



## **Consolidated Financial Statements**

*For the Year Ended March 31, 2009*

*(With Summarized Financial Information for the Year Ended March 31, 2008)*



**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 American Health Assistance Foundation and Affiliates (collectively referred to as AHAF) as of March 31, 2009, 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, 2008 consolidated financial statements and in our report dated June 25, 2008, 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, 2009, 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 20, 2009

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As of March 31, 2009

(With Summarized Financial Information as of March 31, 2008)

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,865,246	\$ 2,701,041
Short term investments	2,286,165	3,946,654
Loans to affiliates, current portion	75,000	200,000
Charitable remainder and lead trusts, current portion	31,178	54,178
Bequests receivable	2,356,009	1,926,632
Inventory	153,804	258,082
Prepaid expenses and other current assets	149,692	302,438
Sinking fund investments	175,003	169,713
 Total Current Assets	 8,092,097	 9,558,738
Charitable remainder and lead trusts, net of current portion	1,098,123	1,803,525
Loans to affiliates, net of current portion	437,671	490,442
Investments, net of current portion	15,940,837	21,305,455
Other assets	777,186	713,904
Rental property	4,220,503	4,262,282
Net property and equipment	4,866,954	4,899,873
 TOTAL ASSETS	 <u>\$ 35,433,371</u>	 <u>\$ 43,034,219</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 905,180	\$ 719,541
Grants payable, current portion	7,075,260	8,337,548
Charitable gift annuities, current portion	261,735	222,995
Bonds payable, current portion	240,000	235,000
 Total Current Liabilities	 8,482,175	 9,515,084
Interest rate swap liability	76,548	69,597
Grants payable, net of current portion	4,577,468	5,192,804
Charitable gift annuities, net of current portion	1,303,097	1,154,655
Bonds payable, net of current portion	1,560,000	1,800,000
Rental deposits	25,000	25,000
 TOTAL LIABILITIES	 <u>16,024,288</u>	 <u>17,757,140</u>
Net Assets		
Unrestricted	5,106,430	9,930,396
Temporarily restricted	14,212,653	15,256,683
Permanently restricted	90,000	90,000
 TOTAL NET ASSETS	 <u>19,409,083</u>	 <u>25,277,079</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 35,433,371</u>	 <u>\$ 43,034,219</u>

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, 2009

(With Summarized Financial Information for the Year Ended March 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
<b>SUPPORT AND REVENUE</b>					
Contributions and grants	\$ 53,333	\$ 14,381,761	\$ -	\$ 14,435,094	\$ 15,713,548
Bequests	-	5,490,602	-	5,490,602	5,066,477
Donated services	-	4,390,766	-	4,390,766	6,073,181
Rental income, net of expenses	-	554,011	-	554,011	552,026
Other	37,729	388,183	-	425,912	395,425
Net investment income (loss)	(4,915,028)	1,054	-	(4,913,974)	895,219
Net assets released from restrictions:					
Satisfaction of program restrictions	26,250,407	(26,250,407)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>21,426,441</b>	<b>(1,044,030)</b>	<b>-</b>	<b>20,382,411</b>	<b>28,695,876</b>
<b>EXPENSES</b>					
<b>Program Services</b>					
Research	8,383,079	-	-	8,383,079	11,453,501
Assistance to Patients, Families and Caregivers	3,497,934	-	-	3,497,934	2,740,023
Societal Information	3,417,207	-	-	3,417,207	4,717,795
Lifestyle Choices	1,863,167	-	-	1,863,167	2,673,808
Symptom Recognition	616,777	-	-	616,777	734,680
<b>Total Program Services</b>	<b>17,778,164</b>	<b>-</b>	<b>-</b>	<b>17,778,164</b>	<b>22,319,807</b>
<b>Supporting Services</b>					
Fundraising	5,911,746	-	-	5,911,746	5,988,505
Management and general	2,560,497	-	-	2,560,497	3,071,222
<b>Total Supporting Services</b>	<b>8,472,243</b>	<b>-</b>	<b>-</b>	<b>8,472,243</b>	<b>9,059,727</b>
<b>TOTAL EXPENSES</b>	<b>26,250,407</b>	<b>-</b>	<b>-</b>	<b>26,250,407</b>	<b>31,379,534</b>
<b>CHANGE IN NET ASSETS</b>	<b>(4,823,966)</b>	<b>(1,044,030)</b>	<b>-</b>	<b>(5,867,996)</b>	<b>(2,683,658)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>9,930,396</b>	<b>15,256,683</b>	<b>90,000</b>	<b>25,277,079</b>	<b>27,960,737</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 5,106,430</b>	<b>\$ 14,212,653</b>	<b>\$ 90,000</b>	<b>\$ 19,409,083</b>	<b>\$ 25,277,079</b>

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, 2009  
 (With Summarized Financial Information for the Year Ended March 31, 2008)

	Program Services					Supporting Services			2009 Total	2008 Total
	Research	Assistance to Patients, Families, & Caregivers	Societal Information	Lifestyle Choices	Symptom Recognition	Total Program Services	Fundraising	Management and General		
Printing and publications and media	\$ 253,475	\$ 2,019,648	\$ 3,140,749	\$ 644,503	\$ 147,762	\$ 6,206,137	\$ 1,109,508	\$ 164,227	\$ 7,479,872	\$ 8,989,535
Grants	6,500,832	-	-	-	-	6,500,832	-	-	6,500,832	9,620,911
Postage and delivery	29,073	631,553	144,708	551,413	197,732	1,554,479	2,108,326	276,714	3,939,519	3,785,281
Salaries and related expenses	855,213	187,005	33,798	166,898	73,058	1,315,972	674,957	1,060,891	3,051,820	2,842,850
Computer and mailing services	212,311	275,264	42,350	231,084	85,132	846,141	844,273	258,833	1,949,247	1,800,585
Professional fees	75,887	202,346	38,064	157,150	61,101	534,548	666,267	295,256	1,496,071	1,699,750
Mailing list rental	-	108,793	4,538	46,955	25,559	185,845	305,220	30,698	521,763	676,181
Occupancy and utilities	144,244	31,534	5,699	28,143	12,320	221,940	90,765	186,097	498,802	541,409
Depreciation	72,348	15,820	2,859	14,119	6,180	111,326	50,621	133,275	295,222	330,059
Travel, meetings and symposia	166,728	10,698	1,676	9,271	1,905	190,278	14,125	34,091	238,494	220,055
Office related expenses	53,557	11,028	1,999	9,843	4,370	80,797	31,713	59,628	172,138	152,102
Bank service charges	19,411	4,245	767	3,788	1,658	29,869	15,971	60,787	106,627	110,372
Bad debt	-	-	-	-	-	-	-	-	-	610,444
<b>TOTAL EXPENSES</b>	<b>\$ 8,383,079</b>	<b>\$ 3,497,934</b>	<b>\$ 3,417,207</b>	<b>\$ 1,863,167</b>	<b>\$ 616,777</b>	<b>\$ 17,778,164</b>	<b>\$ 5,911,746</b>	<b>\$ 2,560,497</b>	<b>\$ 26,250,407</b>	<b>\$ 31,379,534</b>

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

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATE**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the Year Ended March 31, 2009**

**(With Summarized Financial Information for the Year Ended March 31, 2008)**

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (5,867,996)	\$ (2,683,658)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	295,222	330,059
Interest rate swap loss	6,951	69,957
Realized losses (gains) on investments	2,578,568	(2,244,561)
Unrealized losses on investments	3,024,785	2,277,849
Bad debt expense	-	610,444
Donated stock	(42,929)	(75,706)
Changes in assets and liabilities:		
Charitable remainder and lead trusts	728,402	(34,634)
Bequests receivable	(429,377)	271,365
Inventory	104,278	(232,505)
Prepaid expenses and other current assets	152,746	34,861
Other assets	(63,282)	(77,261)
Accounts payable and accrued expenses	185,639	(132,212)
Grants payable	<u>(1,877,624)</u>	<u>25,185</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(1,204,617)</u>	<u>(1,860,817)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	(220,524)	(120,989)
Proceeds from sales of investments	16,975,910	17,676,110
Purchases of investments	(15,511,227)	(18,754,137)
Repayments (additional borrowings) on loans to affiliates	<u>177,771</u>	<u>(139,700)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>1,421,930</u>	<u>(1,338,716)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Liability related to charitable gift annuity liability	430,046	380,624
Payments to charitable gift annuitants	(242,864)	(201,446)
Principal payments to sinking fund	<u>(240,290)</u>	<u>(238,310)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(53,108)</u>	<u>(59,132)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	164,205	(3,258,665)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,701,041</u>	<u>5,959,706</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,865,246</u>	<u>\$ 2,701,041</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 104,670</u>	<u>\$ 96,948</u>
Donated stock	<u>\$ 42,929</u>	<u>\$ 75,706</u>
Bond redemption through sinking fund	<u>\$ 235,000</u>	<u>\$ 225,000</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, 2009**

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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, which 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. The American Health Assistance Foundation's programs are funded primarily from contributions and grants from individuals.

The National Development LLC (NDLLC) is a limited liability corporation created by the American Health Assistance Foundation, which 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, which 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.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, AHAF considers all demand deposits and overnight money market funds to be cash and cash equivalents.

**Continued**

# **AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2009**

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

### **Inventory**

Inventory at March 31, 2009 consists of direct mail materials and is stated at cost.

### **Investments**

Investments are carried at fair value and are composed of certificates of deposit, money market funds, US Treasury bonds, stocks, fixed income and equity mutual funds, mortgage and asset backed securities, corporate bonds, international government bonds, an index fund, partnership, and floating rate income opportunity fund. Quoted market prices are used to value marketable debt and equity securities. The estimated fair value for investments in the index fund, partnership and floating rate income opportunity fund is based on the net asset value, which is estimated by the fund administrator, external investment manager or managing director and is not necessarily indicative of the amount that the funds could realize in a current transaction. Because of the inherent uncertainty of valuation for these funds, 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 comparison of cost to 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 open land donated to AHAF on which there are long-term ground leases and a building received from a tenant by default of lease terms. The property cannot be sold until 2024 and the net proceeds from rents and any future sales are 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.

### **Property and Equipment and Related Depreciation**

Property and equipment includes the land and building where AHAF is located, as well as furniture 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.

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# **AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2009**

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

**Property and Equipment and Related Depreciation (continued)**

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.

**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.

**Revenue Recognition**

Contributions and grants are recorded as revenue when received or 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.

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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

### **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 Symptom Recognition, Lifestyle Choices, Assistance to Patients, Families and Caregivers, Societal Information, 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.

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

***Societal Information*** – 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 participation in AHAF's program outreach.

***Lifestyle Choices*** – Expenses incurred to establish and increase public awareness of lifestyle choices that promote good health and what steps the public can or should take to reduce the likelihood of the onset of age-related, degenerative or other diseases.

***Symptom Recognition*** – Expenses incurred to establish and increase public awareness of symptoms of age-related and degenerative diseases and what steps the public can or should take in response to such symptoms.

***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.

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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

### 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.

2. Investments

Investments as of March 31, 2009 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
<u>Short term investments</u>		
Certificates of deposit	\$ 750,000	\$ 765,139
Money market funds	<u>1,521,026</u>	<u>1,521,026</u>
Total short term investments	<u>2,271,026</u>	<u>2,286,165</u>
<u>Long term investments</u>		
Stocks	\$ 9,627,265	\$ 7,950,019
Fixed income mutual funds	1,363,434	1,315,619
Equity mutual funds	1,058,312	666,246
Mortgage and asset backed securities	1,513,627	1,537,508
Certificates of deposit	1,655,000	1,696,733
Corporate bonds	1,080,400	1,070,059
International government bonds	24,475	26,313
US Treasury bonds	484,355	503,664
Index fund	698,080	799,676
Partnership	300,000	300,000
Income opportunity fund	<u>75,000</u>	<u>75,000</u>
Total long term investments	<u>17,879,948</u>	<u>15,940,837</u>
Total investments	<u>\$ 20,150,974</u>	<u>\$ 18,227,002</u>

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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### 2. Investments (continued)

A summary of investment income for the year ended March 31, 2009 is as follows:

Net unrealized losses	\$ (3,024,785)
Net realized losses	(2,578,568)
Interest and dividends from investments	769,731
Interest and dividends from cash and cash equivalents	80,573
Interest from loans to affiliates	26,899
Management fees	<u>(187,824)</u>
Net investment loss	<u>\$ (4,913,974)</u>

### 3. Bequests Receivable and Trusts

Bequests receivable as of March 31, 2009 of \$2,356,009 consists of unconditional wills. 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 designee (remainder trusts) during the terms of the agreements, which vary up to an estimated maximum of 8 years from March 31, 2009. 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 5% to 6%, resulting in a total receivable of \$1,129,301. The change in value of these split interest agreements for the year ended March 31, 2009 resulted in a loss of \$690,402, mainly due to the decline in the fair value of the investments, and this loss is included as a reduction 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.

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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

As of March 31, 2009, bequests and trusts are expected to be received as follows:

Less than one year	\$ 2,387,187
One to five years	140,749
More than five years	<u>1,470,393</u>
Total	3,998,329
Less: Discount to net present value	<u>(423,019)</u>
Net bequests receivable and trusts	<u>\$ 3,575,310</u>

In addition, as of March 31, 2009 AHAF is aware of approximately \$737,500 of wills and trusts which have, 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 two line of credit agreements with Ligue Européenne Contre la Maladie d'Alzheimer (LECMA), an affiliated but unconsolidated entity in France, totaling \$956,000. 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 agreements bear interest at 5%. The total amount drawn on these credit lines was \$512,671 as of March 31, 2009, including interest income of \$26,899 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, 2010. Management believes that the loans to LECMA of \$512,671 as of March 31, 2009 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 who 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 located in Norfolk, Virginia, which 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

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

### 5. Rental Property (continued)

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 \$208,897 as of March 31, 2009. Rental income earned, net of associated expenses, for the year ended March 31, 2009 was \$554,011. 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 as of March 31, 2009 was \$552,350 and is included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2009, the future minimum rentals are as follows:

For the Years Ending March 31,	
2010	\$ 567,535
2011	567,535
2012	567,535
2013	567,535
2014	570,566
Thereafter	<u>4,990,654</u>
Total	<u>\$ 7,831,360</u>

### 6. Property and Equipment and Accumulated Depreciation

AHAF held the following property and equipment as of March 31, 2009:

Land	\$ 1,147,363
Building	4,454,577
Computer equipment and software	642,076
Office furniture	181,476
Office equipment	78,421
Automobile	<u>14,163</u>
Total property and equipment	6,518,076
Less: Accumulated depreciation	<u>(1,651,122)</u>
Net property and equipment	<u>\$ 4,866,954</u>

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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### 7. Research Grants

AHAF awards research grants annually which cover a period of 1 to 3 years. As of March 31, 2009, \$11,652,728 is payable for research grants that have been awarded by the Board of Directors. Of the total grants payable, \$7,075,260 has been scheduled for payment by AHAF within the next year, with the remaining balance of \$4,577,468 (net of present value discount of \$28,313) payable in subsequent years.

### 8. 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 its three 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, 2009, the present value of the annuity payments is \$1,564,832 based on the various life expectancies and an expected rate of return of 2.4% to 8.0%. Of the total annuity liability, \$261,735 is scheduled for payment within the next year, with the remaining balance of \$1,303,097 payable in subsequent years. During the year ended March 31, 2009, AHAF received \$467,439 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, 2009, AHAF has \$2,041,108 in segregated accounts 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. 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, 2009, the sinking funds totaled \$175,003. Principal payments, funded through the sinking fund, are payable every first business day in November and commenced in 2004. The scheduled payment of \$235,000 was made in 2008 which reduced the principal outstanding obligation on the bonds to \$1,800,000 as of March 31, 2009. The payments increase each year before a final payment of \$200,000 in 2015. The interest rates vary weekly and the Bonds are convertible to fixed interest rates.

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

### 9. Bonds Payable (continued)

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 letters of credit with a bank, which expire in 2011. Under the terms of the letters 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 letters of credit have various financial covenants including maintaining certain debt to net worth ratios, maintaining a minimum tangible net worth and requiring approval before making capital expenditures above a certain level. As of March 31, 2009, 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 life 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 as of March 31, 2009 results in a liability of \$76,548. Total interest expense for the year ended March 31, 2009 was \$104,670 and is included in occupancy and utilities in the accompanying consolidated statement of functional expenses.

Debt issuance costs, net of accumulated amortization, totaling \$134,835 are included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2009, aggregate sinking fund and principal payments due on the Bonds over the next five years and thereafter are as follows:

For the Years Ending March 31,	Sinking Fund	Principal
2010	\$ 246,667	\$ 240,000
2011	256,667	250,000
2012	266,667	260,000
2013	280,000	270,000
2014	291,666	285,000
Thereafter	<u>298,333</u>	<u>495,000</u>
Total	<u>\$ 1,640,000</u>	<u>\$ 1,800,000</u>

Continued

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2009**

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10. Concentration of Credit Risk

AHAF's cash is held in accounts at several financial institutions. Although the amount at times exceeds the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore bears some risk, AHAF has neither experienced nor anticipates any loss of funds. Effective October 3, 2008, the FDIC increased its insurance limit from \$100,000 to \$250,000 through December 31, 2013. At March 31, 2009, the amount in excess of the FDIC insured limit of \$250,000 was \$750,105.

11. Net Assets

**Temporarily Restricted**

Certain temporarily restricted net assets are available for use among three programs of AHAF based on specific donor restrictions. The temporarily restricted net assets as of March 31, 2009 are as follows:

Alzheimer's Disease Research	\$ 7,331,900
National Glaucoma Research	5,058,626
Macular Degeneration Research	<u>1,822,127</u>
Total temporarily restricted net assets	<u>\$ 14,212,653</u>

Net assets were released from donor restrictions during the year ended March 31, 2009 by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Purpose restrictions accomplished during the year ended March 31, 2009 were as follows:

Alzheimer's Disease Research	\$ 17,126,972
Macular Degeneration Research	6,173,569
National Glaucoma Research	<u>2,949,866</u>
Total net assets released from restriction	<u>\$ 26,250,407</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, 2009. The earnings on this endowment are available for Alzheimer's Disease Research and are recorded as temporarily restricted investment income and released as spent.

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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### 12. Fair Value Measurements

AHAF adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157) for financial assets (and liabilities) measured on a recurring basis, effective April 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FAS 157 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, FAS 157 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 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 under FAS 157 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.

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2009**

12. Fair Value Measurements (continued)

The following table summarizes AHAF's assets and liabilities measured at fair value on a recurring basis as of March 31, 2009:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Charitable lead and remainder trusts	\$ 1,129,301	\$ -	\$ -	\$ 1,129,301
Perpetual trust	\$ 90,000	\$ -	\$ -	\$ 90,000
Sinking fund - money market funds	\$ 175,003	\$ 175,003	\$ -	\$ -
Investments				
Certificates of deposit	\$ 2,461,872	\$ 2,461,872	\$ -	\$ -
Money market funds	1,521,026	1,521,026	-	-
US Treasury bonds	503,664	503,664	-	-
Stocks	7,950,019	7,950,019	-	-
Fixed income mutual funds	1,315,619	1,315,619	-	-
Equity mutual funds	666,246	666,246	-	-
Mortgage and asset backed securities	1,537,508	-	1,537,508	-
Corporate bonds	1,070,059	-	1,070,059	-
International government bonds	26,313	-	26,313	-
Index fund	799,676	-	-	799,676
Partnership	300,000	-	-	300,000
Income opportunity fund	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total Investments	<u>\$ 18,227,002</u>	<u>\$ 14,418,446</u>	<u>\$ 2,633,880</u>	<u>\$ 1,174,676</u>
Total Assets	<u>\$ 19,621,306</u>	<u>\$ 14,593,449</u>	<u>\$ 2,633,880</u>	<u>\$ 2,393,977</u>
Interest rate swap agreement	\$ (76,548)	\$ -	\$ (76,548)	\$ -
Total Liabilities	<u>\$ (76,548)</u>	<u>\$ -</u>	<u>\$ (76,548)</u>	<u>\$ -</u>

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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12. Fair Value Measurements (continued)

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

***Charitable Lead, Remainder and Perpetual Trust Agreements*** – 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 designee (remainder trusts) during the terms of the agreements. 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 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 5% to 6%. 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 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 certificates of deposit, money market funds, US Treasury bonds, stocks, fixed income and equity 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, and corporate and international government bonds.

***Interest Rate Swap*** – AHAF entered into an interest rate swap to reduce the impact of changes in interest rates on its floating rate debt. The swap agreement is a contract to exchange floating rates for fixed interest payments periodically over the life of the agreement without the exchange of the underlying notional amounts. AHAF has entered into the swap transaction pursuant to which it has exchanged its floating rate interest obligation 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 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. Valuations provided do not include adjustments for nonperformance risk on behalf of either party. Although AHAF has determined 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

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2009**

12. Fair Value Measurements (continued)

***Interest Rate Swap (continued)***

counterparty. However, as of March 31, 2009, 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 its derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.

***Alternative Investments*** – AHAF invests in an index fund, partnership and income opportunity fund are subject to certain restrictions and generally have no established trading market. Fair value is determined based on the funds net asset value (NAV) as provided by the investee fund management or general partner of the respective entity, unless other factors lead to a determination of a fair value at a different amount. These adjustments are made in cases where certain features and conditions of the investment warrant a further adjustment, either a discount or premium, to NAV, such as recent financial information received.

A roll forward of the fair value measurements using unobservable inputs (Level 3) as of March 31, 2009 is as follows:

	<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>		
	Charitable Lead, Remainder and Perpetual Trusts	Alternative Investments	<u>Total</u>
<b>April 1, 2008</b>	\$ 1,947,703	\$ 1,138,372	\$ 3,086,075
Change in value in split-interest agreements	(690,402)	-	(690,402)
Payment from charitable remainder trust	(38,000)	-	(38,000)
Total gains or losses (realized/unrealized)	-	61,304	61,304
Net purchases (sales) and settlements	-	(25,000)	(25,000)
Transfers in (out) of Level 3	-	-	-
<b>March 31, 2009</b>	<u>\$ 1,219,301</u>	<u>\$ 1,174,676</u>	<u>\$ 2,393,977</u>

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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### 13. Donated Services

Radio and televised public service announcements airtime has been donated to AHAF for its Symptom Recognition, Societal Information, and Assistance to Patients, Families and Caregivers programs. The fair value of the public service announcements is \$4,390,766 and is included in the print, 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.

### 14. Allocation of Joint Costs

AHAF conducted direct mail campaigns that included fundraising appeals. These activities included joint costs of \$9,434,868, 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:

Assistance to Patients, Families and Caregivers	\$ 1,747,177
Lifestyle Choices	1,534,182
Symptom Recognition	461,919
Societal Information	357,034
Fundraising	4,824,245
Management & General	<u>510,311</u>
Total	<u>\$ 9,434,868</u>

### 15. Pension Plans

AHAF has a money market purchase plan which covers all full-time employees who complete two years of service. AHAF contributes to the plan each year an amount equal to a minimum of 15 percent of the participating employees' salaries. AHAF's contributions for the year ended March 31, 2009 were \$223,198. AHAF also has 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.

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2009

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### 16. Contingencies

AHAF, its Executive Director and several Board members are defendants in a lawsuit filed by a former employee for breach of contract and other claims arising out of the employee's discharge. AHAF believes the suit is completely without merit and intends to vigorously defend its position. As such, AHAF has not accrued any liability as a result of this suit because it cannot reasonably be estimated.

### 17. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the American Health Assistance Foundation is exempt from Federal taxes on income other than net unrelated business income. For the year ended March 31, 2009 no provision for income taxes was made as AHAF had no net unrelated business income. 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 provisions of Financial Accounting Standards Board Interpretation No. 48, *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.

### 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, 2008, from which the summarized information was derived.

### 19. Reclassifications

Certain reclassifications have been made to the 2008 consolidated financial statement balances to conform with the presentation of the 2009 consolidated financial statements.