



## **Consolidated Financial Statements**

*For the Year Ended March 31, 2010*

*(With Summarized Financial Information for the Year Ended March 31, 2009)*



**and  
Report Thereon**





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
American Health Assistance Foundation and Affiliates

CONSULTING  
ACCOUNTING  
TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying consolidated statement of financial position of the American Health Assistance Foundation and Affiliates (collectively referred to as AHAF) as of March 31, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of AHAF's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from AHAF's March 31, 2009 consolidated financial statements and in our report dated June 20, 2009, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 AHAF'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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AHAF as of March 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Raffa, P.C.*

**RAFFA, P.C.**

Washington, DC  
June 18, 2010

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As of March 31, 2010

(With Summarized Financial Information as of March 31, 2009)

|  | <u>2010</u>                 | <u>2009</u>                 |
|--|-----------------------------|-----------------------------|
| <b>ASSETS</b>  |                             |                             |
| Current Assets   |                             |                             |
| Cash and cash equivalents                                    | \$ 5,651,489                | \$ 2,865,246                |
| Short-term investments                                       | 801,239                     | 2,286,165                   |
| Loans to affiliates, current portion                         | 75,000                      | 75,000                      |
| Charitable remainder and lead trusts, current portion        | 33,000                      | 31,178                      |
| Bequests receivable  | 1,749,472                   | 2,356,009                   |
| Inventory  | 203,848                     | 153,804                     |
| Prepaid expenses and other current assets                    | 198,231                     | 149,692                     |
| Bond trustee held investments                                | <u>181,715</u>              | <u>175,003</u>              |
| Total Current Assets   | 8,893,994                   | 8,092,097                   |
| Investments  | 19,422,448                  | 15,940,837                  |
| Loans to affiliates, net of current portion                  | 313,680                     | 437,671                     |
| Charitable remainder and lead trusts, net of current portion | 1,509,982                   | 1,098,123                   |
| Net property and equipment                                   | 4,741,632                   | 4,866,954                   |
| Rental property  | 4,178,723                   | 4,220,503                   |
| Other assets   | <u>752,917</u>              | <u>777,186</u>              |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 39,813,376</u></b> | <b><u>\$ 35,433,371</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>                            |                             |                             |
| Current Liabilities  |                             |                             |
| Accounts payable and accrued expenses                        | \$ 965,669                  | \$ 905,180                  |
| Research grants payable, current portion                     | 7,084,859                   | 7,075,260                   |
| Charitable gift annuities, current portion                   | 251,198                     | 261,735                     |
| Bonds payable, current portion                               | <u>250,000</u>              | <u>240,000</u>              |
| Total Current Liabilities                                    | 8,551,726                   | 8,482,175                   |
| Interest rate swap liability                                 | 53,801                      | 76,548                      |
| Research grants payable, net of current portion              | 5,428,695                   | 4,577,468                   |
| Charitable gift annuities, net of current portion            | 1,228,799                   | 1,303,097                   |
| Bonds payable, net of current portion                        | 1,310,000                   | 1,560,000                   |
| Other liabilities  | <u>78,142</u>               | <u>25,000</u>               |
| <b>TOTAL LIABILITIES</b>                                     | <b><u>16,651,163</u></b>    | <b><u>16,024,288</u></b>    |
| Net Assets   |                             |                             |
| Unrestricted   | 9,173,838                   | 5,106,430                   |
| Temporarily restricted                                       | 13,898,375                  | 14,212,653                  |
| Permanently restricted                                       | <u>90,000</u>               | <u>90,000</u>               |
| <b>TOTAL NET ASSETS</b>                                      | <b><u>23,162,213</u></b>    | <b><u>19,409,083</u></b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                      | <b><u>\$ 39,813,376</u></b> | <b><u>\$ 35,433,371</u></b> |

The accompanying notes are an integral part of these consolidated financial statements.

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended March 31, 2010

(With Summarized Financial Information for the Year Ended March 31, 2009)

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>2010<br/>Total</u> | <u>2009<br/>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| SUPPORT AND REVENUE                    |                     |                                   |                                   |                       |                       |
| Contributions and grants               | \$ 23,307           | \$ 14,702,124                     | \$ -                              | \$ 14,725,431         | \$ 14,435,094         |
| Bequests                               | 58,913              | 7,066,715                         | -                                 | 7,125,628             | 5,490,602             |
| Donated services                       | -                   | 5,975,448                         | -                                 | 5,975,448             | 4,390,766             |
| Net investment income (loss)           | 3,979,990           | -                                 | -                                 | 3,979,990             | (4,913,974)           |
| Rental income, net of expenses         | -                   | 558,090                           | -                                 | 558,090               | 554,011               |
| Other                                  | 5,198               | 443,199                           | -                                 | 448,397               | 425,912               |
| Net assets released from restrictions: |                     |                                   |                                   |                       |                       |
| Satisfaction of program restrictions   | 29,059,854          | (29,059,854)                      | -                                 | -                     | -                     |
| <b>TOTAL SUPPORT AND REVENUE</b>       | <b>33,127,262</b>   | <b>(314,278)</b>                  | <b>-</b>                          | <b>32,812,984</b>     | <b>20,382,411</b>     |
| EXPENSES                               |                     |                                   |                                   |                       |                       |
| Program Services                       |                     |                                   |                                   |                       |                       |
| Health and Information Services        | 12,195,300          | -                                 | -                                 | 12,195,300            | 10,493,743            |
| Research                               | 9,677,029           | -                                 | -                                 | 9,677,029             | 8,383,079             |
| <b>Total Program Services</b>          | <b>21,872,329</b>   | <b>-</b>                          | <b>-</b>                          | <b>21,872,329</b>     | <b>18,876,822</b>     |
| Supporting Services                    |                     |                                   |                                   |                       |                       |
| Fundraising                            | 4,764,968           | -                                 | -                                 | 4,764,968             | 4,878,311             |
| Management and general                 | 2,422,557           | -                                 | -                                 | 2,422,557             | 2,495,274             |
| <b>Total Supporting Services</b>       | <b>7,187,525</b>    | <b>-</b>                          | <b>-</b>                          | <b>7,187,525</b>      | <b>7,373,585</b>      |
| <b>TOTAL EXPENSES</b>                  | <b>29,059,854</b>   | <b>-</b>                          | <b>-</b>                          | <b>29,059,854</b>     | <b>26,250,407</b>     |
| CHANGE IN NET ASSETS                   | 4,067,408           | (314,278)                         | -                                 | 3,753,130             | (5,867,996)           |
| NET ASSETS, BEGINNING OF YEAR          | 5,106,430           | 14,212,653                        | 90,000                            | 19,409,083            | 25,277,079            |
| NET ASSETS, END OF YEAR                | \$ 9,173,838        | \$ 13,898,375                     | \$ 90,000                         | \$ 23,162,213         | \$ 19,409,083         |

The accompanying notes are an integral part of these consolidated financial statements.

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended March 31, 2010

(With Summarized Financial Information for the Year Ended March 31, 2009)

|                                  | Program Services                      |                     | Total<br>Program<br>Services | Supporting Services |                           | 2010<br>Total        | 2009<br>Total        |
|----------------------------------|---------------------------------------|---------------------|------------------------------|---------------------|---------------------------|----------------------|----------------------|
|                                  | Health and<br>Information<br>Services | Research            |                              | Fundraising         | Management<br>and General |                      |                      |
| Printing, publications and media | \$ 7,628,259                          | \$ 183,235          | \$ 7,811,494                 | \$ 1,006,040        | \$ 184,085                | \$ 9,001,619         | \$ 7,479,872         |
| Grants                           | -                                     | 8,022,573           | 8,022,573                    | -                   | -                         | 8,022,573            | 6,500,832            |
| Postage and delivery             | 2,107,435                             | 12,354              | 2,119,789                    | 1,522,580           | 258,346                   | 3,900,715            | 3,939,519            |
| Salaries and related expenses    | 512,101                               | 769,309             | 1,281,410                    | 659,633             | 937,808                   | 2,878,851            | 3,051,820            |
| Computer and mailing services    | 849,780                               | 187,109             | 1,036,889                    | 619,057             | 220,459                   | 1,876,405            | 1,949,247            |
| Professional fees                | 634,411                               | 82,107              | 716,518                      | 507,767             | 350,930                   | 1,575,215            | 1,496,071            |
| Mailing list rental              | 268,172                               | -                   | 268,172                      | 228,552             | 35,121                    | 531,845              | 521,763              |
| Occupancy and utilities          | 91,224                                | 137,041             | 228,265                      | 98,591              | 171,824                   | 498,680              | 498,802              |
| Depreciation                     | 48,309                                | 72,573              | 120,882                      | 55,841              | 130,650                   | 307,373              | 295,222              |
| Travel, meetings and symposia    | 14,668                                | 147,896             | 162,564                      | 17,105              | 24,279                    | 203,948              | 238,494              |
| Office-related expenses          | 31,712                                | 48,967              | 80,679                       | 38,054              | 55,180                    | 173,913              | 172,138              |
| Bank service charges             | 9,229                                 | 13,865              | 23,094                       | 11,748              | 53,875                    | 88,717               | 106,627              |
| <b>TOTAL EXPENSES</b>            | <b>\$ 12,195,300</b>                  | <b>\$ 9,677,029</b> | <b>\$ 21,872,329</b>         | <b>\$ 4,764,968</b> | <b>\$ 2,422,557</b>       | <b>\$ 29,059,854</b> | <b>\$ 26,250,407</b> |

The accompanying notes are an integral part of these consolidated financial statements.

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended March 31, 2010

(With Summarized Financial Information for the Year Ended March 31, 2009)

Increase (Decrease) in Cash and Cash Equivalents

|   | <u>2010</u>         | <u>2009</u>         |
|---|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES   |                     |                     |
| Change in net assets  | \$ 3,753,130        | \$ (5,867,996)      |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                     |                     |
| Depreciation  | 307,373             | 295,222             |
| Interest rate swap loss (gain)  | (22,747)            | 6,951               |
| Realized losses on investments  | 54,902              | 2,578,568           |
| Unrealized losses (gains) on investments  | (3,277,627)         | 3,024,785           |
| Donated stock   | (11,033)            | (42,929)            |
| Contributions and change in value of charitable remainder and lead trusts                             | (413,681)           | 728,402             |
| Changes in assets and liabilities:  |                     |                     |
| Bequests receivable   | 606,537             | (429,377)           |
| Inventory   | (50,044)            | 104,278             |
| Prepaid expenses and other current assets   | (48,539)            | 152,746             |
| Other assets  | 24,269              | (63,282)            |
| Accounts payable and accrued expenses   | 26,631              | 185,639             |
| Grants payable  | 860,826             | (1,877,624)         |
|   | <u>1,809,997</u>    | <u>(1,204,617)</u>  |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES   |                     |                     |
| CASH FLOW FROM INVESTING ACTIVITIES   |                     |                     |
| Acquisitions of property and equipment  | (53,271)            | (220,524)           |
| Proceeds from sales of investments  | 27,571,126          | 16,975,910          |
| Purchases of investments  | (26,334,053)        | (15,511,227)        |
| Repayments on loans to affiliates   | 123,991             | 177,771             |
|   | <u>1,307,793</u>    | <u>1,421,930</u>    |
| NET CASH PROVIDED BY INVESTING ACTIVITIES   |                     |                     |
| CASH FLOW FROM FINANCING ACTIVITIES   |                     |                     |
| Liability related to charitable gift annuity  | 166,354             | 430,046             |
| Payments to charitable gift annuitants  | (251,189)           | (242,864)           |
| Payments to sinking fund  | (246,712)           | (240,290)           |
|   | <u>(331,547)</u>    | <u>(53,108)</u>     |
| NET CASH USED IN FINANCING ACTIVITIES   |                     |                     |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 2,786,243           | 164,205             |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | <u>2,865,246</u>    | <u>2,701,041</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | <u>\$ 5,651,489</u> | <u>\$ 2,865,246</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION  |                     |                     |
| Cash paid for interest  | <u>\$ 81,877</u>    | <u>\$ 104,670</u>   |
| Donated stock   | <u>\$ 11,033</u>    | <u>\$ 42,929</u>    |
| Bond redemption through sinking fund  | <u>\$ 240,000</u>   | <u>\$ 235,000</u>   |
| Equipment acquired under a capital lease  | \$ 87,000           | \$ -                |
| Capital lease obligation  | (87,000)            | -                   |
|   | <u>\$ -</u>         | <u>\$ -</u>         |

The accompanying notes are an integral part of these consolidated financial statements.

# **AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2010**

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

The consolidated financial statements include the financial position and the results of operations of the American Health Assistance Foundation and its affiliates, the National Development, LLC and American Health Assistance, LLC (collectively referred to as AHAF).

The American Health Assistance Foundation is a not-for-profit organization that was incorporated in the District of Columbia in 1973. The American Health Assistance Foundation seeks to eradicate age-related and degenerative diseases by facilitating research seeking causes, treatment and cures; promoting behavioral patterns in the public to combat these diseases; and encouraging the public to assist those who are afflicted with these diseases. The American Health Assistance Foundation's Health and Information Services and Research programs are funded primarily from contributions and grants from individuals used for three programs: Alzheimer's Disease Research, Macular Degeneration Research, and National Glaucoma Research.

The National Development, LLC (NDLLC) is a limited liability corporation created by the American Health Assistance Foundation that was incorporated in Maryland in 1999. NDLLC owns land donated to AHAF. NDLLC is organized to acquire, own, invest in, encumber, develop, hold, operate, manage, lease, sell, mortgage and/or levee property, including the construction and operation of commercial buildings on the property.

The American Health Assistance, LLC (AHALLC) is a limited liability corporation created by the American Health Assistance Foundation that was incorporated in Maryland in 2000. AHALLC has the land, building and related bond financing on the property where American Health Assistance Foundation is located. AHALLC is organized to operate the building on the property.

#### **Basis of Accounting**

The consolidated financial statements of AHAF have been prepared on the accrual basis of accounting.

#### **Principles of Consolidation**

The American Health Assistance Foundation and its affiliates have been consolidated due to the presence of controlling financial interest as required under accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in the consolidation.

**Continued**

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **New Accounting Pronouncement**

During the year ended March 31, 2010, AHAF adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *FASB Codification* (the Codification). The Codification is the single source of authoritative U.S. generally accepted accounting principles (GAAP). Accordingly, references to GAAP have been updated for the appropriate Codification reference.

#### **Cash Equivalents**

AHAF considers all demand deposits and overnight money market funds to be cash equivalents.

#### **Inventory**

At March 31, 2010, inventory consists of direct mail materials and is stated at cost.

#### **Investments**

Investments are measured at fair value and are composed of money market funds, stocks, fixed income mutual funds, equity mutual funds, mixed asset mutual funds, partnerships, government-sponsored entity bonds, mortgage and asset-backed securities, and corporate bonds. Fair value is 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. The estimated fair value of alternative investments is based on the net asset values, which are estimated by the administrator, external investment manager, or managing director, and are not necessarily indicative of the amount that the funds could realize in a current transaction. Because of the inherent uncertainty of valuation for these alternative investments, values for these investments may differ significantly from the value that would have been used had a ready market for the investments existed. Future confirming events will also affect the estimates of fair value, including the ultimate liquidation of the investments. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period.

Money market funds held in the investment portfolios are shown as short-term investments in the accompanying consolidated statement of financial position.

#### **Rental Property**

Rental property consists of land donated to AHAF in June 1999 on which there are long-term ground leases and a building received from a tenant by default of lease terms in March 2002. The property cannot be sold until 2024, and the net proceeds from rents and any future sales are

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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1. Organization and Summary of Significant Accounting Policies (continued)

**Rental Property (continued)**

restricted to the National Glaucoma Research program. The land was recorded based on the appraised value at the date of donation. The building was recorded at fair value on the date title was assumed and is being depreciated using the straight-line method over a useful life of 39 years.

**Impairment of Long-Lived Assets**

In accordance with FASB ASC Topic *Property, Plant and Equipment*, AHAF reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There have been no impairment losses recognized as of March 31, 2010.

**Property and Equipment and Related Depreciation**

Property and equipment includes the land and building where AHAF is located, as well as other property and equipment, and is stated at cost. The AHAF building is being depreciated using the straight-line method over a useful life of 39 years. Furniture, equipment and software are being depreciated using the straight-line method over a useful life of three to five years.

Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses.

**Fair Value Measurements**

AHAF adopted the provisions of the *Fair Value Measurements and Disclosures* topic of the FASB ASC for financial assets and liabilities measured on a recurring basis. The ASC defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable,

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Fair Value Measurements (continued)**

whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

*Level 1*—inputs based on quoted prices in active markets for identical assets or liabilities accessible at the measurement date.

*Level 2*—inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3*—unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

Effective March 31, 2010, AHAF elected to adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, to its alternative investments. The guidance amends the *Fair Value Measurements and Disclosures* topic and permits, as a practical expedient, the fair value of investments within its scope to be estimated using net asset value or its equivalent. The implementation had no impact on reported amounts.

AHAF's assets and liabilities measured at fair value on a recurring basis are presented in accordance with FASB ASC topic *Fair Value Measurements and Disclosures* at Note 13.

#### **Classification of Net Assets**

The net assets of AHAF are as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of AHAF operations.
- Temporarily restricted amounts are received with donor or grantor stipulations that limit the use of the donated funds or assets as to a particular purpose or for specific periods.
- Permanently restricted net assets represent contributions to be held in perpetuity, as directed by the original donor. The income from these investments is primarily available to support activities of AHAF, as designated by the original donor.

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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1. Organization and Summary of Significant Accounting Policies (continued)

### **Revenue Recognition**

Contributions and grants are recorded as revenue when received or unconditionally promised. Wills are recorded as bequests revenue when the probate courts declare the wills valid and the proceeds are measurable. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts and perpetual trusts, are recorded as revenue when the trust agreements are executed. Revenue from the split-interest agreements is based on the present value of the expected cash flows to be received by AHAF.

AHAF reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to one of AHAF's three programs. When a donor restriction expires, that is, when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

### **Research Grants and Awards**

Research grants are recognized as expenses when the Board of Directors awards the grant and determines that it is probable that the grant will be fully funded. Grants awarded by the Board of Directors are often paid over several years. Amounts awarded but unpaid as of the end of the fiscal year are accrued as grants payable in the accompanying consolidated financial statements.

### **Donated Services**

Donated services represent the value of donated public service announcements and are recorded as contributions at their estimated fair market value as of the date of the donation.

### **Functional Allocation of Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Where both program and fundraising materials are developed, printed, and mailed jointly, management allocates a portion of the related costs among Health and Information Services, Management and General, and Fundraising expenses. The programs and supporting services are described as follows:

**Research**—Expenses incurred to facilitate research and investigation seeking causes, treatment, and cures of age-related, degenerative, and other diseases.

Continued

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2010**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Functional Allocation of Expenses (continued)**

*Health and Information Services*—Expenses incurred to further AHAF’s purpose of eradicating age-related and degenerative diseases through educating the general population about potential causes, treatments, preventions, and cures and encouraging the public to participate in AHAF’s program outreach, which includes:

*Symptom Recognition*—Establishing and increasing public awareness of the symptoms of age-related and degenerative diseases and the actions the public can or should take in response to such symptoms.

*Lifestyle Choices*—Establishing and increasing public awareness of lifestyle choices that promote good health and the actions that the public can or should take to reduce the likelihood of the onset of age-related, degenerative or other diseases.

*Assistance to Patients, Families and Caregivers*—Increasing public awareness of the actions that can be taken to assist victims of degenerative diseases, their families and their caregivers.

*Fundraising*—Expenses incurred with the purpose of raising funds.

*Management and General*—All other operating expenses incurred by AHAF in the accomplishment of its tax-exempt purposes.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2010**

2. Investments

Investments consist of the following as of March 31, 2010:

|  | <u>Cost</u>          | <u>Fair Value</u>    |
|--|----------------------|----------------------|
| <u>Short-term investments</u>          |                      |                      |
| Money market funds                     | \$ 801,239           | \$ 801,239           |
| <u>Long-term investments</u>           |                      |                      |
| Marketable equity securities           | \$ 5,573,587         | \$ 6,625,162         |
| Fixed income mutual funds              | 6,250,975            | 6,458,400            |
| Equity mutual funds                    | 2,993,838            | 3,237,631            |
| Mixed asset mutual funds               | 1,052,615            | 1,042,352            |
| Alternative investments – partnerships | 800,000              | 775,876              |
| Government-sponsored entity bonds      | 546,757              | 548,534              |
| Mortgage and asset-backed securities   | 462,288              | 479,844              |
| Corporate bonds                        | <u>250,289</u>       | <u>254,649</u>       |
| Total long-term investments            | <u>17,930,349</u>    | <u>19,422,448</u>    |
| Total investments                      | <u>\$ 18,731,588</u> | <u>\$ 20,223,687</u> |

A summary of investment income is as follows for the year ended March 31, 2010:

|   |                     |
|---|---------------------|
| Net unrealized gains                                  | \$ 3,277,627        |
| Net realized losses                                   | (54,902)            |
| Interest and dividends from investments               | 822,658             |
| Interest and dividends from cash and cash equivalents | 16,800              |
| Interest from loans to affiliates                     | 21,872              |
| Management fees                                       | <u>(104,065)</u>    |
| Net investment income                                 | <u>\$ 3,979,990</u> |

3. Bequests Receivable and Trusts

As of March 31, 2010, bequests receivables of \$1,749,472 consist of unconditional wills and trusts. All amounts are expected to be collected within a year.

Charitable lead and remainder trust agreements, which are irrevocable, are administered by a trustee or fiscal agent. Distributions are to be made to AHAF (lead trusts) or to the donor's

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

### 3. Bequests Receivable and Trusts (continued)

designee (remainder trusts) during the terms of the agreements, which vary up to an estimated maximum of seven years from March 31, 2010. At the end of the terms, a portion of the remaining trust assets, as defined in the trust agreements, are to be distributed to AHAF. The expected future cash inflows from the trusts have been recorded at present value based on a discount rate in the range of 2.5% to 3.3%, resulting in a total receivable of \$1,542,982. For the year ended March 31, 2010, the change in value of these split-interest agreements resulted in a gain of \$450,595, mainly due to the increase in the fair value of the investments, and this gain is included as an increase of bequests revenue in the accompanying consolidated statement of activities.

AHAF is also the recipient of a beneficial interest in a portion of a trust for which the principal must remain intact in perpetuity and only the earnings are to be spent. The value of the trust is \$90,000, which amount is included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2010, bequests and trusts are expected to be received as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| Less than one year                  | \$ 1,782,472        |
| One to five years                   | 146,858             |
| More than five years                | <u>1,702,602</u>    |
| Total                               | 3,631,932           |
| Less: Discount to net present value | <u>(249,478)</u>    |
| Net bequests receivable and trusts  | <u>\$ 3,382,454</u> |

In addition, as of March 31, 2010, AHAF is aware of approximately \$830,000 of wills and trusts that, as of the end of the fiscal year, have not gone through probate or have unmet conditions and are, therefore, not recognized as receivables or revenue in the accompanying consolidated financial statements.

### 4. Loans and Receivables from Affiliates

AHAF has granted a line of credit arrangement with *Ligue Européenne Contre la Maladie d'Alzheimer* (LECMA), an affiliated but unconsolidated entity in France, totaling \$456,000. One board member of AHAF is also a LECMA board member. LECMA is a not-for-profit organization, formed in 2005 in France, whose primary objectives are to fund research and promote public education as to the cause and treatment of Alzheimer's disease. The line of credit agreement bears interest at 5%. The total amount drawn on this credit line was \$388,680

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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### 4. Loans and Receivables from Affiliates (continued)

as of March 31, 2010, including interest income of \$21,872 recognized for the year then ended. AHAF management expects LECMA to make repayments of at least \$75,000 during the next fiscal year ending March 31, 2011. As of March 31, 2010, management believes that the loans to LECMA of \$388,680 are deemed to be fully collectible.

AHAF also shares a common board member with two other foreign affiliates, and two AHAF board members belong to a membership assembly that has the power to appoint board members of another foreign affiliate. These foreign affiliates are not consolidated with AHAF, since AHAF does not have the ability to appoint a majority of the board members of the affiliates.

### 5. Rental Property

Rental property consists of land donated to AHAF in Norfolk, Virginia in June 1999. The land was valued at \$2,800,000 at the time of donation and includes a building and triple-net ground lease for commercial space to various third parties. The terms of the lease agreements range from month-to-month to 75 years, including renewal options. The buildings located on the leased property become the property of AHAF at the end of the leases. The rental property includes a building obtained by a default on a lease in 2002, which had a value of \$1,629,400 at the time of default and has accumulated depreciation of \$250,677 as of March 31, 2010. Rental income earned, net of associated expenses, was \$558,090 for the year ended March 31, 2010. Under accounting principles generally accepted in the United States of America, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this income recognized and cash flow from rental payments is reflected as deferred rent receivable, which amount was \$573,027 as of March 31, 2010, and is included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2010, the future minimum rentals are as follows:

| For the Years Ending<br>March 31, |                     |
|-----------------------------------|---------------------|
| 2011                              | \$ 567,535          |
| 2012                              | 567,535             |
| 2013                              | 567,535             |
| 2014                              | 570,566             |
| 2015                              | 499,943             |
| Thereafter                        | <u>4,490,711</u>    |
| Total                             | <u>\$ 7,263,825</u> |

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2010**

6. Property and Equipment

Property and equipment is as follows as of March 31, 2010:

|                                 |                     |
|---------------------------------|---------------------|
| Land                            | \$ 1,147,363        |
| Building                        | 4,466,848           |
| Computer equipment and software | 434,456             |
| Office furniture                | 190,320             |
| Office equipment                | 139,825             |
| Automobile                      | <u>14,163</u>       |
| Total property and equipment    | 6,392,975           |
| Less: Accumulated depreciation  | <u>(1,651,343)</u>  |
| Net property and equipment      | <u>\$ 4,741,632</u> |

Depreciation expense was \$307,373 for the year ended March 31, 2010.

7. Research Grants

AHAF awards annual research grants that cover a period of one to three years. As of March 31, 2010, \$12,513,554 is payable for research grants that have been awarded by the Board of Directors. Of the total grants payable, \$7,084,859 has been scheduled for payment by AHAF within the next year, with the remaining balance of \$5,428,695 (net of present value discount of \$28,679) payable in subsequent years.

8. Charitable Gift Annuities

AHAF has charitable gift annuity arrangements with individuals. Under the terms of the agreements, AHAF receives cash, which can be donor-designated for one of the three diseases of AHAF's programs, in exchange for a survivor annuity agreement. AHAF is obligated to make monthly, quarterly, semi-annual or annual payments for the lifetime of the individuals. AHAF records the liability at the present value of expected future cash flows based on the donors' life expectancy. As of March 31, 2010, the present value of the annuity payments is \$1,479,997 based on the various life expectancies and an expected rate of return of 2.4% to 8.0%. Of the total annuity liability, \$251,198 is scheduled for payment within the next year, with the remaining balance of \$1,228,799 payable in subsequent years. During the year ended March 31, 2010, AHAF received \$60,300 in gift annuities. The liability is funded by AHAF's investments. In addition, various state laws require AHAF to maintain additional reserves for the charitable annuities. As of March 31, 2010, AHAF has \$2,138,207 in segregated accounts

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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8. Charitable Gift Annuities (continued)

invested in equity and fixed income mutual funds, bonds, and money market funds for the payment of these liabilities, which includes the additional reserves required by the various state laws.

9. Bonds Payable

In November 2001, \$3,825,000 of Tax Exempt Variable Rate Demand Value Bonds (the Bonds) were issued through the State of Maryland to assist in the construction of AHAF's building headquarters. AHAF is required to make deposits into a sinking fund, which are used for redemption of the Bonds. The sinking funds are held in trust and are invested in money market funds. As of March 31, 2010, the sinking funds totaled \$181,715. Principal payments, funded through the sinking fund, are payable every first business day in November and commenced in 2004. The scheduled payment of \$240,000 was made in 2009, which reduced the principal outstanding obligation on the bonds to \$1,560,000 as of March 31, 2010. The payments increase each year before a final payment of \$200,000 is due on November 15, 2015. The interest rates vary weekly, and the Bonds are convertible to fixed interest rates.

The Bonds are secured by the land, building and improvements of AHAF's headquarters. In order to provide enhanced security and liquidity for the weekly remarketing of the Bonds, AHAF entered into a letter of credit with a bank, which will expire in 2011. Under the terms of the letter of credit, the bank is obligated to lend funds to AHAF in amounts sufficient to pay the purchase price of any bonds tendered for purchase. The letter of credit has various financial covenants, including maintaining a certain debt to net worth ratio, maintaining a minimum tangible net worth and requiring approval before making capital expenditures above a certain level. As of March 31, 2010, AHAF was in compliance with all of the covenants.

AHAF entered into an interest rate swap to reduce the impact of changes in interest rates on its floating rate debt. The swap agreements are contracts to exchange floating rates for fixed-interest payments periodically over the lives of the agreements without the exchange of the underlying notional amounts. AHAF has entered into swap transactions pursuant to which it has exchanged its floating rate interest obligations on the entire notional amount for a fixed-rate payment obligation of 3.91% per annum for the ten-year period beginning November 16, 2001. The fixing of the interest rate for this period minimized, in part, AHAF's exposure to the uncertainty of floating interest rates during this ten-year period. The fair value of the swap agreement results in a liability of \$53,801 as of March 31, 2010. Total interest expense was \$104,075 for the year ended March 31, 2010, and is included in occupancy and utilities in the accompanying consolidated statement of functional expenses.

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2010**

9. Bonds Payable (continued)

Debt issuance costs, net of accumulated amortization, totaling \$89,890 are included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2010, aggregate sinking fund and principal payments due on the maturity of the Bonds over the next five years and thereafter are as follows:

| <u>For the Years Ending<br/>March 31,</u> | <u>Sinking<br/>Fund</u> | <u>Principal</u>    |
|---|-------------------------|---------------------|
| 2011                                      | \$ 256,667              | \$ 250,000          |
| 2012                                      | 266,667                 | 260,000             |
| 2013                                      | 280,000                 | 270,000             |
| 2014                                      | 291,666                 | 285,000             |
| 2015                                      | 231,667                 | 295,000             |
| 2016                                      | <u>66,666</u>           | <u>200,000</u>      |
| Total                                     | <u>\$ 1,393,333</u>     | <u>\$ 1,560,000</u> |

10. Concentration of Credit Risk

Financial instruments that potentially subject AHAF to concentrations of credit risk consist principally of cash and cash equivalents. AHAF maintains its cash and cash equivalents in several financial institutions with balances that, at times, may exceed federally insured limits. As of March 31, 2010, there were no amounts of cash and cash equivalents that were in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000. AHAF has not experienced any losses in such accounts.

11. Net Assets

**Temporarily Restricted**

Certain temporarily restricted net assets are available for use among the three diseases of AHAF's programs based on specific donor restrictions. The temporarily restricted net assets are available for the following as of March 31, 2010:

|   |                      |
|---|----------------------|
| Alzheimer's Disease Research            | \$ 6,237,457         |
| National Glaucoma Research              | 4,977,515            |
| Macular Degeneration Research           | <u>2,683,403</u>     |
| Total temporarily restricted net assets | <u>\$ 13,898,375</u> |

Continued

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2010**

11. Net Assets (continued)

**Temporarily Restricted (continued)**

During the year ended March 31, 2010, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of other events specified by donors. Purpose restrictions accomplished were for the following during the year ended March 31, 2010:

|  |                      |
|--|----------------------|
| Alzheimer's Disease Research               | \$ 18,204,011        |
| Macular Degeneration Research              | 6,836,480            |
| National Glaucoma Research                 | <u>4,019,363</u>     |
| Total net assets released from restriction | <u>\$ 29,059,854</u> |

**Permanently Restricted**

AHAF's share of a perpetual trust, which is classified as a permanently restricted net asset, is \$90,000 as of March 31, 2010. The earnings on this endowment are available for Alzheimer's Disease Research and are recorded as temporarily restricted investment income and released as spent.

12. Program Activities

For the year ended March 31, 2010, AHAF's programs have expenditures for the following diseases in two program activities: Health and Information Services and Research:

|                               | <u>Health and<br/>Information<br/>Services</u> | <u>Research</u>     | <u>Total</u>         |
|-------------------------------|--|---------------------|----------------------|
| Alzheimer's Disease Research  | \$ 7,502,417                                   | \$ 6,085,281        | \$ 13,587,698        |
| Macular Degeneration Research | 2,655,868                                      | 2,075,192           | 4,731,060            |
| National Glaucoma Research    | <u>2,037,015</u>                               | <u>1,516,556</u>    | <u>3,553,571</u>     |
| Total Program Services        | <u>\$ 12,195,300</u>                           | <u>\$ 9,677,029</u> | <u>\$ 21,872,329</u> |

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2010

13. Fair Value Measurements

The following table summarizes AHAF's assets and liabilities measured at fair value on a recurring basis as of March 31, 2010:

| <u>Asset</u>                                       | <u>Total</u>         | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets/<br>Liabilities<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--|----------------------|---|---|--|
| Charitable lead and remainder trusts               | \$ 1,542,982         | \$ -  | \$ -  | \$ 1,542,982                                       |
| Perpetual trust                                    | 90,000               | -   | -   | 90,000   |
| Bond trustee held investments – money market funds | 181,715              | 181,715   | -   | -  |
| Investments:                                       |                      |   |   |  |
| Marketable equity securities                       | 6,625,162            | 6,625,162   | -   | -  |
| Fixed income mutual funds                          | 6,458,400            | 6,458,400   | -   | -  |
| Equity mutual funds                                | 3,237,631            | 3,237,631   | -   | -  |
| Mixed-asset mutual funds                           | 1,042,352            | 1,042,352   | -   | -  |
| Alternative investments – partnerships             | 775,876              | -   | -   | 775,876  |
| Government-sponsored entity bonds                  | 548,534              | -   | 548,534   | -  |
| Mortgage and asset-backed securities               | 479,844              | -   | 479,844   | -  |
| Corporate bonds                                    | 254,649              | -   | 254,649   | -  |
| Money market funds                                 | 801,239              | 801,239   | -   | -  |
| Total Investments                                  | <u>20,223,687</u>    | <u>18,164,784</u>   | <u>1,283,027</u>  | <u>775,876</u>                                     |
| Total Assets                                       | <u>\$ 22,038,384</u> | <u>\$ 18,346,499</u>  | <u>\$ 1,283,027</u>                                       | <u>\$ 2,408,858</u>                                |
| <u>Liability</u>                                   |                      |   |   |  |
| Interest rate swap agreement                       | \$ (53,801)          | \$ -  | \$ (53,801)   | \$ -   |
| Total Liabilities                                  | <u>\$ (53,801)</u>   | <u>\$ -</u>   | <u>\$ (53,801)</u>  | <u>\$ -</u>  |

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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### 13. Fair Value Measurements (continued)

AHAF used the following methods and significant assumptions to estimate fair value for assets and liabilities measured at fair value:

***Charitable Lead, Remainder and Perpetual Trust Agreements***—The expected future cash inflows from the charitable lead and remainder trusts are based on the fair value of the investments, future expected investment returns and the life expectancy of the donor or donor's designee and have been recorded at present value based on a discount rate in the range of 2.5% to 3.3%. The perpetual trust is recorded at the present value of the future distributions expected to be received over the term of the agreement. The value of these trusts is based on unobservable inputs and AHAF's own assumptions and are, therefore, classified within Level 3.

***Trading Securities***—Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds; marketable equity securities; and fixed income, equity and mixed-asset mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These instruments, which would generally be classified within Level 2 of the valuation hierarchy, include mortgage and asset-backed securities, government-sponsored entity bonds and corporate bonds.

***Interest Rate Swap***—The estimated fair value of an interest rate swap is generally determined using an externally developed model using forward-looking assumptions of interest rates and the resulting effect on the underlying cash flows of the interest rate swap. Although AHAF has determined that the majority of the inputs used to value its swap fall within Level 2 of the fair value hierarchy, the credit valuation adjustment associated with its swap utilizes Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by AHAF and its counterparty. However, as of March 31, 2010, AHAF has assessed the significance of the impact of the credit valuation adjustment on the overall valuation of its derivative position and has determined that the credit valuation adjustment is not significant to the overall valuation of AHAF's derivative. As a result, AHAF has determined that its swap valuation in its entirety is classified in Level 2 of the fair value hierarchy.

***Alternative Investments***—AHAF invests in partnerships that can only be redeemed on an established date each month and generally have no established trading market. Fair value is determined based on the net asset value (NAV) as provided by the investee fund manager or general partner of the respective entity.

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2010**

13. Fair Value Measurements (continued)

A roll forward of the fair value measurements using unobservable inputs (Level 3) is as follows for the year ended March 31, 2010:

|  | Fair Value Measurements Using Significant<br>Unobservable Inputs (Level 3) |                            |                     |
|--|--|----------------------------|---------------------|
|  | Charitable<br>Lead,<br>Remainder<br>and<br>Perpetual<br>Trusts             | Alternative<br>Investments | Total               |
|  |  |                            |                     |
| Beginning balance, April 1, 2009   | \$ 1,219,301   | \$ 1,174,676               | \$ 2,393,977        |
| Change in value in split-interest agreements   | 450,595  | -                          | 450,595             |
| Payment from charitable remainder trusts   | (36,914)   | -                          | (36,914)            |
| Total gains or losses (realized/unrealized)  | -  | (39,060)                   | (39,060)            |
| Net purchases (sales) and settlements  | -  | (359,740)                  | (359,740)           |
| Ending balance, March 31, 2010   | <u>\$ 1,632,982</u>  | <u>\$ 775,876</u>          | <u>\$ 2,408,858</u> |
| The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at March 31, 2010 |  |                            |                     |
|  | <u>\$ -</u>  | <u>\$ (24,124)</u>         | <u>\$ (24,124)</u>  |

14. Donated Services

Radio and televised public service announcement airtime has been donated to AHAF for its Health and Information Services program. The fair value of the public service announcements is \$5,975,448, and is included in the printing, publications and media category on the accompanying consolidated statement of functional expenses. Public service announcements are valued based on the number of plays and the time period the advertisement is aired at the television or radio station's equivalent advertising rate charged to paying customers.

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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### 15. Allocation of Joint Costs

AHAF conducted direct mail campaigns that included fundraising appeals. These activities included joint costs of \$9,463,392, which amounts are included in printing, publications and media, postage and delivery, computer mailing services, mailing list rental expenses, and professional fees in the accompanying consolidated statement of functional expenses. The costs have been allocated as follows:

|                                 |                     |
|---------------------------------|---------------------|
| Health and Information Services | \$ 5,239,794        |
| Fundraising                     | 3,662,898           |
| Management and General          | <u>560,700</u>      |
| Total                           | <u>\$ 9,463,392</u> |

On April 1, 2009, AHAF elected to change its method of allocating joint costs, whereby all common costs (e.g., postage) are allocated based on the annual weighted average of all similar types of AHAF mail campaigns. In prior years, such common costs were allocated based on the weighted average of each individual mailing. The new method of accounting for joint cost allocation was adopted, as it was determined to be a more accurate and reasonable representation of the cost of the campaign. Comparative consolidated financial statements of the prior year have been adjusted to apply the new method retrospectively. As a result of the change in methodology, program expenses under health and information services increased \$1,098,658, and fundraising and management and general supporting services decreased by \$1,033,435 and \$65,223, respectively, for the year ended March 31, 2009. There was no impact on the change in net assets for the year ended March 31, 2009.

### 16. Pension Plans

AHAF sponsors a money purchase pension plan, which covers all full-time employees who complete two years of service. Each year, AHAF contributes to the plan an amount equal to a minimum of 15% of the participating employees' salaries. AHAF's contributions were \$228,813 for the year ended March 31, 2010. AHAF also sponsors a defined contribution annuity plan (a 403(b) plan) in which employees may elect to have a tax-deferred percentage of their pay withheld and contributed to the plan. The funds are held by various investment managers at no cost to AHAF.

### 17. Income Taxes

AHAF is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the year ended March 31, 2010, as AHAF had no net unrelated business income.

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

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17. Income Taxes (continued)

NDLLC and AHALLC are disregarded entities for tax purposes and therefore do not generate taxable income.

AHAF has filed for, and received, income tax exemptions in the various jurisdictions where it is required to do so. AHAF files the federal Form 990 tax return in the U.S. federal jurisdiction and in various states. AHAF has adopted the guidance under ASC topic *Income Taxes* related to accounting for uncertainty in income taxes. Management of AHAF believes that AHAF has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized taxes. As of March 31, 2010, the statute of limitations for tax years 2006 through 2009 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which AHAF files tax returns. It is AHAF's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of March 31, 2010, AHAF had no accruals for interest and/or penalties.

18. Prior-Year Information

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

19. Reclassifications

Certain reclassifications have been made to the 2009 consolidated financial statement balances to conform to the presentation of the 2010 consolidated financial statements. During the year ended March 31, 2010, management combined four of its programs, which had previously been reported separately, into one program, titled Health and Information Services. The program services expenses reported on the 2009 summarized comparative financial statements have been reclassified to be consistent with the 2010 presentation.

20. Subsequent Events

In preparing these financial statements, AHAF has evaluated events and transactions for potential recognition or disclosure through June 18, 2010, the date the financial statements were available to be issued.