



THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Financial Statements and
Schedules for Nashville Center of Expertise

June 30, 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

The Board of Governors
The American National Red Cross:

We have audited the accompanying statement of financial position of the American National Red Cross – Chapter Network (the Organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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.

As discussed in Note 1, the Organization is an unincorporated operating segment of the American National Red Cross. The accompanying financial statements may not be indicative of the financial position that would have existed or the changes in net assets and cash flows that would have been achieved if the Organization operated as an unaffiliated entity.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American National Red Cross – Chapter Network as of June 30, 2011, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the American National Red Cross – Chapter Network taken as a whole. The supplementary information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

October 14, 2011

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Statement of Financial Position

June 30, 2011

(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$	126,900
Investments (note 8)		282,485
Trade receivables, including grants, net of allowance for doubtful accounts of \$3,063 (note 12)		40,608
Contributions receivable, net (note 3)		62,677
Due from other American Red Cross units (note 11)		12,698
Inventories, net of allowance for obsolescence of \$207		4,755
Other current assets		3,489

Total current assets		533,612
----------------------	--	---------

Investments (note 8)	205,028
Contributions receivable, net (note 3)	13,023
Due from other American Red Cross units (note 9)	16,062
Land, buildings, and other property, net (note 4)	472,175
Other assets (note 9)	90,877

Total assets	\$	1,330,777
--------------	----	-----------

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$	44,854
Current portion of debt (note 5)		4,742
Due to other American Red Cross units (note 11)		15,726
Other current liabilities		9,572

Total current liabilities		74,894
---------------------------	--	--------

Debt, noncurrent (note 5)	54,350
Other liabilities	2,374

Total liabilities		131,618
-------------------	--	---------

Net assets (notes 2 and 7):

Unrestricted	912,228
Temporarily restricted	156,482
Permanently restricted	130,449

Total net assets		1,199,159
------------------	--	-----------

Commitments and contingencies (notes 5, 6, 10, and 12)

Total liabilities and net assets	\$	1,330,777
----------------------------------	----	-----------

See accompanying notes to financial statements.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Statement of Activities

Year ended June 30, 2011

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues and gains:				
Contributions:				
Corporate, foundation and individual giving	\$ 209,284	44,108	—	253,392
United Way and other federated	35,695	74,931	—	110,626
Legacies and bequests	47,989	5,121	6,552	59,662
Services and materials	12,394	6,670	—	19,064
Products and services	135,461	45	—	135,506
Contracts, including federal government	74,829	—	—	74,829
Investment income (note 8)	10,950	3,109	—	14,059
Other revenues	60,830	4,359	—	65,189
Net assets released from restrictions	157,391	(157,391)	—	—
Total operating revenues and gains	<u>744,823</u>	<u>(19,048)</u>	<u>6,552</u>	<u>732,327</u>
Operating expenses:				
Program services:				
Services to the Armed Forces	36,619	—	—	36,619
Biomedical services	11,075	—	—	11,075
Community services	90,546	—	—	90,546
Domestic disaster services	230,777	—	—	230,777
Health and safety services	200,375	—	—	200,375
International relief and development services	8,979	—	—	8,979
Total program services	<u>578,371</u>	<u>—</u>	<u>—</u>	<u>578,371</u>
Supporting services:				
Fundraising	97,889	—	—	97,889
Management and general	86,646	—	—	86,646
Total supporting services	<u>184,535</u>	<u>—</u>	<u>—</u>	<u>184,535</u>
Total operating expenses	<u>762,906</u>	<u>—</u>	<u>—</u>	<u>762,906</u>
Change in net assets from operations	(18,083)	(19,048)	6,552	(30,579)
Net nonoperating investment gains (note 8)	<u>44,341</u>	<u>11,332</u>	<u>7,641</u>	<u>63,314</u>
Change in net assets	26,258	(7,716)	14,193	32,735
Net assets, beginning of year	<u>885,970</u>	<u>164,198</u>	<u>116,256</u>	<u>1,166,424</u>
Net assets, end of year	<u>\$ 912,228</u>	<u>156,482</u>	<u>130,449</u>	<u>1,199,159</u>

See accompanying notes to financial statements.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Statement of Functional Expenses

Year ended June 30, 2011

(In thousands)

	Program services					Total program services
	Services to the Armed Forces	Biomedical services	Community services	Domestic disaster services	Health and safety services	International relief and development services
Salaries and wages	\$ 13,336	5,382	36,058	70,993	90,941	217,981
Employee benefits	3,244	1,356	9,457	18,439	22,974	55,792
Subtotal	16,580	6,738	45,515	89,432	113,915	273,773
Travel and maintenance	852	182	1,493	2,651	2,154	7,410
Equipment maintenance and rental	915	420	3,638	7,329	4,106	16,505
Supplies and materials	3,568	761	12,443	10,937	27,989	55,772
Contractual services	4,003	2,218	11,340	25,729	25,994	69,653
Financial and material assistance	2,184	73	12,767	50,772	4,391	70,269
Depreciation and amortization	1,176	581	3,153	7,327	6,812	19,171
Chapter assessment (note 11)	7,341	102	197	36,600	15,014	65,818
Total expenses	\$ 36,619	11,075	90,546	230,777	200,375	578,371

	Supporting services			Total expenses
	Fund- raising	Management and general	Total supporting services	
Salaries and wages	\$ 44,767	37,273	82,040	300,021
Employee benefits	11,086	9,974	21,060	76,852
Subtotal	55,853	47,247	103,100	376,873
Travel and maintenance	1,648	1,600	3,248	10,658
Equipment maintenance and rental	1,825	2,429	4,254	20,759
Supplies and materials	8,485	7,712	16,197	71,969
Contractual services	22,080	17,230	39,310	108,963
Financial and material assistance	2,120	866	2,986	73,255
Depreciation and amortization	2,813	4,556	7,369	26,540
Chapter assessment (note 11)	3,065	5,006	8,071	73,889
Total expenses	\$ 97,889	86,646	184,535	762,906

See accompanying notes to financial statements.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Statement of Cash Flows

Year ended June 30, 2011

(In thousands)

Cash flows from operating activities:	
Change in net assets	\$ 32,735
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	26,540
Provision for doubtful accounts receivable	3,740
Provision for obsolete inventory	84
Net gain on abandonment / disposal of property	(2,411)
Net investment gains	(64,204)
Permanently restricted contributions	(6,552)
Changes in assets and liabilities:	
Receivables	(253)
Inventories	1,228
Other assets	(26,369)
Accounts payable and accrued expenses	(3,278)
Other liabilities	615
Net cash used in operating activities	<u>(38,125)</u>
Cash flows from investing activities:	
Purchases of property	(15,045)
Proceeds from sales of property	5,559
Purchases of investments	(92,497)
Proceeds from sales of investments	109,434
Net cash provided by investing activities	<u>7,451</u>
Cash flows from financing activities:	
Permanently restricted contributions	3,446
Proceeds from borrowings	109
Repayments of debt	(5,960)
Net cash used in financing activities	<u>(2,405)</u>
Net decrease in cash and cash equivalents	(33,079)
Cash and cash equivalents, beginning of year	159,979
Cash and cash equivalents, end of year	<u><u>\$ 126,900</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	\$ 1,681
Noncash investing and financing transactions:	
Donated stock and beneficial interest in perpetual trust	\$ 3,106

See accompanying notes to financial statements.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation: The accompanying financial statements present the financial position, changes in net assets, functional expenses and cash flows of The American National Red Cross – Chapter Network (the Organization). The Organization's operations include all affiliated chapter offices located in the United States. The Organization's program activities include services to the Armed Forces, health and safety services, disaster services, biomedical services, community services, and international services.

These financial statements do not include the net assets and operations of the national headquarters operations, Armed Forces emergency services stations, biomedical services operations, ARC Receivables Company, LLC, a wholly owned bankruptcy-remote special purpose entity, Boardman Indemnity Ltd., a 100 percent owned captive insurance subsidiary of The American National Red Cross and other offices located around the world and, accordingly, do not present the consolidated financial position and changes in net assets of The American National Red Cross.

The Organization is an unincorporated operating segment of The American National Red Cross. These financial statements may not be indicative of the financial position that would have existed or the changes in net assets and cash flows that would have been achieved if the Organization operated as an unaffiliated organization. All significant intra-organizational accounts and transactions have been eliminated.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

Cash Equivalents: The Organization considers all highly liquid investments purchased with an average maturity of three months or less to be cash equivalents. Cash equivalents consisted of money market mutual funds and overnight investments of approximately \$8 million at June 30, 2011.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

Investments: Investments are reported at fair value except for certain commingled funds and alternative funds that are reported at estimated fair value utilizing net asset values. In accordance with Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, net asset value is used as a practical expedient to estimate fair value of these funds. Net asset value, in many instances may not equal fair value that would be calculated pursuant to Financial Accounting Standards Board (FASB) ASC Subtopic 820, *Fair Value Measurements and Disclosures* (ASC 820). The Organization does not intend to sell any of the funds at an amount different from net asset value per share as of June 30, 2011. The Organization reviews and evaluates the net asset values provided by the general partners and fund managers and agrees with the valuation methods and assumptions used in determining net asset values of these funds. Investment income classified as operating revenue consists of interest and dividend income on investments and any gains approved for use in operations. All other net realized and unrealized gains or losses are classified as nonoperating activity and are available to support operations in future years and to offset potential market declines.

The Organization also invests certain operating funds in the Select Investment Program (SIP), a family of commingled funds managed exclusively for The American National Red Cross. The Organization participates in the SIP by purchasing units in various funds at their fair market value.

The Organization's policy for classifying investments as current includes those investments the SIP would make available for operations in the next fiscal year, as well as all non-SIP investments which have maturities of less than one year.

Inventories: Inventories of supplies purchased for use in program and supporting services are valued using the first in, first out method.

Land, Buildings, and Other Property: Purchases of land, buildings, and other property are capitalized at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Interest expense incurred during a period of construction, less related interest income earned on proceeds of tax-exempt borrowings, is capitalized. Property under capital leases is amortized over the lease term or life of the assets, whichever is shorter.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Class of property</u>	<u>Useful life in years</u>
Buildings	45
Building improvements	10
Equipment and software	3 – 15

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

Long-Lived Assets: Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Revenue Recognition: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends and/or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Products and services revenue is generally recognized upon shipment of the product or when services are provided to the customer. Revenues from federal agencies are generally reported as unrestricted contract revenue as qualifying expenses are incurred under the agreement. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributed Services and Materials: Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and would be typically purchased if not provided by donation. During 2011, the Organization recorded contributed services revenue and related expense of approximately \$3 million, mostly in support of the disaster services program.

Donated materials are recorded at their fair value at the date of the gift. Gifts of long-lived assets are recorded as restricted support. This restriction is released ratably over the useful life of the asset.

Income Taxes: The American National Red Cross is a not-for-profit organization incorporated by the U.S. Congress through the issuance of a federal charter. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the year ended June 30, 2011, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

Recently Issued Accounting Standards: In January 2010, the FASB issued ASU 2010-06 which provides amendments to ASC 820. The amendments in this ASU require additional disclosures regarding fair value measurements. ASU 2010-06 requires entities to disclose additional information regarding assets and liabilities that are transferred between levels of the fair value hierarchy. Entities are also required to disclose information in the Level 3 rollforward about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, ASU 2010-06 clarified existing guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. The ASU is effective for the Organization for the year ended June 30, 2011, except the requirement to separately disclose purchases, sales, issuances and settlements in the Level 3 rollforward that becomes effective for fiscal years beginning after December 15, 2010. The adoption of this ASU did not cause material changes to the disclosure in the 2011 financial statements. However, the requirement to separately disclose purchases, sales, issuances and settlements in the Level 3 rollforward that becomes effective for fiscal years beginning after December 15, 2010 is expected to affect the disclosures in the Organization's financial statements beginning with fiscal year 2012.

Also amending ASC 820, in May 2011 the FASB issued ASU 2011-04 which will require entities to change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 clarifies the application of existing fair value measurement and disclosure requirements related to the application of the highest and best use and valuation premise concepts for financial and nonfinancial instruments, measuring the fair value of an instrument classified in shareholder's equity, and disclosures about fair value measurements. ASU 2011-04 changes the measurement of the fair value of financial instruments that are managed within a portfolio and the application of premiums and discounts in a fair value measurement related to size as a characteristic of the reporting entity's holding rather than a characteristic of the asset or liability. ASU 2011-04 requires additional disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy including the valuation processes used by the reporting entity, the sensitivity of the fair value to changes in unobservable inputs, and the interrelationships between those unobservable inputs, if any. All the amendments to ASC 820 made by ASU 2011-04 are effective for periods beginning after December 15, 2011. The adoption of ASU 2011-04 is not expected to have a material impact on the financial statements, except it will enhance the disclosures around fair value of investments.

(2) Endowments

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. The American National Red Cross is one legal entity and located in the District of Columbia; therefore all chapters, regardless of state location, must follow the provisions of the District of Columbia UPMIFA. The American National Red Cross is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

The American National Red Cross has adopted and the Governing Board has approved the Statement of Investment Policies and Objectives for the endowment fund. This policy specifies an appropriate risk posture for the fund, states expectations and objectives for the fund, provides asset allocation guidelines and establishes criteria to monitor and evaluate the performance results of the fund's managers. The American National Red Cross expects the endowment fund to provide an average real rate of return of 5 percent annually.

To satisfy its long term rate of return objectives, the American National Red Cross relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The American National Red Cross makes distributions from income earned on the endowment fund for current operations using the total return method. In establishing this method, the American National Red Cross considered the long-term expected return on its funds. Under the total return method, distributions consist of net investment income and may, under certain conditions, include a portion of the cumulative realized and unrealized gains. The Board of Governors approves the spending rate, calculated as a percentage of the five-year calendar trailing average fair value of the endowment fund at the beginning of each fiscal year.

A spending rate of approximately 3.8 percent for 2011 of the trailing five-year market value was applied to each unit of the endowment fund and resulted in total distributions of approximately \$2.5 million for the year ended June 30, 2011. Approximately \$1.6 million of that amount represents utilization of accumulated realized gains, for the year ended June 30, 2011. A spending rate of approximately 3.8 percent of the trailing five-year market value has been approved for 2012.

Net asset classification by type of endowment as of June 30, 2011 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	22,224	51,865	74,089

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

Changes in endowment net assets for the year ended June 30, 2011 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ —	14,062	48,419	62,481
Investment return:				
Investment income	—	2,564	—	2,564
Net appreciation (realized and unrealized gains and losses)	<u>—</u>	<u>8,163</u>	<u>—</u>	<u>8,163</u>
Total investment return	—	10,727	—	10,727
Contributions	—	—	3,446	3,446
Appropriation of assets for expenditure	<u>—</u>	<u>(2,565)</u>	<u>—</u>	<u>(2,565)</u>
	<u>\$ —</u>	<u>22,224</u>	<u>51,865</u>	<u>74,089</u>

(3) Contributions Receivable

As of June 30, 2011, the Organization anticipates collection of outstanding contributions receivable as follows (in thousands):

Amount receivable within one year	\$ 64,225
Amount receivable in 1 to 5 years, net of discount of \$853	12,029
Amount receivable beyond 5 years, net of discount of \$300	<u>994</u>
Total contributions receivable before allowance for uncollectible amounts	77,248
Allowance for uncollectible amounts	<u>(1,548)</u>
Contributions receivable, net	75,700
Current portion	<u>(62,677)</u>
Contributions receivable, net, noncurrent	<u>\$ 13,023</u>

Amounts presented above due after June 30, 2012 have been discounted to present value using various discount rates between 1.125 and 5.15 percent.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

(4) Land, Buildings, and Other Property

As of June 30, 2011, the cost and accumulated depreciation of land, buildings, and other property were as follows (in thousands):

Land	\$	87,659
Buildings and improvements		532,585
Equipment and software		159,863
Equipment under capital lease		1,129
Total cost of assets placed in service		781,236
Accumulated depreciation and amortization		(310,208)
Construction-in-progress		1,147
Land, buildings, and other property, net	\$	<u>472,175</u>

(5) Debt

Debt consists of the following as of June 30, 2011 (in thousands):

New York City Industrial Development Agency Civic Revenue Bonds, bearing interest at fixed rates ranging from 3.5% to 5%, due February 2036, repayment terms require monthly payments of interest and annual principal reductions, and are generally backed only by the full faith and credit of the American National Red Cross	\$	27,600
Various notes, mortgages and bonds payable, bearing interest at variable rates ranging from 0.625 % to 6.99% due 2012 through 2041, repayment terms generally require monthly payments of interest and annual principal reductions, and are generally backed only by the full faith and credit of the American National Red Cross		31,074
Obligations under capital leases (Note 6)		418
Total debt		59,092
Current portion		(4,742)
Debt, noncurrent portion	\$	<u>54,350</u>

Approximately \$28 million of the Organization's variable rate debt is subject to redemption prior to maturity at the option of the Organization. Additionally, registered owners of a portion of the \$28 million debt instruments may demand repurchase of the debt by the bond agent or depository for an amount equal to the principal price plus accrued interest. A standby credit facility totaling \$60 million has been established to provide liquidity in the event other funding is not available to repurchase these debt instruments. The depository and bond agent have authority to use the standby credit facility for the repurchase of certain debt instruments. The standby credit facility expires in 2014.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

Scheduled maturities and sinking fund requirements of the debt and credit agreements as of June 30 are as follows (in thousands):

2012	\$	4,742
2013		3,605
2014		3,348
2015		2,520
2016		2,449
Thereafter		42,428
	\$	<u>59,092</u>

Interest expense for the year ended June 30, 2011 was approximately \$2 million, which is included in contractual services on the statement of functional expenses.

Chapters are allowed to participate in The American National Red Cross consolidated loan program which uses standardized loan agreements and provides lower interest rates associated with the consolidated financial strength of The American National Red Cross. Under this program, chapters have the primary responsibility for repaying the debt; however, The American National Red Cross will make loan payments in the event of chapter defaults. As of June 30, 2011, approximately \$56 million in chapter debt is guaranteed by The American National Red Cross.

(6) Leases

The Organization leases certain buildings and equipment for use in its operations. The following summarizes minimum future rental payments under capital and noncancelable operating leases for the years ending June 30 (in thousands):

	<u>Operating</u>	<u>Capital</u>
2012	\$ 9,567	178
2013	6,822	123
2014	4,471	92
2015	3,203	71
2016	1,600	5
Thereafter	3,104	—
Total minimum lease payments	\$ <u>28,767</u>	469
Less amounts representing interest		<u>(51)</u>
Present value of net minimum lease payments (Note 5)		\$ <u>418</u>

Total rent expense for the year ended June 30, 2011 was approximately \$14 million, and is included in contractual services on the statement of functional expenses.

Total rental income was approximately \$4 million for the year ended June 30, 2011, and is included in other revenues on the statement of activities.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

(7) Net Assets

Temporarily restricted net assets as of June 30, 2011 are available to fund the following (in thousands):

Domestic disaster relief	\$	18,583
Community services		5,718
Health and safety services		4,031
Time restricted		76,874
Buildings and equipment		11,084
Endowment inflation adjustment reserve		12,600
Endowment assets available for future appropriation		9,624
Other specific purposes		17,968
Total temporarily restricted net assets	\$	<u>156,482</u>

Permanently restricted net assets as of June 30, 2011 consist primarily of endowed contributions, the income from which is available principally to fund general operations. Other permanently restricted net assets consist of beneficial interests in perpetual trusts and other split interest agreements (Note 9).

(8) Investments and Fair Value Measurements

The Organization applies the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. The three levels of the fair value hierarchy are as follows:

- Level 1- Quoted prices for identical assets or liabilities in active markets.
- Level 2- Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market – corroborated inputs.
- Level 3- Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. .

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement. Investments measured using net asset value are considered Level 2 if they are redeemable at or near June 30 (generally within 90 days) otherwise they are considered Level 3.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

The Select Investment Program (SIP), established by The American Red Cross Board of Governors, provides professionally managed investment funds to meet the investment needs of American Red Cross units. By investing in the SIP, the Organization and other SIP participants are able to take advantage of the cost efficiencies realized when many American Red Cross units with common investment goals, objectives and risk tolerances collectively invest their assets under central management.

The SIP's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Organization holds an undivided interest of approximately 22.9 percent of the net asset value of investments in the SIP as of June 30, 2011.

The following table represents the net asset value of SIP Investments as of June 30, 2011 (in thousands):

	June 30, 2011	Level 1	Level 2	Level 3
U.S. government securities	\$ 132,859	26,194	106,665	—
Corporate and foreign sovereign bonds and notes	256,191	21,138	235,053	—
Common and preferred stocks	417,959	226,214	191,745	—
Mortgage-backed assets	92,720	—	92,720	—
Other asset-backed assets	2,453	—	2,100	353
Funds of hedge funds	74,419	—	—	74,419
Global macro hedge funds	29,168	—	—	29,168
Hedged equity funds	159,470	—	—	159,470
Multistrategy and other hedge funds	64,135	—	—	64,135
Buyout and growth equity funds	99,985	—	—	99,985
Distressed debt and turnaround funds	44,190	—	—	44,190
Private real estate funds	26,943	—	—	26,943
Venture capital funds	15,634	—	—	15,634
Commodity sensitive private equity and infrastructure funds	27,280	—	—	27,280
Commodities	22,503	—	22,503	—
Swap contracts	43	—	43	—
Money market and other	512,720	21,393	491,327	—
Total investments	\$ 1,978,672	294,939	1,142,156	541,577

In addition, for the year ended June 30, 2011, the Organization invested approximately \$33 million outside of the SIP. Of this total, \$24 million was invested in certificates of deposit (CDs) and \$9 million in other investment assets primarily comprised of mutual funds. These investments are classified as current assets on the statement of financial position.

For the valuation of certain government, corporate bonds and notes, common and preferred stocks as of June 30, 2011, the Organization used quoted prices in principal active markets for identical assets as of

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

the valuation date (Level 1). The \$24 million in CDs invested outside of the SIP are valued using Level 1 inputs.

For the valuation of certain government, corporate bonds and notes, common and preferred stocks, mortgage and other asset-backed securities and commingled funds as of June 30, 2011, the SIP used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2). The \$9 million in other investment assets invested outside the SIP are valued using Level 2 inputs.

For the valuation of marketable and nonmarketable alternative funds, and certain asset backed securities as of June 30, 2011, the SIP used significant unobservable inputs including information from fund managers or general partners based on quoted market prices, if available, discounted cash flow analysis, comparables analysis, or third party appraisals (Level 3). Management of the SIP reviews and evaluates the values provided by the fund manager and general partners and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The following table presents the SIP's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the year ended June 30, 2011 (in thousands):

	Fair value measurements using significant unobservable inputs (Level 3)					
	Asset-backed Securities	Fund of Hedge Funds	Global Macro Hedge Funds	Hedged Equity Funds	Multi-Strategy and Other Hedge Funds	Buyout and Growth Equity Funds
Balance at June 30, 2010	\$ 904	73,995	21,831	141,021	64,945	77,979
Total realized and unrealized losses	497	8,424	3,100	39,712	5,703	16,044
Purchases, issuance, and settlements, net	(1,048)	(8,000)	4,237	(21,263)	(6,513)	5,962
Transfers in and/or out of Level 3, net	—	—	—	—	—	—
Balance at June 30, 2011	\$ 353	74,419	29,168	159,470	64,135	99,985
Total gains for the period included in income attributable to the change in unrealized gains relating to assets and liabilities held at June 30, 2011	\$ 493	6,988	3,099	5,438	3,479	9,291

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

Fair value measurements using significant unobservable inputs (Level 3)					
	Distressed debt and Turnaround Funds	Private Real Estate Funds	Venture Capital Funds	Commodity-sensitive Private Equity and Infrastructure Funds	Total
Balance at June 30, 2010	\$ 40,087	20,024	14,128	21,385	476,299
Total realized and unrealized losses	5,053	2,801	2,613	5,143	89,090
Purchases, issuance, and settlements, net	(950)	4,118	(1,107)	752	(23,812)
Transfers in and/or out of Level 3, net	—	—	—	—	—
Balance at June 30, 2011	\$ 44,190	26,943	15,634	27,280	541,577
Total gains for the period included in income attributable to the change in unrealized gains relating to assets and liabilities held at June 30, 2011	\$ 4,643	2,781	1,075	3,887	41,174

The SIP investments in public equity commingled funds and fixed income commingled funds of approximately \$383 million and investments in alternative funds of approximately \$541 million were valued utilizing net asset values as of June 30, 2011.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

The following summarizes the nature and risk of the SIP investments as of June 30, 2011 (in thousands), however these are not commitments of the Organization:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of hedge funds (a)	\$ 74,419	\$ —	annually, tri-annually	100 days
Global macro hedge funds (b)	29,168	—	monthly, quarterly, annually	5- 60 days
Hedged equity funds (c)	159,470	—	monthly, quarterly, annually	14- 90 days
Multistrategy and other hedge funds (d)	64,135	—	monthly, quarterly, annually, bi-annually, tri-annually	7- 90 days
Buyout and growth equity funds (e)	99,985	54,839	None	—
Distressed debt and turnaround funds (f)	44,190	11,461	None	—
Private real estate funds (g)	26,943	16,489	None	—
Venture capital funds (h)	15,634	7,336	None	—
Commodity sensitive private equity and infrastructure funds (i)	27,280	17,143	None	—
Public equity commingled funds (j)	150,316	—	weekly, monthly	1- 30 days
Fixed income commingled funds (k)	232,927	—	weekly, monthly	1- 30 days
Total	<u>\$ 924,467</u>	<u>\$ 107,268</u>		

(a) The strategies of the underlying hedge funds in this category primarily include hedged equity, multistrategy, relative value, event driven and arbitrage strategies. While this is a single fund of funds, the Organization is invested in multiple share classes.

(b) The funds in this category invest primarily in liquid instruments such as fixed income, currency, commodities, equities, and derivatives. The funds include short positions, long positions, and may use leverage. Two funds have legacy investments that have been segregated into illiquid vehicles – the value of these vehicles make up a minimal amount of the value of the investments in this category. The time at which these segregated investments will be liquidated is unknown.

(c) This category is invested in hedge funds that invest primarily in U.S. and international equities as well as derivatives. The funds include short positions, and long positions, and may use leverage. Some funds may invest in illiquid investments, which are typically segregated into "side pockets" (a separate share class) and are not available for redemption until the investment is liquidated by the manager. The time at which the investments in side pockets will be liquidated is unknown.

(d) The strategies of the funds in this category include relative value, event driven, and arbitrage strategies. Underlying investments are typically the same as the types invested in both the public equity, fixed income commingled categories, and derivatives. The funds include short positions, and long positions, and may

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

use leverage. Some funds may invest in illiquid investments which are typically segregated into "side pockets" (a separate share class) and are not available for redemption until the investment is liquidated by the manager. The time at which the investments in side pockets will be liquidated is unknown.

(e) This category is invested in both US and international private equity funds and funds of funds whose mandates include leveraged buyouts and growth equity investments in companies.

(f) This category is invested in funds which primarily invest in distressed situations. Investments include marketable securities such as debt obligations and asset backed securities as well as non-marketable investments such as nonperforming and sub performing real estate loans, consumer loans, and distressed debt. Some funds include short positions.

(g) This category includes funds and funds of funds which invest in private real estate internationally and in the U.S. Property types are primarily office, industrial, residential and retail.

(h) This category is invested in venture capital funds and funds of venture capital funds. Underlying investments are primarily private investments in early stage companies.

(i) This category is invested in funds and a fund of funds which make investments primarily in private oil and gas partnerships, timber, mineral and mining companies, and infrastructure such as ports, toll roads, airports and utilities. Funds in this category tend to have longer fund lives.

(j) This category primarily includes investments in publicly traded equity securities and instruments.

(k) This category is invested primarily in publicly traded fixed income securities and instruments including debt obligations of the U.S. government and agencies, non-U.S. sovereign debt, corporate bonds, mortgage and asset backed securities.

(e), (f), (g), (h), (i) Non-marketable funds do not permit redemptions. Timing of the return of capital is at the manager's discretion, subject to provisions documented in limited partnership agreements. In general, capital and realized gains are distributed to investors when an investment is liquidated. Interim distributions of interest, operating income and dividends are made by some funds. Some funds are able to recall distributions. It is estimated that the majority of underlying assets of the funds will be liquidated over the next ten years. The fair values of the investments in this category have been estimated using the net asset value of the SIP's ownership interest in the partners' capital.

(b), (c), (d) The majority of the hedge funds in these categories have gate provisions, which allow a manager to limit redemptions despite the normal liquidity provisions if they receive redemptions in excess of the gate (a level stated in their governing documents). The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(j), (k) Certain investments in these categories include gate provisions that do not exceed more than one year after the initial redemption request period, with the fund manager having ultimate discretion which may allow for halting all redemptions for an extended period. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the statement of financial position as of June 30, 2011. However, the diversification of the SIP's invested assets among these various asset classes should mitigate the impact of any dramatic change on any one asset class.

The SIP participates in a securities lending program administered by its custodian. The custodian enters into securities lending agreements with borrowers on behalf of the participants. Either party can terminate the loan at any time. The Chapter Network is an indirect participant in the securities lending program through participation in the SIP. As of June 30, 2011, investment securities having a fair value of approximately \$108.2 million were loaned and were primarily comprised of corporate and foreign sovereign bonds totaling \$42.5 million, which are classified as level 2 and common and preferred stocks totaling \$65.7 million, which are classified as level 1. The total value of collateral received was approximately \$110.9 million of which \$54.1 million was in short-term money market funds classified as level 1 and \$56.8 million was in other noncash securities including common and preferred stocks totaling \$14.3 million which are classified as level 1 and U.S. government securities, corporate and foreign sovereign bonds, mortgage-backed assets, and other asset-backed assets totaling \$42.5 million which are classified as level 2. The securities lending program was terminated subsequent to year end.

The following schedule summarizes the composition of investment income for the year ended June 30, 2011 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Dividends and interest	\$ 10,090	3,079	—	13,169
Net operating investment gains	<u>860</u>	<u>30</u>	<u>—</u>	<u>890</u>
Investment income available for operations	10,950	3,109	—	14,059
Net nonoperating investment gains	<u>44,341</u>	<u>11,332</u>	<u>7,641</u>	<u>63,314</u>
Total return on investments	<u>\$ 55,291</u>	<u>14,441</u>	<u>7,641</u>	<u>77,373</u>

(9) Split Interest Agreements

The Organization is a beneficiary of split interest agreements in the form of charitable gift annuities, perpetual trusts held by third parties, charitable remainder trusts and pooled income funds. The Organization's share in the fair value of these agreements are recognized and disclosed on a recurring basis at fair value measured using one more significant unobservable inputs or values (Level 3). The value of split interest agreements is measured as the Organization's share of fair value of the assets. Of the \$105 million in assets under these agreements, \$16 million are charitable gift annuities recorded as noncurrent receivables due from other American Red Cross units on the statement of financial position and

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

the remainder are assets for which the Organization is not the trustee, and are recorded as other assets on the statement of financial position.

The following table presents the Organization's activity for split interest agreement assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the year ended at June 30, 2011 (in thousands):

	<u>Level 3</u>
Balance as of June 30, 2010	\$ 69,914
Total realized and unrealized gains	9,006
Purchases, issuance, and settlements (net)	<u>10,195</u>
Balance as of June 30, 2011	<u>\$ 89,115</u>

(10) Benefit Plans

Pension Plan: Before July 1, 2009, employees of participating local chapters were covered by the Retirement System of The American Red Cross after one year of employment and completion of 1,000 hours of service during any consecutive 12 months period. Effective July 1, 2009, the Plan was closed to employees hired after June 30, 2009.

The American National Red Cross is a single corporate legal entity including National Sector, Biomedical Services, as well as affiliated chapters. The Organization accounts for its participation in the Retirement System as a multiemployer plan. As a result, accumulated and projected benefit obligations and other disclosures for the entire American National Red Cross are presented only in the consolidated financial statements of The American National Red Cross. During the year ended June 30, 2011, the Organization contributed and recognized as expense approximately \$21 million to the Retirement System.

For funding purposes under the Plan, normal pension costs are determined by the projected unit credit method and are funded currently. The Plan provides a defined benefit pension, funded entirely by the employer. Prior to July 1, 2005, voluntary, after tax contributions could be made by active members to fund an optional annuity benefit. The benefit formula is based on years of service and employee's final average compensation, which is calculated using the highest consecutive 48 months of the last 120 months of service before retirement.

Postretirement Benefits Other Than Pension: The Organization provides postretirement medical, dental, and life insurance benefits to eligible retirees and their eligible dependents. These benefits are provided through The American National Red Cross Life and Health Benefits Plan (the Plan). The Organization accounts for its participation in the Plan as a multiemployer plan. As a result, accumulated and projected benefit obligations and other disclosures for the entire American National Red Cross are presented only in the consolidated financial statements. Effective January 1, 2009, the Organization eliminated plan coverage for all future retirees that did not currently meet certain eligibility conditions. In addition, the plan was amended to transition Medicare eligible retirees to a private fee-for-service plan effective July 1, 2009. For calendar year 2011, most Medicare eligible retirees were offered a Healthcare Reimbursement Account to

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

utilize in purchasing individual coverage through Senior Educators, an exchange program CMS approved Medicare, Part D Prescription Drug and Medicare Supplement offerings. The Organization records postretirement benefit expense when paid in accordance with multiemployer plan accounting. For the year ended June 30, 2011, the Organization contributed approximately \$2.5 million in postretirement benefits.

American National Red Cross Savings Plan – 401(k) Plan: The Organization participates in The American National Red Cross Savings Plan (the Savings Plan), a defined contribution plan. Employees of participating local chapters are eligible to participate upon hire. Vesting is immediate if hired before June 30, 2005; there is a 3 year cliff vesting schedule if hired on or after July 1, 2005. Prior to May 1, 2009, the Organization matched 100 percent of the first 4 percent of pay contributed each pay period by the participant. As of May 1, 2009, the Organization temporarily suspended the employer match. For the 2010 calendar year, contribution limits were based on a maximum annual compensation of \$245,000. As of June 30, 2011, there were 19 investment options that an employee could choose from and a self-managed brokerage account.

Employees not eligible to participate in the Retirement System participate in an enhanced Savings Plan program in which the Organization agrees to contribute a percentage of the employee's salary to the Savings Plan. The contribution rate is determined annually. In order to qualify, employees must perform at least 1,000 hours of service at participating units during the fiscal year and be employed by the Organization on June 30 (fiscal year end). Employee contributions are not necessary to receive the employer contribution. The Organization contributed \$156,000 or 2% of eligible participants' pay during calendar year 2010.

(11) Related Party Transactions

Chapter assessment is an annual fee that The American Red Cross chapters pay to National Headquarters to support chapter-related services provided. Chapter assessment dollars are used to fund direct service and direct service support programs including domestic disaster response services, emergency services for families, preparedness activities, international preparedness and response activities, and support services. For the year ended June 30, 2011, the Organization recognized chapter assessment expense of approximately \$74 million.

Other transactions that occur between the Organization and other units of The American National Red Cross predominantly consist of shared facility costs, contributions owed to the Organization for funds collected on its behalf, and contributions owed to National Headquarters for disasters administered on the national level.

THE AMERICAN NATIONAL RED CROSS – CHAPTER NETWORK

Notes to Financial Statements

June 30, 2011

(12) Commitments and Contingencies

Litigation: The Organization is a defendant in a number of lawsuits incidental to its operations. Liabilities are legally the obligation of The American National Red Cross, rather than any of its individual operating segments, including the Organization. Accordingly, settlement costs for these matters, if any, will be viewed as an American National Red Cross-wide responsibility, but may be charged against the Organization in the future. In the opinion of management, the outcome of such lawsuits will not have a materially adverse effect on the Organization's financial position.

Government Grants: Costs charged to the federal government under cost-reimbursement grants and contracts are subject to government audit. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the financial statements.

(13) Subsequent Events

The Organization has evaluated subsequent events through the date the financial statements were issued, October 14, 2011.

AMERICAN RED CROSS – THE MEMPHIS REGIONAL CHAPTERS

Schedule of Financial Position

June 30, 2011

UNAUDITED

Assets	Benton County Chapter	Dyer County Chapter	Shiloh Area Chapter	Jackson Area Chapter	Mid-South Chapter	Obion County Chapter	Memphis Regional Total
Current assets:							
Cash and cash equivalents	\$ 3	17,869	40,338	75	16,593	23,810	98,688
Investments	5	50,729	33,435	—	27,971	21,731	133,871
Receivables:							
Trade	—	11,463	1,000	97,908	56,761	296	167,428
Contributions	—	—	—	—	9,500	—	9,500
Due from other American Red Cross units	—	210	4,645	2,774	39,759	2,037	49,425
Due from other classes of net assets	—	—	—	7,925	118,931	—	126,856
Inventories	—	—	—	—	—	—	—
Other current assets	—	—	—	2,390	—	—	2,390
Total current assets	8	80,271	79,418	111,072	269,515	47,874	588,158
Investments	—	—	—	—	799,344	—	799,344
Contributions receivable	—	—	—	—	—	—	—
Land, buildings, and other property, net	—	—	350	—	139,720	—	140,070
Other assets	—	—	—	—	—	—	—
Total assets	8	80,271	79,768	111,072	1,208,579	47,874	1,527,572
Liabilities and Net Assets							
Current liabilities:							
Accounts payable and accrued expenses	\$ 200	1,524	92	24,193	64,876	678	91,563
Current portion of debt	—	—	—	—	—	—	—
Due to other American Red Cross units	(314)	1,436	(49)	7,537	153,522	1,292	163,424
Due to other classes of net assets	—	—	—	7,925	118,932	—	126,857
Other current liabilities	—	—	—	4,918	—	—	4,918
Total current liabilities	(114)	2,960	43	44,573	337,330	1,970	386,762
Debt	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—	—
Total liabilities	(114)	2,960	43	44,573	337,330	1,970	386,762
Net assets	122	77,311	79,725	66,499	871,249	45,904	1,140,810
Total liabilities and net assets	8	80,271	79,768	111,072	1,208,579	47,874	1,527,572

See accompanying independent auditors' report.

AMERICAN RED CROSS – THE MEMPHIS REGIONAL CHAPTERS

Schedule of Operating Activities

Year ended June 30, 2011

UNAUDITED

	Benton County Chapter	Dyer County Chapter	Shiloh Area Chapter	Jackson Area Chapter	Mid-South Chapter	Obion County Chapter	Memphis Regional Total
Operating revenues and gains:							
Contributions:							
Corporate, Foundation and Individual Giving	\$ 487	50,068	22,879	62,315	464,331	29,958	630,038
United Way and other federated	1,500	10,559	6,473	68,103	646,866	27,500	761,001
Legacies and bequests	—	—	—	13	162,975	—	162,988
Services and materials	9,600	—	—	—	16,276	5,078	30,954
Products and services	310	10,493	4,640	128,794	410,225	539	555,001
Contracts	—	—	—	—	—	—	—
Investment income	—	696	757	1,366	29,077	85	31,981
Inter-Red Cross Revenues	—	1,050	—	43,099	248,143	1,500	293,792
Other revenues	—	1,391	—	3,556	11,566	2,754	19,267
Total operating revenues and gains	11,897	74,257	34,749	307,246	1,989,459	67,414	2,485,022
Operating expenses:							
Program services:							
Service to the Armed Forces	—	154	—	7,712	93,587	1,600	103,053
Biomedical services	—	—	—	—	—	—	—
Community services	—	—	—	46,296	183,062	—	229,358
Domestic disaster services	8,463	33,237	15,374	184,696	803,014	31,665	1,076,449
Field support and chapter assistance	—	—	—	—	—	—	—
Health and safety services	—	16,191	2,169	118,041	461,311	3,657	601,369
International relief and development services	—	—	—	—	—	—	—
Total program services	8,463	49,582	17,543	356,745	1,540,974	36,922	2,010,229
Supporting services:							
Fund raising	1,120	15,684	2,581	32,966	419,660	3,342	475,353
Management and general	2,317	15,685	3,872	32,318	164,422	10,025	228,639
Total supporting services	3,437	31,369	6,453	65,284	584,082	13,367	703,992
Chapter assessment	754	11,289	3,142	41,212	236,141	7,978	300,516
Total operating expenses	12,654	92,240	27,138	463,241	2,361,197	58,267	3,014,737
Change in net assets from operations	\$ (757)	(17,983)	7,611	(155,995)	(371,738)	9,147	(529,715)

See accompanying independent auditors' report.

AMERICAN RED CROSS – THE NASHVILLE REGIONAL CHAPTERS

Schedule of Financial Position

June 30, 2011

UNAUDITED

	Clarksville - Montgomery County Chapter	Marshall County Chapter	Maury County Chapter	Nashville Area Chapter	Heart of Tennessee Chapter	Warren County Chapter	Williamson County Chapter	Nashville Regional Total
Assets								
Current assets:								
Cash and cash equivalents	\$ 9,742	6,430	50	479,487	180,044	4,883	139,661	820,297
Investments	12,064	6,628	—	1,009,680	203,176	6,260	181,797	1,419,605
Receivables:								
Trade	7,295	468	2,286	411,724	157,505	896	87,623	667,797
Contributions	—	—	—	—	—	—	—	—
Due from other American Red Cross units	2,973	2,690	—	316,342	49,368	—	—	371,373
Due from other classes of net assets	—	—	—	176,450	4,809	7,582	—	188,841
Inventories	—	—	—	—	—	—	—	—
Other current assets	—	—	—	—	—	—	—	—
Total current assets	32,074	16,216	2,336	2,393,683	594,902	19,621	409,081	3,467,913
Investments	—	—	—	41,863	—	—	—	41,863
Contributions receivable	—	—	—	240,000	17,500	—	—	257,500
Land, buildings, and other property, net	56,589	—	—	839,412	910,466	—	1,674	1,808,141
Other assets	—	—	—	—	—	—	—	—
Total assets	88,663	16,216	2,336	3,514,958	1,522,868	19,621	410,755	5,575,417
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 10,523	302	14,861	164,539	18,175	2,116	17,585	228,101
Current portion of debt	—	—	—	—	—	—	—	—
Due to other American Red Cross units	2,558	(1,221)	500	137,659	15,229	766	(7,978)	147,513
Due to other classes of net assets	—	—	—	176,450	4,809	7,582	—	188,841
Other current liabilities	—	61	409	—	—	—	—	470
Total current liabilities	13,081	(858)	15,770	478,648	38,213	10,464	9,607	564,925
Debt	—	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—	—	—
Total liabilities	13,081	(858)	15,770	478,648	38,213	10,464	9,607	564,925
Net assets	75,582	17,074	(13,434)	3,036,310	1,484,655	9,157	401,148	5,010,492
Total liabilities and net assets	88,663	16,216	2,336	3,514,958	1,522,868	19,621	410,755	5,575,417

See accompanying independent auditors' report.

AMERICAN RED CROSS – THE NASHVILLE REGIONAL CHAPTERS

Schedule of Operating Activities

Year ended June 30, 2011

UNAUDITED

	Clarksville - Montgomery County Chapter	Marshall County Chapter	Maury County Chapter	Nashville Area Chapter	Heart of Tennessee Chapter	Warren County Chapter	Williamson County Chapter	Nashville Regional Total
Operating revenues and gains:								
Contributions:								
Corporate, Foundation and Individual Giving	\$ 102,472	10,493	51,104	1,845,195	296,889	29,808	203,728	2,539,689
United Way and other federated	30,864	2,416	1,030	117,715	158,564	5,000	90,400	405,989
Legacies and bequests	—	—	—	153,844	—	—	—	153,844
Services and materials	8,000	—	18,000	37,192	10,560	—	—	73,752
Products and services	68,305	7,992	20,106	675,744	173,350	11,443	86,413	1,043,353
Contracts	14,000	—	—	85,500	—	—	—	99,500
Investment income	18	25	10	14,337	2,271	—	1,849	18,510
Inter-Red Cross Revenues	32,284	46,648	33,308	1,031,710	78,945	25	44,914	1,267,834
Other revenues	194,550	685	785	32,053	99,322	229	641	328,265
Total operating revenues and gains	450,493	68,259	124,343	3,993,290	819,901	46,505	427,945	5,930,736
Operating expenses:								
Program services:								
Service to the Armed Forces	44,837	6,174	7,175	118,138	23,469	6,974	20,879	227,646
Biomedical services	—	—	—	—	—	—	—	—
Community services	9,253	—	4,219	226,524	43,248	—	7,631	290,875
Domestic disaster services	211,367	53,547	68,568	1,102,850	228,445	22,698	149,464	1,836,939
Field support and chapter assistance	—	—	—	582,557	3,459	—	—	586,016
Health and safety services	90,301	1,520	32,331	725,113	180,272	7,676	119,773	1,156,986
International relief and development services	—	—	—	2,752	—	—	—	2,752
Total program services	355,758	61,241	112,293	2,757,934	478,893	37,348	297,747	4,101,214
Supporting services:								
Fund raising	29,603	1,064	20,225	693,979	88,377	7,464	38,046	878,758
Management and general	24,778	347	14,905	89,241	13,834	8,496	15,285	166,886
Total supporting services	54,381	1,411	35,130	783,220	102,211	15,960	53,331	1,045,644
Chapter assessment	49,975	2,809	22,752	268,236	75,298	7,952	46,308	473,330
Total operating expenses	460,114	65,461	170,175	3,809,390	656,402	61,260	397,386	5,620,188
Change in net assets from operations	\$ (9,621)	2,798	(45,832)	183,900	163,499	(14,755)	30,559	310,548

See accompanying independent auditors' report.