



## **Consolidated Financial Statements**

*For the Year Ended March 31, 2011*

*(With Summarized Financial Information for the Year Ended March 31, 2010)*



**and  
Report Thereon**





## INDEPENDENT AUDITOR'S REPORT

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

CONSULTING  
ACCOUNTING  
TECHNOLOGY

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, 2011, 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, 2010 consolidated financial statements and, in our report dated June 18, 2010, 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, 2011, 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 25, 2011

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

March 31, 2011

(With Summarized Financial Information as of March 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,268,152	\$ 5,651,489
Short-term investments	365,025	801,239
Loan to affiliate, current portion	75,000	75,000
Charitable remainder and lead trusts, current portion	35,000	33,000
Bequests receivable	845,481	1,749,472
Inventory	134,231	203,848
Prepaid expenses and other current assets	139,866	198,231
Bond trustee-held investments	188,400	181,715
	<hr/>	<hr/>
Total Current Assets	5,051,155	8,893,994
Investments	21,239,276	19,422,448
Loan to affiliate, net of current portion	241,096	313,680
Charitable remainder and lead trusts, net of current portion	1,605,164	1,509,982
Net property and equipment	4,747,846	4,741,632
Rental property	4,136,944	4,178,723
Other assets	728,649	752,917
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b><u>\$ 37,750,130</u></b>	<b><u>\$ 39,813,376</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,042,518	\$ 965,669
Research grants payable, current portion	6,491,758	7,084,859
Charitable gift annuities, current portion	251,712	251,198
Interest rate swap liability	21,806	-
Bonds payable, current portion	260,000	250,000
	<hr/>	<hr/>
Total Current Liabilities	8,067,794	8,551,726
Interest rate swap liability, net of current portion	-	53,801
Research grants payable, net of current portion	4,690,069	5,428,695
Charitable gift annuities, net of current portion	1,191,650	1,228,799
Bonds payable, net of current portion	1,050,000	1,310,000
Other liabilities	114,108	78,142
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b><u>15,113,621</u></b>	<b><u>16,651,163</u></b>
Net Assets		
Unrestricted	10,772,583	9,173,838
Temporarily restricted	11,773,926	13,898,375
Permanently restricted	90,000	90,000
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<b>TOTAL NET ASSETS</b>	<b><u>22,636,509</u></b>	<b><u>23,162,213</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 37,750,130</u></b>	<b><u>\$ 39,813,376</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, 2011

(With Summarized Financial Information for the Year Ended March 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
REVENUE AND SUPPORT					
Donated services	\$ -	\$ 19,538,608	\$ -	\$ 19,538,608	\$ 5,975,448
Contributions and grants	92,377	14,545,969	-	14,638,346	14,725,431
Bequests	11,874	3,544,024	-	3,555,898	7,125,628
Net investment income	1,453,913	-	-	1,453,913	3,979,990
Rental income, net of expenses	-	561,553	-	561,553	558,090
Other	40,581	293,808	-	334,389	448,397
Net assets released from restrictions:					
Satisfaction of program restrictions	40,608,411	(40,608,411)	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>42,207,156</u>	<u>(2,124,449)</u>	<u>-</u>	<u>40,082,707</u>	<u>32,812,984</u>
EXPENSES					
Program Services:					
Health and Information Services	26,030,377	-	-	26,030,377	12,195,300
Research	7,340,608	-	-	7,340,608	9,677,029
Total Program Services	<u>33,370,985</u>	<u>-</u>	<u>-</u>	<u>33,370,985</u>	<u>21,872,329</u>
Supporting Services:					
Fundraising	5,025,229	-	-	5,025,229	4,764,968
Management and general	2,212,197	-	-	2,212,197	2,422,557
Total Supporting Services	<u>7,237,426</u>	<u>-</u>	<u>-</u>	<u>7,237,426</u>	<u>7,187,525</u>
<b>TOTAL EXPENSES</b>	<u>40,608,411</u>	<u>-</u>	<u>-</u>	<u>40,608,411</u>	<u>29,059,854</u>
CHANGE IN NET ASSETS	1,598,745	(2,124,449)	-	(525,704)	3,753,130
NET ASSETS, BEGINNING OF YEAR	<u>9,173,838</u>	<u>13,898,375</u>	<u>90,000</u>	<u>23,162,213</u>	<u>19,409,083</u>
NET ASSETS, END OF YEAR	<u>\$ 10,772,583</u>	<u>\$ 11,773,926</u>	<u>\$ 90,000</u>	<u>\$ 22,636,509</u>	<u>\$ 23,162,213</u>

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, 2011

(With Summarized Financial Information for the Year Ended March 31, 2010)

	Program Services			Supporting Services		2011 Total	2010 Total
	Health and Information Services	Research	Total Program Services	Fundraising	Management and General		
Printing, publications and media	\$ 21,180,334	\$ 203,537	\$ 21,383,871	\$ 1,133,228	\$ 149,582	\$ 22,666,681	\$ 9,001,619
Grants	-	5,603,132	5,603,132	-	-	5,603,132	8,022,573
Postage and delivery	2,025,788	22,590	2,048,378	1,436,526	230,023	3,714,927	3,900,715
Salaries and related expenses	675,980	737,126	1,413,106	813,646	991,696	3,218,448	2,878,851
Computer and mailing services	929,015	166,273	1,095,288	643,010	223,359	1,961,657	1,876,405
Professional fees	710,213	134,913	845,126	529,546	161,742	1,536,414	1,575,215
Mailing list rental	263,389	-	263,389	222,407	34,588	520,384	531,845
Occupancy and utilities	107,512	117,237	224,749	98,107	158,588	481,444	498,680
Travel, meetings and symposia	33,146	239,174	272,320	41,934	35,464	349,718	203,948
Depreciation and amortization	60,343	65,802	126,145	60,622	128,233	315,000	307,373
Office-related expenses	34,147	39,363	73,510	33,797	43,384	150,691	173,913
Bank service charges	10,510	11,461	21,971	12,406	55,538	89,915	88,717
<b>TOTAL EXPENSES</b>	<u>\$ 26,030,377</u>	<u>\$ 7,340,608</u>	<u>\$ 33,370,985</u>	<u>\$ 5,025,229</u>	<u>\$ 2,212,197</u>	<u>\$ 40,608,411</u>	<u>\$ 29,059,854</u>

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, 2011

(With Summarized Financial Information for the Year Ended March 31, 2010)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (525,704)	\$ 3,753,130
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	315,000	307,373
Interest rate swap gain	(31,995)	(22,747)
Realized losses (gains) on investments	(1,907,828)	54,902
Unrealized losses (gains) on investments	1,015,819	(3,277,627)
Donated stock	(20,448)	(11,033)
Contributions and change in value of charitable remainder and lead trusts	(97,182)	(413,681)
Changes in assets and liabilities:		
Bequests receivable	903,991	606,537
Inventory	69,617	(50,044)
Prepaid expenses and other current assets	58,365	(48,539)
Other assets	24,268	24,269
Accounts payable and accrued expenses	33,351	26,631
Research grants payable	<u>(1,331,727)</u>	<u>860,826</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(1,494,473)</u>	<u>1,809,997</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	33,283,599	27,571,126
Purchases of investments	(33,751,756)	(26,334,053)
Acquisitions of property and equipment	(199,971)	(53,271)
Repayments on loans to affiliates	<u>72,584</u>	<u>123,991</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(595,544)</u>	<u>1,307,793</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Liability related to charitable gift annuities	212,982	166,354
Payments to charitable gift annuitants	(249,617)	(251,189)
Payments to sinking fund	<u>(256,685)</u>	<u>(246,712)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(293,320)</u>	<u>(331,547)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(2,383,337)</u>	<u>2,786,243</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,651,489</u>	<u>2,865,246</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,268,152</u>	<u>\$ 5,651,489</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 72,842</u>	<u>\$ 81,877</u>
Donated stock	<u>\$ 20,448</u>	<u>\$ 11,033</u>
Bond redemption through sinking fund	<u>\$ 250,000</u>	<u>\$ 240,000</u>
Equipment acquired under capital leases	\$ 79,464	\$ 87,000
Capital lease obligations	<u>(79,464)</u>	<u>(87,000)</u>
	<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, 2011**

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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 (NDLLC) and the American Health Assistance, LLC (AHALLC) (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, which are used for three programs: Alzheimer's Disease Research, Macular Degeneration Research, and National Glaucoma Research.

NDLLC is a limited liability company 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.

AHALLC is a limited liability company 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 the 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 generally accepted accounting principles (GAAP) in the United States of America. All significant intercompany balances and transactions have been eliminated in the consolidation.

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# **AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2011**

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

### **Cash Equivalents**

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

### **Inventory**

At March 31, 2011, 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, domestic marketable equity securities, fixed-income mutual funds, equity mutual funds, government-sponsored entity bonds, mortgage- and asset-backed securities, corporate bonds, and partnerships. 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 value, which is estimated by the 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 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 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 an estimated useful life of 39 years.

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

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

### **Impairment of Long-Lived Assets**

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2011.

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

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 an estimated 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. Capitalized leased assets are stated at the net present value of future minimum lease payments and are amortized using the straight-line method over the life of the lease.

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. AHAF capitalizes property and equipment with a cost of \$500 or more.

### **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 at fair value 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, 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.

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

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

**Fair Value Measurements (continued)**

*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.

AHAF follows the fair value measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, to its alternative investments. The guidance permits, as a practical expedient, the fair value of investments within its scope to be estimated using net asset value or its equivalent.

During the year ended March 31, 2011, AHAF adopted FASB ASU 2010-06, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*.

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's 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 contributions 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 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.

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

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

### **Revenue Recognition (continued)**

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 value as of the date of 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.

*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.

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

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

**Functional Allocation of Expenses (continued)**

*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 consolidated financial statements in conformity with GAAP 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 consist of the following as of March 31, 2011:

	<u>Cost</u>	<u>Fair Value</u>
Short-term investments:		
Money market funds	\$ 365,025	\$ 365,025
Long-term investments:		
Domestic marketable equity securities	1,957,558	2,083,943
Fixed-income mutual funds	1,204,400	1,174,615
Equity mutual funds	7,881,102	8,259,031
Government-sponsored entity bonds	2,079,255	2,083,336
Mortgage- and asset-backed securities	1,215,450	1,208,392
Corporate bonds	5,561,994	5,580,009
Alternative investments – Partnerships (hedge funds)	<u>777,350</u>	<u>849,950</u>
Total Long-Term Investments	<u>20,677,109</u>	<u>21,239,276</u>
Total Investments	<u>\$ 21,042,134</u>	<u>\$ 21,604,301</u>

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

### 2. Investments (continued)

A summary of investment income is as follows for the year ended March 31, 2011:

Unrealized losses, net	\$ (1,015,819)
Realized gains, net	1,907,828
Interest and dividends from investments	646,244
Interest and dividends from cash and cash equivalents	3,977
Interest from loans to affiliates	17,416
Management fees	<u>(105,733)</u>
Net Investment Income	<u>\$ 1,453,913</u>

### 3. Bequests Receivable and Trusts

As of March 31, 2011, bequests receivable of \$845,481 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 designee (remainder trusts) during the terms of the agreements, which vary up to an estimated maximum of six years from March 31, 2011. 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 of 3.25%, resulting in a total receivable of \$1,640,164. For the year ended March 31, 2011, the change in value of these split-interest agreements resulted in a gain of \$141,182, mainly due to the increase in the fair value of the investments, and this gain is included in 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 is included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2011, bequests and trusts are expected to be received as follows:

Less than one year	\$ 880,481
One to five years	140,000
More than five years	<u>1,728,785</u>
Total	2,749,266
Less: Discount to Net Present Value	<u>(263,621)</u>
Net Bequests Receivable and Trusts	<u>\$ 2,485,645</u>

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

### 4. Loan and Receivable from Affiliate

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 line of credit was \$316,096 as of March 31, 2011, including interest income of \$17,416 recognized for the year then ended. AHAF's management expects LECMA to make repayments of at least \$75,000 during the next fiscal year ending March 31, 2012. As of March 31, 2011, management believes that the loan to LECMA of \$316,096 is 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 to 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. Property and Equipment

Property and equipment is as follows as of March 31, 2011:

Land	\$ 1,147,363
Building	4,533,166
Computer equipment and software	504,294
Office furniture	194,272
Office equipment	215,397
Automobile	<u>14,163</u>
Total Property and Equipment	6,608,655
Less: Accumulated Depreciation and Amortization	<u>1,860,809</u>
Property and Equipment, Net	<u>\$ 4,747,846</u>

Depreciation and amortization expense totaled \$315,000 for the year ended March 31, 2011.

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

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### 6. 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 buildings and triple-net ground leases 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 properties will 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 \$292,456 as of March 31, 2011. Rental income earned, net of associated expenses, totaled \$561,553 for the year ended March 31, 2011. Under GAAP, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between the income recognized and cash flow from rental payments is reflected as deferred rent receivable, which totaled \$593,704 as of March 31, 2011, and is included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2011, the future minimum rentals are as follows:

For the Year Ending March 31,	
2012	\$ 567,535
2013	567,535
2014	570,566
2015	499,943
2016	472,794
Thereafter	<u>4,017,917</u>
Total	<u>\$ 6,696,290</u>

### 7. Research Grants

AHAF awards annual research grants that cover periods of one to four years. As of March 31, 2011, \$11,181,827 is payable for research grants that have been awarded by the Board of Directors. Of the total grants payable, \$6,491,758 has been scheduled for payment by AHAF within the next year, with the remaining balance of \$4,690,069 (net of present value discount of \$19,286) payable in subsequent years.

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

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### 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, semiannual 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, 2011, the present value of the annuity payments is \$1,443,362, based on the various life expectancies and an expected rate of return of 2.4% to 8.0%. Of the total annuity liability, \$251,712 is scheduled for payment within the next year, with the remaining balance of \$1,191,650 payable in subsequent years. During the year ended March 31, 2011, AHAF received \$176,000 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, 2011, AHAF has \$2,204,441 in segregated accounts invested in equity and fixed-income mutual funds, corporate 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 headquarters building. AHAF is required to make deposits into a sinking fund, which are used for redemption of the Bonds. The sinking fund is held in trust and is invested in money market funds. As of March 31, 2011, the sinking fund totaled \$188,400. Principal payments, funded through the sinking fund, are payable on the first business day in November and commenced in 2004. The scheduled payment of \$250,000 was made in 2010, which reduced the principal outstanding obligation on the Bonds to \$1,310,000 as of March 31, 2011. 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 November 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 greater than a certain level. As of March 31, 2011, AHAF was in compliance with all of the covenants.

Continued

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

### 9. Bonds Payable (continued)

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 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. Fixing 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 resulted in a liability of \$21,806 as of March 31, 2011. Total interest expense was \$85,792 for the year ended March 31, 2011, and is included in occupancy and utilities in the accompanying consolidated statement of functional expenses.

Debt issuance costs, net of accumulated amortization, totaling \$44,945 are included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2011, 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 Year Ending March 31,</u>	<u>Sinking Fund</u>	<u>Principal</u>
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>\$ 1,136,666</u>	<u>\$ 1,310,000</u>

### 10. Commitments and Risks

#### Capital Leases

AHAF is obligated under capital leases for various equipment. The capital leases expire at various dates during the next five years. The leased equipment is included in property and equipment at a cost of \$166,464, with accumulated amortization of \$54,377 as of March 31, 2011.

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2011**

10. Commitments and Risks (continued)

**Capital Leases (continued)**

The future minimum lease payments required for these capital leases are as follows at March 31, 2011:

<u>For the Year Ending March 31,</u>	
2012	\$ 58,997
2013	50,093
2014	23,381
2015	23,381
2016	<u>6,499</u>
Subtotal	162,351
Less: Amount Representing Interest	<u>(33,888)</u>
Present Value of Net Minimum Capital Lease Payments	<u>\$ 128,463</u>

The current portion of the lease obligations is included in accounts payable and accrued expenses, with the remainder in other liabilities in the accompanying consolidated statement of financial position.

**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, 2011, 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.

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2011**

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 purposes as of March 31, 2011:

National Glaucoma Research	\$ 5,025,510
Alzheimer's Disease Research	4,219,687
Macular Degeneration Research	<u>2,528,729</u>
Total Temporarily Restricted Net Assets	<u>\$ 11,773,926</u>

During the year ended March 31, 2011, 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, 2011:

Alzheimer's Disease Research	\$ 26,528,038
National Glaucoma Research	8,261,263
Macular Degeneration Research	<u>5,819,110</u>
Total Net Assets Released from Restrictions	<u>\$ 40,608,411</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, 2011. 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, 2011, AHAF's programs have expenditures for the following diseases in two program activities, Health and Information Services and Research:

	Health and Information Services	Research	Total
Alzheimer's Disease Research	\$ 17,342,396	\$ 4,405,288	\$ 21,747,684
Macular Degeneration Research	2,017,365	1,681,546	3,698,911
National Glaucoma Research	<u>6,670,616</u>	<u>1,253,774</u>	<u>7,924,390</u>
Total Program Services	<u>\$ 26,030,377</u>	<u>\$ 7,340,608</u>	<u>\$ 33,370,985</u>

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2011

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, 2011:

Assets	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Charitable remainder and lead trusts	\$ 1,640,164	\$ -	\$ -	\$ 1,640,164
Perpetual trust	90,000	-	-	90,000
Bond trustee-held investments – money market funds	188,400	188,400	-	-
Investments:				
Money market funds	365,025	365,025	-	-
Domestic marketable equity securities:				
Consumer discretionary	279,113	279,113	-	-
Consumer staples	326,727	326,727	-	-
Energy	138,357	138,357	-	-
Financials	75,413	75,413	-	-
Health care	321,962	321,962	-	-
Industrials	160,085	160,085	-	-
Information technology	224,167	224,167	-	-
Materials	74,544	74,544	-	-
Real estate	483,575	483,575	-	-
Domestic Marketable Equity Securities Total	2,083,943	2,083,943	-	-
Fixed-income mutual funds – exchange traded:				
U.S. Treasury bonds				
1-3 years	508,300	508,300	-	-
U.S. Treasury bonds				
7-10 years	666,315	666,315	-	-
Total Fixed-Income Mutual Funds	1,174,615	1,174,615	-	-

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2011

13. Fair Value Measurements (continued)

Assets	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (continued):				
Equity mutual funds:				
Domestic:				
Large cap growth fund	\$ 2,132,059	\$ 2,132,059	\$ -	\$ -
Large cap value fund	2,174,815	2,174,815	-	-
Exchange-traded large cap core	793,943	793,943	-	-
Energy funds	<u>6,282</u>	<u>6,282</u>	<u>-</u>	<u>-</u>
Total Domestic Equity Mutual Funds	<u>5,107,099</u>	<u>5,107,099</u>	<u>-</u>	<u>-</u>
International:				
Developed markets	2,296,020	2,296,020	-	-
Emerging markets	382,127	382,127	-	-
Real estate index	<u>473,785</u>	<u>473,785</u>	<u>-</u>	<u>-</u>
Total International Equity Funds	<u>3,151,932</u>	<u>3,151,932</u>	<u>-</u>	<u>-</u>
Total Equity Mutual Funds	<u>8,259,031</u>	<u>8,259,031</u>	<u>-</u>	<u>-</u>
Government-sponsored entity bonds:				
U.S. Treasury notes	1,012,508	-	1,012,508	-
Federal Farm Credit Board	<u>1,070,828</u>	<u>-</u>	<u>1,070,828</u>	<u>-</u>
Total Government- Sponsored Entity Bonds	<u>2,083,336</u>	<u>-</u>	<u>2,083,336</u>	<u>-</u>
Mortgage- and asset-backed securities	<u>1,208,392</u>	<u>-</u>	<u>1,208,392</u>	<u>-</u>

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2011

13. Fair Value Measurements (continued)

<u>Assets</u>	<u>Total 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>
Investments (continued):				
Corporate bonds	\$ 5,580,009	\$ -	\$ 5,580,009	\$ -
Alternative investments – Partnerships (hedge funds):				
Fund of funds – event driven	288,051	-	-	288,051
Event driven	268,368	-	-	268,368
Long/short	293,531	-	-	293,531
Total Hedge Funds	849,950	-	-	849,950
Total Investments	21,604,301	11,882,614	8,871,737	849,950
Total Assets	\$ 23,522,865	\$ 12,071,014	\$ 8,871,737	\$ 2,580,114
 <u>Liability</u>				
Interest rate swap	\$ (21,806)	\$ -	\$ (21,806)	\$ -
Total Liability	\$ (21,806)	\$ -	\$ (21,806)	\$ -

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

*Charitable remainder, lead 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 of 3.25%. 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 is classified within Level 3.

# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

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### 13. Fair Value Measurements (continued)

*Investments* – 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 equity and fixed-income 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 government-sponsored entity bonds, mortgage- and asset-backed securities, and corporate bonds.

*Alternative investments* – AHAF invests in partnerships that can only be redeemed on an established date each quarter and generally have no established trading market. Fair value was based on the net asset value (NAV) on March 31, 2011, as provided by the investee fund manager or general partner of the respective entity. AHAF received cash redemptions for each of the hedge funds in April 2011, which is the basis of NAV as of March 31, 2011.

*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, 2011, 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.

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2011**

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, 2011:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Charitable Remainder, Lead and Perpetual Trusts	Hedge Funds	Total
Beginning balance, April 1, 2010	\$ 1,632,982	\$ 775,876	\$ 2,408,858
Change in value in split-interest agreements	141,182	-	141,182
Payment from charitable remainder trusts	(44,000)	-	(44,000)
Net realized/unrealized gains (losses)	-	90,691	90,691
Net purchase sales and settlements	-	(16,617)	(16,617)
Ending balance, March 31, 2011	<u>\$ 1,730,164</u>	<u>\$ 849,950</u>	<u>\$ 2,580,114</u>
Total gains for the period included in changes in net assets attributable to the change in unrealized gains relating to assets still held at March 31, 2011	<u>\$ 144,974</u>	<u>\$ 72,600</u>	<u>\$ 217,574</u>

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2011**

13. Fair Value Measurements (continued)

AHAF uses NAV or its equivalent to determine the fair value of certain investments under FASB ASU 2009-12. The table below details AHAF's ability to redeem investment funds valued at NAV or its equivalent as of March 31, 2011. These investments are measured at fair value using Level 3 inputs. Investments are categorized as Level 3 instruments when AHAF cannot redeem its investment within 90 days of year-end or the underlying assets are not transparent. The table below includes a summary of the significant categories of such investments measured at NAV or its equivalent, their attributes and investment strategies as of March 31, 2011:

<u>Type of Hedge Funds</u>	<u>Number of Funds</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency if Currently Eligible</u>	<u>Redemption Notice Period</u>
Fund of funds – Event driven <sup>(a)</sup>	39	\$ 288,051	\$ -	Quarterly	60 days
Event driven <sup>(b)</sup>	1	268,368	-	Quarterly	45 calendar days, plus 5 business days
Long/short <sup>(c)</sup>	1	293,531	-	Quarterly	45 calendar days, plus 5 business days
Total		<u>\$ 849,950</u>	<u>\$ -</u>		

(a) Hedge funds – Fund of funds – event driven: is a multi-adviser, multi-strategy fund of funds that is registered under the Investment Company Act of 1940, as amended, and the Securities Act of 1933. The fund combines a top-down strategy allocation methodology with bottom-up manager evaluations in an attempt to identify those strategies that the adviser believes provide opportunities to achieve the funds's investment objectives during a three-to-five-year investment horizon.

(b) Hedge funds – event driven: is a global, multi-strategy offering. The underlying fund seeks to achieve consistent, absolute returns with low volatility, primarily by seeking to exploit pricing inefficiencies in equity and debt securities.

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**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2011**

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13. Fair Value Measurements (continued)

(c) Hedge funds – long/short: is a long/short equity hedge fund that employs a “thesis-driven” approach that examines companies and industries from the bottom up. This analysis is driven by both qualitative and quantitative research, which ultimately leads to an investment conclusion.

14. Donated Services

Radio and televised public service announcement airtime has been donated to AHAF to educate the general public about potential causes, treatments, preventions, and cures of age-related degenerative diseases and encouraging the public to participate in AHAF’s program outreach. The fair value of the public service announcements is \$19,538,608, and is included in the printing, publications and media category for the Health and Information Services program 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.

15. Allocation of Joint Costs

AHAF conducted direct mail campaigns that included fundraising appeals. These activities included joint costs of \$9,394,999, which amounts are included in printing, publications and media; postage and delivery; computer and 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	\$ 5,181,869
Fundraising	3,727,143
Management and general	<u>485,987</u>
Total	<u>\$ 9,394,999</u>

16. Pension Plans

AHAF sponsors a money purchase pension plan, which covers all full-time employees who have completed at least two years of service. Each year, AHAF contributes an amount equal to a minimum of 15% of the participating employees’ salaries. Effective January 1, 2011, AHAF amended the formula for determining the employer’s contribution to the pension plan based on salaries equal to 5% after one year of service, 10% after two years of service, and 15% after

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# AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

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16. Pension Plans (continued)

three or more years of service. AHAF's contributions were \$227,486 for the year ended March 31, 2011. 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 403(b) 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, 2011, as AHAF had no net unrelated business income.

NDLLC and AHALLC are disregarded entities for tax purposes. Therefore, NDLLC and AHALLC 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 FASB 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, 2011, the statute of limitations for tax years 2007 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, 2011, 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 consolidated financial statements for the year ended March 31, 2010, from which the summarized information was derived.

**AMERICAN HEALTH ASSISTANCE FOUNDATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2011**

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19. Subsequent Events

In preparing these consolidated financial statements, AHAF has evaluated events and transactions for potential recognition or disclosure through June 25, 2011, the date the consolidated financial statements were available to be issued.