business

In August 2005, the Christopher Reeve Paralysis Foundation (“CRPF”) changed its name to Christopher Reeve Foundation (“CRF” or the “Foundation”). Subsequently, on February 26, 2007, the Foundation registered with the State of New Jersey the name Christopher and Dana Reeve Foundation to be used as an alternate name for its business activities. The Foundation, a non-profit corporation, was formed on April 21, 1999 from the merger of the American Paralysis Association (“APA”) and a previous entity named the Christopher Reeve Foundation.

The Foundation is dedicated to curing spinal cord injuries by funding innovative research, and improving the quality of life for people living with paralysis through grants, information, and advocacy. Toward this goal, CRF directs its public education program to increase public awareness of paralysis and CRF’s involvement in finding a cure, along with efforts to educate the public about issues and solutions to improve the quality of life of those disabled as a result of spinal cord injuries and other forms of paralysis. Research contracts are granted after approval of the research program by CRF’s Science Advisory Council and Board of Directors. The Board also approves Quality of Life grants.

Effective September 30, 2001, CRF was awarded a \$2,000,000 federal grant from the Centers for Disease Control (“CDC”) to establish the Christopher and Dana Reeve Paralysis Resource Center. The Resource Center, which is part of CRF’s Quality of Life Program, is a stand-alone facility that began operations in May 2002. It provides educational materials, referral services, and self-help guidance to people with paralysis, their families, and caregivers. It also awards Quality of Life grants to organizations working in the paralysis community. Effective June 1, 2010, CRF was awarded a new \$6,610,000 CDC federal grant for the Resource Center to continue its operations. Since the inception of the program in 2001, CRF has been awarded federal grants from the CDC amounting to \$44,275,000 to operate the Resource Center.

In May 2007, the Foundation was awarded a two-year grant from the Department of Defense (“DOD”) in the amount of \$2,500,000 to support the North American Clinical Trials Network. In June 2008, the grant was amended and increased to \$4,418,000 and was further amended and increased to \$4,918,000 in October 2010. In July 2010, a new two-year grant totaling \$5,468,500 was awarded to the Foundation. For calendar years 2010 and 2009, the Foundation reported revenue of \$2,180,000 and \$182,000, respectively, under this grant. From May 2007 through December 2010, the Foundation has reported revenue of \$5,756,000 under the grant.

**CHRISTOPHER REEVE FOUNDATION**  
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Notes to Consolidated Financial Statements  
December 31, 2010 and 2009

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**NOTE 1 ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting.

Consolidation

The consolidated financial statements include the accounts of the Foundation and Life Rolls On Foundation ("LRO"). LRO, a California non-profit corporation engaged in charitable and educational activities and quality of life programs for the spinal cord injured community, was acquired on January 29, 2010 in a transaction accounted for as an acquisition, whereby the Foundation became its sole member. LRO was acquired to develop a presence in California and expand the Foundation's Quality of Life programs. Under the terms of the agreement, LRO made an initial cash contribution of \$200,000 to the Foundation prior to the closing, followed by a contribution of its remaining net assets of \$13,308, consisting primarily of cash at the closing.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, its accounts are classified into net asset classes that are in accordance with specific activities and objectives. All of the Foundation's net assets at December 31, 2010 and 2009 are considered to be unrestricted since the funds are fully available at the discretion of the Board of Directors for the Foundation's use in any of its programs or supporting services.

Cash and Cash Equivalents

The Foundation considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

The Foundation maintains its cash in a number of bank accounts. The cash in these accounts may exceed the maximum amount protected by the Federal Deposit Insurance Corporation and subjects the Foundation to concentration of credit risk. However, the Foundation monitors this risk on a regular basis.

**CHRISTOPHER REEVE FOUNDATION**  
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**NOTE 1 ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Investments

Investments are reported at fair values, generally based on current market quotations. All investment income is unrestricted as to use. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). All transactions are recorded on a trade-date basis.

Contributions

Contributions received, including unconditional promises to give, are recognized as revenue in the period received at their fair values. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions, but which are met within the same reporting period, are reported as unrestricted support. Contributions receivable are recorded at their fair values on the date of the gift. The fair value measurements also include consideration of the donor's credit risk.

In the normal course of business, the Foundation receives donated services from volunteers, including officers and directors, and affiliated organizations to support fundraising and administrative activities. In accordance with authoritative guidance, the value of these contributed services is not reflected in the accompanying financial statements.

Investment Income

Investment gains and losses, net, include realized gains and losses on investments and changes in unrealized gains and losses on investments. Realized gains and losses are calculated based on the difference between the cost of the investments and the proceeds received from the sale of the respective investments. Changes in unrealized gains and losses, net, are calculated based on the change in the difference between the cost and fair values of investments at December 31 of the current year compared to the cost and fair values of investments at December 31 of the prior year. Gains and losses on investment transactions are reflected in changes in unrestricted net assets.

**CHRISTOPHER REEVE FOUNDATION**  
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**NOTE 1 ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Split-Interest Agreement

The Foundation has an interest in an irrevocable charitable lead annuity trust administered by a third party. Under the terms of the agreement, the trustee will distribute \$15,000 a year to the Foundation for the 10-year annuity period. The Foundation recorded the agreement in the accompanying statements of financial position at fair value using a present value technique. The discount rate used was 5% in 2010 and 1% in 2009, respectively. See Note 12 for more information related to the determination of fair value.

Donated Assets

Donated assets are recorded at the fair value at the date of donation, and as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Grant Revenue

Grant revenue is recognized as grant expenses are incurred. Such expenses are initially funded by CRF and subsequently billed to, and reimbursed under, a Federal grant.

Special Events

Special events revenue is net of direct benefit to donor costs consisting of meals and entertainment totaling \$311,552 and \$273,367 for the years ended December 31, 2010 and 2009, respectively.

Advertising Expenses

Advertising costs are expensed as incurred.

Research Contracts, Quality of Life Grants, and Health Promotion Awards

Research contracts, quality of life grants, and health promotion awards are expensed in the year the contract/grant/awards is approved and/or formally signed by CRF and the grantee. Contracts and awards are unconditional, but are subject to routine performance requirements by the recipient. Grants payable in more than one year are discounted to the present value of future payments, which approximates fair value.

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**NOTE 1 ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Fixed Assets

Purchased equipment is recorded at cost and donated equipment is recorded at fair value at the date of donation. Depreciation is provided on the straight-line method over an estimated useful life of five years.

Allocation of Expenses into Functional Categories

CRF allocates salaries and indirect expenses into functional categories related to program and supporting services based on time spent in the various functions by the president and other Foundation personnel, and other appropriate bases of allocation.

Joint costs incurred in connection with mailing informational materials and performing other activities that include fundraising are allocated to program and supporting services on the basis of the content of the material.

Income Taxes

The Foundation qualifies as a charitable organization as defined by Internal Revenue Code (the "Code") Section 501(c)(3) and, accordingly, is exempt from Federal income taxes under Section 501(a) of the Code. Additionally, since the Foundation is publicly supported, contributions to the Foundation qualify for the maximum charitable contribution deduction under the Code. The Foundation is also exempt from New Jersey State income tax.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

**CHRISTOPHER REEVE FOUNDATION**  
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**NOTE 1 ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Recently Issued Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued updated guidance that requires new fair value disclosures about significant transfers between Level 1 and Level 2 measurement categories and separate presentation of purchases, sales, issuances, and settlements within the rollforward of Level 3 activity. Also, this updated fair value guidance clarifies the disclosure requirements about the level of disaggregation and value techniques and inputs. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of Level 3 activity, which are effective for interim and annual reporting periods beginning after December 15, 2010. The adoption of these enhanced disclosures has been reflected in Note 12.

**NOTE 2 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents of \$2,743,508 at December 31, 2009 included \$399,337 of funds restricted for payment of DOD obligations. There are no funds subject to restrictions at December 31, 2010.

**NOTE 3 INVESTMENTS**

Investments consisted of the following:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Certificates of deposit	\$ -	\$ 248,219
Marketable equity securities	40,607	28,956
Mutual funds	119,353	112,314
Off-shore limited partnerships	912,373	917,210
	<b>\$ 1,072,333</b>	<b>\$ 1,306,699</b>
	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Investment income</b>		
Realized gains	\$ 17,576	\$ 21,421
Change in unrealized gains	14,415	45,428
	<b>\$ 31,991</b>	<b>\$ 66,849</b>

**CHRISTOPHER REEVE FOUNDATION**  
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**NOTE 3 INVESTMENTS** *(continued)*

The Foundation's investment in the off-shore limited partnerships above included 369.065 shares of Welch Life Sciences Fund, Ltd., with a net asset value of \$1,468.91 and \$1,496.08 per share as of December 31, 2010 and 2009, respectively, along with 321.177 shares of Welch Entrepreneurial Fund, Ltd., with a net asset value of \$1,152.79 and \$1,136.63 per share at December 31, 2010 and 2009, respectively. The fair value amount is based on the net asset value of stock shares as presented in the respective fund's audited financial statements as of December 31, 2010 and 2009.

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

As of December 31, 2010, contributions receivable includes \$2,700,000 of pledges, payable over the next two years, from members of the Foundation's Board of Directors. The Foundation's contributions receivable are due as follows:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Less than one year	\$ 2,165,275	\$ 2,991,988
More than one year	1,374,591	2,000,002
	3,539,866	4,991,990
<i>Less:</i> Fair value adjustment	188,388	33,506
	<b>\$ 3,351,478</b>	<b>\$ 4,958,484</b>

Amounts due in more than one year are adjusted to fair value using present value techniques that assume discount rates varying between 2% and 6% in 2010 and 1% in 2009.

**NOTE 5 GRANTS RECEIVABLE**

Grants receivable represent contractual expenses incurred and reimbursable under federal grants with the CDC and the DOD.

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Federal Agency</b>		
Centers for Disease Control	\$ 1,449,257	\$ 1,162,818
Department of Defense	1,405,254	-
	<b>\$ 2,854,511</b>	<b>\$ 1,162,818</b>

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**NOTE 5 GRANTS RECEIVABLE** *(continued)*

Included in grants receivable at December 31, 2010 and 2009 were unbilled amounts of \$1,990,826 and \$575,000, respectively.

**NOTE 6 FIXED ASSETS**

Fixed assets, net, consisted of the following:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Furniture, fixtures, equipment, and software	\$ 926,539	\$ 898,909
Research equipment	<u>188,580</u>	<u>188,580</u>
Fixed assets	<b>1,115,119</b>	1,087,489
<i>Less: Accumulated depreciation</i>	<u><b>(1,056,923)</b></u>	<u>(1,018,283)</u>
Fixed assets, net	<u><b>\$ 58,196</b></u>	<u>\$ 69,206</u>

**NOTE 7 RESEARCH CONTRACTS PAYABLE**

Research program expense includes those research contracts approved and/or formally signed by CRF and the grantee during the year. However, when certain research contracts are issued, the cash payment schedule will extend beyond one year. The details of research contracts expensed and payable are as follows:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Research contracts payable, beginning of year	\$ 3,313,520	\$ 4,137,648
Research contracts awarded, net of returns	<u>5,246,872</u>	<u>5,149,914</u>
	<b>8,560,392</b>	9,287,562
Contract payments made, net of returns	<u>5,578,735</u>	<u>5,974,042</u>
Research contracts payable, end of year	<u><b>\$ 2,981,657</b></u>	<u>\$ 3,313,520</u>

At December 31, 2010, scheduled contract payments totaling \$2,981,657 are payable during 2011.

Quality of Life grants are awarded twice a year. In 2010 and 2009, Quality of Life grants amounted to approximately \$1,099,832 and \$1,009,449, respectively.

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**NOTE 8      DIRECT MAIL PROGRAM**

The Foundation conducts a Direct Mail Program (the “Program”), the purpose of which is to increase public awareness and support for CRF’s mission to provide research to find a cure for spinal cord injuries and improve the quality of life of those affected. For the years ended December 31, 2010 and 2009, the Program generated revenues of \$1,178,800 and \$1,268,498, respectively, and expenses of \$525,734 and \$783,269, respectively.

**NOTE 9      FUNCTIONAL EXPENSE ALLOCATIONS**

In 2010 and 2009, CRF conducted activities that included appeals for contributions as well as program and management and general components. Those activities included direct mail campaigns and special events. Joint costs for those activities were allocated as follows:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Program services	<b>\$ 284,985</b>	\$ 305,762
Fundraising	<b><u>877,077</u></b>	<u>831,322</u>
	<b><u>\$ 1,162,062</u></b>	<u>\$ 1,137,084</u>

For the years ended December 31, 2010 and 2009, program services included \$157,720 and \$234,980 for direct mail, respectively, and \$127,265 and \$70,782 for special events, respectively. For the years ended December 31, 2010 and 2009, fundraising included \$368,014 and \$548,289 for direct mail, respectively, and \$509,063 and \$283,033 for special events, respectively.

**NOTE 10      LEASES**

At December 31, 2010, minimum lease payments under noncancellable operating leases for the rental of office space and equipment are as follows:

<b>Year</b>	<b>Amount</b>
2011	\$ 385,059
2012	374,108
2013	320,760
2014	301,950
2015	<u>150,975</u>
	<b><u>\$ 1,532,852</u></b>

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**NOTE 10**     **LEASES** *(continued)*

Total rental expense was \$414,687 for 2010 and \$376,844 for 2009.

The current lease has an option to renew in 2015.

**NOTE 11**     **EMPLOYEE BENEFIT PLANS**

The Foundation has a 401(k) pension plan for the benefit of its employees. Under the plan, CRF makes a mandatory contribution of 3% of an eligible employee's monthly salary, which is vested immediately. The Foundation also has the option of making additional discretionary contributions which are subjected to a graduated vesting schedule, depending on the employee's length of service, of up to six years. For 2010 and 2009, the additional contribution was 1.5% of an eligible employee's monthly salary. Employer contributions charged to operations were \$127,285 in 2010 and \$115,946 in 2009.

**NOTE 12**     **FAIR VALUE MEASUREMENTS**

The Foundation is subject to the provisions of the authoritative guidance issued by the FASB for fair value measurements. The authoritative guidance establishes a framework that provides a fair value hierarchy to prioritize 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 and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

*Level 2:* Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) 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 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.

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**NOTE 12**    **FAIR VALUE MEASUREMENTS** *(continued)*

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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. Changes in valuation techniques may result in transfers in or out of an assigned level within the hierarchy.

The following describes the valuation methodologies used for assets measured at fair value:

*Certificates of deposit*—Valuation is derived indirectly from observable inputs or from quoted markets that are less liquid.

*Marketable equity securities*—Valued at the closing price reported on the active market on which the individual securities are traded.

*Off-shore limited partnerships*—Valued based on the net asset value of stock shares as presented in the audited financial statements. These investments can be sold quarterly. Of redemption proceeds, 95% would be paid within 30 calendar days of the redemption. The remaining 5% would be paid following completion of the off-shore limited partnership's audit, which is subject to any adjustment in the redemption price resulting from that audit. These funds seek to provide long-term capital appreciation primarily through taking long and short equity positions in various industry sectors on an opportunistic basis.

*Split-interest agreement*—Valued using present value techniques based on estimated future cash flows.

The methods described above may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**NOTE 12 FAIR VALUE MEASUREMENTS** *(continued)*

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest-bearing cash	\$ 2,471,679	\$ -	\$ -	\$ 2,471,679
<i>Mutual funds:</i>				
S&P Preferred Stock Index	106,700	-	-	106,700
Capital appreciation	12,653	-	-	12,653
<i>Marketable equity securities:</i>				
Industrials	40,607	-	-	40,607
<i>Off-shore limited partnerships:</i>				
Long-term growth	-	912,373	-	912,373
Split-interest agreement	-	-	97,179	97,179
	<u>\$ 2,631,639</u>	<u>\$ 912,373</u>	<u>\$ 97,179</u>	<u>\$ 3,641,191</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest-bearing cash	\$ 2,740,553	\$ -	\$ -	\$ 2,740,553
Certificates of deposit	-	248,219	-	248,219
<i>Mutual funds:</i>				
S&P Preferred Stock Index	100,926	-	-	100,926
Capital appreciation	11,388	-	-	11,388
<i>Marketable equity securities:</i>				
Industrials	28,956	-	-	28,956
<i>Off-shore limited partnerships:</i>				
Long-term growth	-	917,210	-	917,210
Split-interest agreement	-	-	120,163	120,163
	<u>\$ 2,881,823</u>	<u>\$ 1,165,429</u>	<u>\$ 120,163</u>	<u>\$ 4,167,415</u>

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2010:

Balance, beginning of the year	\$ 120,163
Change in fair value	<u>(22,984)</u>
Balance, end of year	<u>\$ 97,179</u>

Change in the fair value of the split-interest agreement still held at December 31, 2010 amounted to depreciation of \$22,984 for the year ended December 31, 2010.

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**NOTE 13      SUBSEQUENT EVENTS**

The Foundation evaluated events subsequent to December 31, 2010 and through June 16, 2011, the date on which the financial statements were approved and available for issuance for disclosure and recognition in the financial statements.

On February 26, 2011, the Foundation activated a \$500,000 loan facility with Bank of America to fund advances made, and to be reimbursed, under the DOD contract. The facility is collateralized by certificates of deposit the Foundation has invested with Merrill Lynch. As of June 16, 2011, the loan balance was \$453,000. At the same time, amounts due from the DOD totaled \$639,000.