



AMERICAN HEART ASSOCIATION, INC.

Financial Statements and Supplementary Information
(Greater Southeast)

June 30, 2007

With Summarized Comparative Totals for June 30, 2006

(With Independent Auditors' Report Thereon)

AMERICAN HEART ASSOCIATION, INC.

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
American Heart Association, Inc.:

We have audited the accompanying statement of financial position of the American Heart Association, Inc. (the Association) as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2006 financial statements and, in our report dated October 6, 2006, we expressed an unqualified opinion on those 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 the Association'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 2007 financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2007, and the changes in its net assets 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 taken as a whole. The supplementary information included in Exhibit 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

October 5, 2007

AMERICAN HEART ASSOCIATION, INC.
Statement of Activities
Year ended June 30, 2007
with summarized comparative totals for the year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
Revenue:					
Public support:					
Received directly:					
Contributions	\$ 94,238,156	61,721,184	3,311,140	159,270,480	138,135,699
Contributed materials	181,988	—	—	181,988	5,229,108
Contributed services	68,722,155	—	—	68,722,155	87,490,666
Special events	245,740,303	59,693,642	—	305,433,945	281,050,552
Direct donor benefits	(36,043,729)	—	—	(36,043,729)	(38,381,673)
Bequests	76,662,983	10,723,583	228,401	87,614,967	74,711,682
Charitable gift annuities	593,148	—	—	593,148	974,241
Other split-interest agreements	—	877,887	—	877,887	3,035,675
Perpetual trusts	—	—	1,123,551	1,123,551	393,130
Total received directly	450,095,004	133,016,296	4,663,092	587,774,392	552,639,080
Received indirectly:					
Federated and nonfederated fund-raising organizations	6,731,717	7,310,653	—	14,042,370	15,703,533
Total public support	456,826,721	140,326,949	4,663,092	601,816,762	568,342,613
Other revenue:					
Program fees	20,448,094	—	—	20,448,094	18,622,632
Sales of educational materials	66,697,435	—	—	66,697,435	49,740,997
Membership dues	2,072,301	—	—	2,072,301	1,846,924
Fees and grants	6,900	29,170	—	36,070	342,682
Interest and dividends, net of fees	18,099,223	864,424	(12,566)	18,951,081	17,077,807
Net unrealized gains/losses on investment transactions	30,472,052	(162,967)	1,003,632	31,312,717	(3,550,296)
Net realized gains on investment transactions	18,778,360	2,433,684	(36,272)	21,175,772	18,672,406
Perpetual trust revenue	4,323,928	1,232,689	—	5,556,617	5,013,555
Net unrealized gains on beneficial interest in perpetual trusts	—	—	14,458,607	14,458,607	4,152,728
Change in value of split-interest agreements	569,654	(3,436,045)	(37,082)	(2,903,473)	(8,679,187)
Gains on disposal of fixed assets	2,213,284	—	—	2,213,284	2,417,279
Royalty revenue	15,287,514	—	—	15,287,514	14,614,810
Miscellaneous revenue (losses)	4,934,053	(2,693,469)	(3,752)	2,236,832	8,629,865
Total other revenue	183,902,798	(1,732,514)	15,372,567	197,542,851	128,902,202

AMERICAN HEART ASSOCIATION, INC.

Statement of Activities

Year ended June 30, 2007

with summarized comparative totals for the year ended June 30, 2006

	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Net assets released from restrictions:					
Satisfaction of research restrictions	\$ 17,696,056	(17,696,056)	—	—	—
Satisfaction of other program restrictions	51,036,742	(51,036,742)	—	—	—
Expiration of time restrictions	42,581,285	(42,581,285)	—	—	—
Satisfaction of equipment acquisition restrictions	90,274	(90,274)	—	—	—
Satisfaction of geographic restrictions	8,876,954	(8,876,954)	—	—	—
Total net assets released from restrictions	<u>120,281,311</u>	<u>(120,281,311)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total of public support and other revenue	<u>761,010,830</u>	<u>18,313,124</u>	<u>20,035,659</u>	<u>799,359,613</u>	<u>697,244,815</u>
Expenses:					
Program services:					
Research – to acquire new knowledge through biomedical investigation by providing financial support to academic institutions and scientists	150,665,604	—	—	150,665,604	145,679,263
Public health education – to inform the public about the prevention and treatment of cardiovascular diseases and stroke	271,530,685	—	—	271,530,685	276,586,862
Professional education and training – to improve the knowledge, skills, and techniques of health professionals	87,916,834	—	—	87,916,834	79,828,219
Community services – to provide organized training in emergency aid, blood pressure screening, and other community-wide activities	43,888,390	—	—	43,888,390	41,558,816
Total program services	<u>554,001,513</u>	<u>—</u>	<u>—</u>	<u>554,001,513</u>	<u>543,653,160</u>
Supporting services:					
Management and general providing executive direction, financial management, overall planning, and coordination of the Association's activities	49,167,728	—	—	49,167,728	48,933,347
Fundraising – activities to secure vital financial support from the public	88,218,143	—	—	88,218,143	88,515,327
Total supporting services	<u>137,385,871</u>	<u>—</u>	<u>—</u>	<u>137,385,871</u>	<u>137,448,674</u>
Total program and supporting services expenses	<u>691,387,384</u>	<u>—</u>	<u>—</u>	<u>691,387,384</u>	<u>681,101,834</u>
Change in net assets before effect of adoption of FASB Stmt No.158	69,623,446	18,313,124	20,035,659	107,972,229	16,142,981
Effect of adoption of FASB Stmt No. 158	<u>(4,691,487)</u>	<u>—</u>	<u>—</u>	<u>(4,691,487)</u>	<u>—</u>
Change in net assets	64,931,959	18,313,124	20,035,659	103,280,742	16,142,981
Net assets, beginning of year	<u>319,685,494</u>	<u>244,430,205</u>	<u>147,584,367</u>	<u>711,700,066</u>	<u>695,557,085</u>
Net assets, end of year	<u>\$ 384,617,453</u>	<u>262,743,329</u>	<u>167,620,026</u>	<u>814,980,808</u>	<u>711,700,066</u>

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Functional Expenses

Year ended June 30, 2007
with summarized comparative totals for the year ended June 30, 2006

	Direct donor benefits	Research	Public health education	Professional education/ training	Community services	Subtotal program services	Management and general	Fundraising	Subtotal supporting services	2007 Total	2006 Total
Salaries	\$ —	2,358,467	85,203,394	22,432,397	15,228,088	125,222,346	25,813,995	35,613,102	61,427,097	186,649,443	175,924,189
Payroll taxes	—	167,032	6,331,393	1,682,403	1,201,698	9,382,526	2,455,416	2,761,489	5,216,905	14,599,431	14,161,858
Employee benefits	—	470,925	13,713,419	3,340,087	2,483,645	20,008,076	5,852,925	5,880,160	11,733,085	31,741,161	31,477,461
Occupancy	—	160,333	7,418,489	1,311,888	1,510,778	10,401,488	2,042,140	3,231,759	5,273,899	15,675,387	15,286,097
Telephone	—	52,838	2,744,906	776,680	580,597	4,155,021	665,790	1,454,412	2,120,202	6,275,223	6,469,386
Supplies	—	36,022	2,939,828	628,081	418,036	4,021,967	470,214	1,695,084	2,165,298	6,187,265	6,187,862
Rental and maintenance of equipment	—	55,161	3,015,117	798,829	500,746	4,369,853	977,119	1,623,239	2,600,358	6,970,211	6,538,079
Printing and publication	—	35,677	22,785,109	14,409,187	9,437,017	46,666,990	263,078	10,467,657	10,730,735	57,397,725	52,148,990
Postage and shipping	—	53,214	10,781,598	537,357	339,989	11,712,158	381,156	5,518,166	5,899,322	17,611,480	16,501,470
Conferences and meetings	—	403,277	3,566,645	12,489,613	1,471,086	17,930,621	939,518	1,519,309	2,458,827	20,389,448	18,605,254
Travel	—	944,791	8,492,123	4,184,908	2,229,045	15,850,867	1,613,256	5,487,112	7,100,368	22,951,235	22,678,485
Professional fees	—	4,450,627	96,851,198	18,219,296	3,629,971	123,151,092	4,016,741	8,682,683	12,699,424	135,850,516	151,775,187
Awards and grants	—	140,628,161	1,696,702	2,233,279	1,410,342	145,968,484	15,369	2,152	17,521	145,986,005	140,776,155
Other expenses	—	663,192	1,392,794	3,260,204	2,434,484	7,750,674	2,078,483	2,362,546	4,441,029	12,191,703	12,307,688
Depreciation and amortization	—	185,887	4,597,970	1,612,625	1,012,868	7,409,350	1,582,528	1,919,273	3,501,801	10,911,151	10,263,673
Total functional expenses before direct donor benefits	—	150,665,604	271,530,685	87,916,834	43,888,390	554,001,513	49,167,728	88,218,143	137,385,871	691,387,384	681,101,834
Direct donor benefit	36,043,729	—	—	—	—	—	—	—	—	36,043,729	38,381,673
Total functional expenses and direct donor benefits	\$ 36,043,729	150,665,604	271,530,685	87,916,834	43,888,390	554,001,513	49,167,728	88,218,143	137,385,871	727,431,113	719,483,507

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Financial Position

Year ended June 30, 2007

with summarized comparative totals for the year ended June 30, 2006

Assets	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Current assets:					
Cash and cash equivalents	\$ 152,036,764	3,796,837	294,151	156,127,752	136,630,376
Short-term investments	46,168,490	129,664	201,767	46,499,921	53,742,365
Accrued investment income	1,049,230	36,261	7,888	1,093,379	1,094,413
Accounts receivable:					
Federated and nonfederated	—	7,398,430	—	7,398,430	7,204,846
Pledges, net	3,622,756	59,456,185	1,170,271	64,249,212	50,698,537
Bequest/split-interest agreements	20,832,127	4,046,826	—	24,878,953	29,320,714
Exchange transactions	3,877,678	—	—	3,877,678	13,865,900
Other	6,867,238	41,500	—	6,908,738	5,145,447
Inventory	8,345,393	—	—	8,345,393	6,980,974
Interfund receivable (payable)	(35,367,589)	35,884,565	(516,976)	—	—
Prepaid expense and other assets	7,789,852	—	—	7,789,852	8,073,578
Total current assets	<u>215,221,939</u>	<u>110,790,268</u>	<u>1,157,101</u>	<u>327,169,308</u>	<u>312,757,150</u>
Noncurrent assets:					
Long-term investments	467,255,768	8,501,773	34,162,359	509,919,900	432,274,264
Beneficial Interest in Perpetual Trusts	—	—	129,391,047	129,391,047	113,461,222
Land, buildings, and equipment, net	78,991,381	—	—	78,991,381	80,418,535
Accounts receivable:					
Federated and nonfederated, net	—	—	—	—	280,000
Bequests, net	948,012	7,434	—	955,446	1,624,302
Pledges, net	45,000	41,587,241	2,487,640	44,119,881	25,428,600
Split-interest agreements, net	—	114,234,691	474,184	114,708,875	119,859,678
Prepaid expenses and other assets	3,304,392	3,363,750	—	6,668,142	8,922,757
Total noncurrent assets	<u>550,544,553</u>	<u>167,694,889</u>	<u>166,515,230</u>	<u>884,754,672</u>	<u>782,269,358</u>
Total assets	<u>\$ 765,766,492</u>	<u>278,485,157</u>	<u>167,672,331</u>	<u>1,211,923,980</u>	<u>1,095,026,508</u>

AMERICAN HEART ASSOCIATION, INC.

Statement of Financial Position

Year ended June 30, 2007

with summarized comparative totals for the year ended June 30, 2006

Liabilities and Net Assets	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Current liabilities:					
Accounts payable and accrued expense	\$ 50,595,994	—	—	50,595,994	47,999,384
Current portion of long-term debt	234,560	—	—	234,560	230,829
Research awards payable	138,737,260	6,710,856	—	145,448,116	141,574,487
Deferred revenue and support	7,937,740	—	—	7,937,740	9,935,956
Other liabilities	994,670	—	—	994,670	976,359
Total current liabilities	198,500,224	6,710,856	—	205,211,080	200,717,015
Noncurrent liabilities:					
Long-term debt	2,428,946	—	—	2,428,946	6,380,051
Research awards	153,240,207	7,524,093	—	160,764,300	153,287,399
Other noncurrent liabilities	26,979,662	1,506,879	52,305	28,538,846	22,941,977
Total noncurrent liabilities	182,648,815	9,030,972	52,305	191,732,092	182,609,427
Total liabilities	381,149,039	15,741,828	52,305	396,943,172	383,326,442
Net assets:					
Net investment in land, buildings, and equipment	73,395,747	—	—	73,395,747	74,738,236
Programs and operations for the ensuing fiscal year	285,784,180	—	—	285,784,180	220,563,860
Capital expenditures	632,936	174,575	—	807,511	1,770,483
Research designated for future years	20,511,235	27,638,274	—	48,149,509	41,477,591
Specific programs and support activities	—	91,338,571	—	91,338,571	80,417,518
Split-interest agreements	4,293,355	78,212,869	129,391,047	211,897,271	201,250,060
Time restrictions	—	65,379,040	—	65,379,040	57,903,591
Endowment funds	—	—	38,228,979	38,228,979	33,578,727
Total net assets	384,617,453	262,743,329	167,620,026	814,980,808	711,700,066
Total liabilities and net assets	\$ 765,766,492	278,485,157	167,672,331	1,211,923,980	1,095,026,508

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Cash Flows

Year ended June 30, 2007

with summarized comparative totals for the year ended June 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 103,280,742	16,142,981
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,911,151	10,263,673
Net unrealized (gains) losses on investments	(31,312,717)	3,550,296
Net realized gains on investments	(21,175,772)	(18,672,406)
Net unrealized gains on beneficial interest in perpetual trusts	(14,458,607)	(4,152,728)
Change in value of split-interest agreement	2,903,473	8,679,187
Gains on disposal of equipment	(2,213,284)	(2,417,279)
Losses on uncollectible accounts and settlement of receivables	4,476,359	3,474,361
Contributions to endowment	(4,663,092)	(1,225,880)
Decrease in accrued investment income	1,034	241,525
Increase in accounts receivable	(22,653,665)	(15,839,125)
Increase in educational and campaign materials inventory	(1,364,419)	(1,287,118)
Decrease (increase) in prepaid expenses and other assets	2,538,341	(8,813,790)
Increase in beneficial interest in perpetual trusts	(1,471,218)	(393,130)
(Increase) decrease in split-interest agreements	1,604,637	(1,313,689)
Increase in accounts payable, accrued expenses and other liabilities	8,713,700	12,205,822
Decrease in research awards payable	11,350,530	11,244,130
(Decrease) increase in deferred revenue and support	(1,998,216)	1,632,953
Net cash provided by operating activities	<u>44,468,977</u>	<u>13,319,783</u>
Cash flows from investing activities:		
Purchases of equipment	(10,566,092)	(14,354,052)
Proceeds from sale of equipment	3,937,315	2,744,076
Purchases of investments	(259,486,302)	(233,476,167)
Proceeds from sales/maturities of investments	<u>241,555,344</u>	<u>218,945,863</u>
Net cash used in investing activities	<u>(24,559,735)</u>	<u>(26,140,280)</u>
Cash flows from financing activities:		
Payments on mortgage notes payable and capital leases	(5,074,958)	(1,169,410)
Borrowings on mortgage notes payable and capital leases	—	3,714,671
Contributions to endowment	<u>4,663,092</u>	<u>1,225,880</u>
Net cash (used in) provided by financing activities	<u>(411,866)</u>	<u>3,771,141</u>
Net increase (decrease) in cash and cash equivalents	19,497,376	(9,049,356)
Cash and cash equivalents, beginning of year	<u>136,630,376</u>	<u>145,679,732</u>
Cash and cash equivalents, end of year	<u>\$ 156,127,752</u>	<u>136,630,376</u>
Supplemental cash flow information:		
Interest paid	\$ 148,783	127,563
Contributed materials	181,988	5,229,108
Equipment purchased by capital lease	625,674	1,482,506

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(1) Summary of Significant Accounting Policies

(a) *Organization*

The American Heart Association, Inc. (the Association) has as its mission the reduction of disability and death from cardiovascular diseases and stroke.

The Association provides funding for cardiovascular and stroke research, public health education, and community services programs that inform Americans about what they can do to prevent heart disease and stroke, and for professional education programs that help healthcare professionals prevent, detect, and treat cardiovascular diseases and stroke. The Association's principal source of revenue is money contributed by the general public.

The Association follows the standards of accounting and financial reporting for not-for-profit organizations as prescribed by the Financial Accounting Standards Board (FASB). The following significant accounting policies are in accordance with accounting principles generally accepted in the United States of America.

(b) *Cash Equivalents*

Cash equivalents are comprised of highly liquid investments with original maturities of three months or less used to fund current obligations.

(c) *Investments*

Interest and dividend income are presented net of investment advisory/management fees and is reflected as net interest and dividends in the accompanying statement of activities. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor or applicable law. All investments are carried at fair value with the related gains and losses included in the accompanying statement of activities.

The Association's investments do not have a significant concentration of credit or market risk within any industry, specific institution, or group of investments.

(d) *Contributions and Bequests*

All contributions are considered available for the general programs of the Association, unless specifically restricted by the donor. The Association reports monetary gifts as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or are subject to time restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to temporarily restricted support at the time of receipt and as net assets released from restrictions.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

The Association is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

The Association recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

The Association records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of gift using risk-free interest rates applicable to the years in which the promises are expected to be received, ranging from 3.7% to 5.8%. Accretion of the discounts is recognized as contribution revenue using the effective interest method.

(e) *Research Awards and Grants*

The Association awards funds each year to support cardiovascular and related research investigation projects. The projects generally extend over a period of one to five years, subject to renewal at the option of the board of directors. Continued funding is conditional on demonstration of adequate progress. The liability and related expenses are recorded when the recipients are notified of their awards, and the liability is recorded as research awards payable in the accompanying statement of financial position.

Awards that are expected to be paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of award using risk-free interest rates applicable to the years in which awards are granted, ranging from 3.7% to 5.1%. Accretion of the discounts is recognized as research – awards and grants expense, using the effective interest method, in the accompanying statement of functional expenses.

(f) *Exchange Transactions*

The Association records revenues from exchange transactions as increases in unrestricted net assets to the extent that the earnings process is complete. These transactions include conferences, subscriptions, royalty revenues, licensing fees, and advertising fees from journal publications. Receivables from exchange transactions are expected to be collected within one year and are recorded at net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

(g) *Inventory*

Inventories are stated at the lower of cost or market using the first-in, first-out method. Such inventories consist of educational, promotional, and campaign materials held for use in program services and sales to unrelated parties.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(h) Land, Buildings, and Equipment

Donated property and equipment are recorded at fair value at date of receipt, and expenditures for land, buildings, and equipment are capitalized and stated at cost. Depreciation of the buildings and equipment is provided on a half-year convention basis over estimated useful lives of the assets, ranging from 3 to 40 years (land leasehold – length of the leasehold interest; building and improvements – 5 to 40 years; and furniture and equipment – 3 to 7 years).

(i) In-Kind Contributions – Contributed Materials

In-kind contributed materials are reflected as contributions at their estimated fair value at date of donation. The Association reports gifts of land, buildings, equipment, and other nonmonetary contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how and how long the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

During 2007, the Association received \$181,988 as in-kind contributed materials. Of these nonmonetary contributions in the accompanying statement of activities, \$23,778 is recorded as program services expenses, \$1,839 as management and general expenses and \$156,371 as fundraising expenses. The Association received an additional \$767,108 in direct donor benefits, included in special events support.

During 2006, the Association received \$5,229,108 as in-kind contributed materials. Of these nonmonetary contributions in the accompanying statement of activities, \$1,668,154 is recorded as program services expenses, \$11,847 as management and general expenses, \$102,557 as fundraising expenses and \$3,446,550 as donated use of land. The Association received an additional \$316,403 in direct donor benefits, included in special events support.

(j) Contributed Services

The Association recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Of the \$68,722,155 received as contributed services in 2007, the Association recorded \$4,346,335 as research expenses, \$60,722,668 as public health education expenses, \$3,592,617 as professional education expenses and \$60,535 as fundraising expenses in the accompanying statement of activities. Public service announcements of \$52,424,762 are included within the \$68,722,155.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

Of the \$87,490,666 received as contributed services in 2006, the Association recorded \$4,238,921 as research expenses, \$77,814,627 as public health education expenses, \$3,630,255 as professional education expenses, \$904,391 as community service expenses, \$37,934 as management and general expenses and \$864,538 as fundraising expenses in the accompanying statement of activities. Public service announcements of \$75,709,686 are included within the \$87,490,666.

In addition, the Association receives services from a large number of volunteers who give significant amounts of their time to the Association's programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services, as they do not meet the criteria outlined above.

(k) *Deferred Revenue*

Resources received in exchange transactions are recognized as deferred revenue to the extent that the earnings process has not been completed. These resources are recorded as unrestricted revenues when the related obligations have been satisfied.

(l) *Net Assets*

Public support and other revenues received during the fiscal year are used to fund research awards, programs and operations. A portion of unrestricted net assets is available for unfunded commitments, program supplementation, and operating contingencies directed by specific action of the board of directors and is reserved for the continuity of the Association's general activities and to meet emergency demands.

(m) *Functional Allocation of Expenses*

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Certain costs have been allocated among the program and supporting services benefited.

Public service announcements/advertising related expenses are included in professional fees. Of the public service announcements/advertising fees of \$74,012,105 recorded in 2007, the Association recorded \$70,538,061 as public health education, \$3,089,305 as professional education and training, \$37,911 as community service, \$8,901 as management and general, and \$337,927 as fund raising.

In 2006, of the public service announcements/advertising fees of \$90,868,632, the Association recorded \$87,234,929 as public health education, \$2,906,352 as professional education and training, \$57,154 as community service, \$6,267 as management and general, and \$663,930 as fund raising.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(n) *Income Taxes*

The Association is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in IRC Section 501(c)(3). Further, the Association has been classified as an organization that is not a private foundation under IRC Section 509(a), and as such, contributions to the Association qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Association's exempt purpose is subject to tax under IRC Section 511. The Association did not have any material unrelated business income tax liability for the years ended June 30, 2007 and 2006. Therefore, no tax liability has been provided in the accompanying financial statements.

(o) *Fair Value of Financial Instruments*

The Association has estimated the fair values of its financial instruments based on quoted market prices in accordance with Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*. The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes applicable to such items. Accounts receivable and accounts payable are stated at cost due to their short term to maturity which approximates fair value.

(p) *Split-Interest Agreements*

The Association has received as contributions various types of split-interest agreements, including charitable gift annuities, pooled income funds, charitable remainder trusts, and perpetual trusts. Under the charitable gift annuity arrangement, the Association has recorded the assets at fair value and the liabilities to the donor or his/her beneficiaries at the present value of the estimated future payments to be distributed by the Association to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as unrestricted revenue, unless otherwise restricted by the donor.

Under the pooled income fund and charitable remainder trust arrangements, the Association has recorded the contribution as temporarily restricted contribution revenue at the present value of the estimated future benefits to be received. Subsequent changes in fair value for charitable remainder trusts are recorded as changes in value of split-interest agreements in the temporarily restricted net asset class and are reflected as changes in value of split-interest agreements in the accompanying statement of activities.

Under the perpetual trust arrangement, the Association has recorded the asset and has recognized permanently restricted contribution revenue at the fair market value of the Association's beneficial interest in the trust assets. Income earned on the trust assets is recorded as unrestricted perpetual trust revenue in the accompanying statement of activities, unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trusts assets are recorded as net unrealized gains or losses on beneficial interest in perpetual trusts in the permanently restricted net asset class.

The discount rates used at June 30, 2007 and 2006 were 5.8% and 5.1%, respectively.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(q) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) *Summarized Comparative Totals*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2006, from which the summarized information was derived. Certain reclassifications have been made to the June 30, 2006 financial statements to conform to the June 30, 2007 presentation.

(2) *Investments*

Investments are typically held in savings accounts, U.S. government securities, commercial paper, certificates of deposit, bank repurchase agreements, money market funds, corporate notes or bonds, or equity securities.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

Investments at June 30, 2007 and 2006, and related returns for the years ended June 30, 2007 and 2006 for the Association consisted of the following:

June 30, 2007					
	Interest and dividends (expenses)	Net unrealized gains (losses)	Net realized gains (losses)	Fair value	Cost
Cash and cash equivalents	\$ 5,615,808	—	—	—	—
Short-term investments:					
Money market funds, certificates of deposit, and other short-term investments	472,588	123,467	246,681	14,326,188	14,326,387
U.S. Treasury and Government agency obligations	599,141	28,866	12,299	10,499,263	10,518,768
Corporate notes and bonds	410,196	31,246	(3,759)	21,326,784	21,311,803
Other investments	—	—	—	347,686	347,686
Investment fees	(310,287)	—	—	—	—
Total short-term investments	1,171,638	183,579	255,221	46,499,921	46,504,644
Total cash and cash equivalents and short-term investments	6,787,446	183,579	255,221	46,499,921	46,504,644
Long-Term Investments:					
Money market funds, certificates of deposit, and other short-term investments	1,170,162	1,116,179	(21,985)	6,973,375	6,993,617
U.S. Treasury and Government agency obligations	4,362,142	2,249,317	(1,363,462)	97,973,966	99,491,005
Corporate notes and bonds	2,766,865	390,835	(1,545,774)	77,754,866	78,431,523
Equity securities	5,368,680	26,842,118	24,422,936	317,699,744	269,804,888
Other investments	70,334	530,689	(571,164)	9,517,949	9,010,440
Investment fees	(1,574,548)	—	—	—	—
Total long-term investments	12,163,635	31,129,138	20,920,551	509,919,900	463,731,473
Grand total	\$ 18,951,081	31,312,717	21,175,772	556,419,821	510,236,117

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

June 30, 2006					
	Interest and dividends (expenses)	Net unrealized gains (losses)	Net realized gains (losses)	Fair value	Cost
Cash and cash equivalents	\$ 3,430,427	—	—	—	—
Short-term investments:					
Money market funds, certificates of deposit, and other short-term investments	1,091,530	(875,799)	(1,023)	14,812,357	14,857,590
U.S. Treasury and Government agency obligations	570,586	93,927	(149,181)	6,722,615	6,808,890
Corporate notes and bonds	1,098,402	(55,319)	11,498	32,130,393	32,268,304
Other investments	311,206	—	(4,436)	77,000	77,000
Investment fees	(446,826)	—	—	—	—
Total short-term investments	2,624,898	(837,191)	(143,142)	53,742,365	54,011,784
Total cash and cash equivalents and short-term investments	\$ 6,055,325	(837,191)	(143,142)	53,742,365	54,011,784
June 30, 2006					
	Interest and dividends (expenses)	Net unrealized gains (losses)	Net realized gains (losses)	Fair value	Cost
Long-Term Investments:					
Money market funds, certificates of deposit, and other short-term investments	753,239	(990,386)	—	25,648,246	26,698,629
U.S. Treasury and Government agency obligations	4,119,163	(3,620,398)	(940,026)	103,743,584	107,596,570
Corporate notes and bonds	2,202,885	(1,877,843)	(378,335)	51,463,452	52,884,470
Equity securities	5,153,752	3,332,139	20,166,811	245,226,657	224,702,634
Other investments	158,896	443,383	(32,902)	6,192,325	5,937,057
Investment fees	(1,365,453)	—	—	—	—
Total long-term investments	11,022,482	(2,713,105)	18,815,548	432,274,264	417,819,360
Grand total	\$ 17,077,807	(3,550,296)	18,672,406	486,016,629	471,831,144

There were no deposits to collateralize bank loans at June 30, 2007 and 2006.

(3) Endowments

The Association accepts endowment funds under the stipulation by the donor that the funds are invested in perpetuity. Unless otherwise restricted by the donor, the investment income is to be used in accordance with the Association's endowment spending policy. The goals of the endowment funds are to enhance existing programs, create new programs, make available additional funding opportunities for donors, and

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

support capital improvements. The Association's board of directors oversees the establishment and revision of goals, spending plans, and asset allocations for endowments. Endowment contributions are recorded as permanently restricted contributions in the accompanying statement of activities and permanently restricted long-term investments in the accompanying statement of financial position.

(4) Unconditional Promises

As of June 30, 2007, the Association has received unconditional promises to give, consisting primarily of federated and nonfederated funds, pledges, pooled income funds, bequests, and charitable remainder trusts as follows:

	June 30, 2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Less than one year	\$ 25,331,103	72,879,724	1,170,271	99,381,098
One to five years	1,092,741	43,896,445	2,800,000	47,789,186
More than five years	—	363,264,306	1,969,341	365,233,647
Subtotal	26,423,844	480,040,475	5,939,612	512,403,931
Allowance for uncollectible accounts	(877,107)	(2,007,517)	—	(2,884,624)
Discount	(98,842)	(251,302,151)	(1,807,517)	(253,208,510)
Total	<u>\$ 25,447,895</u>	<u>226,730,807</u>	<u>4,132,095</u>	<u>256,310,797</u>

(5) Land, Buildings, and Equipment

At June 30, 2007 and 2006, land, buildings, and equipment, and the related accumulated depreciation and amortization were:

	2007	2006
Land and leasehold improvements	\$ 14,352,194	14,144,575
Buildings and improvements	83,143,390	82,676,902
Equipment and furniture	87,507,798	83,352,318
Total	185,003,382	180,173,795
Less accumulated depreciation and amortization	(106,012,001)	(99,755,260)
Land, buildings, and equipment, net	<u>\$ 78,991,381</u>	<u>80,418,535</u>

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(6) Long-Term Debt

(a) *Mortgage Notes Payable*

At June 30, 2007 and 2006, mortgage notes payable consisted of various amounts payable to banks. The loan agreements provide for scheduled payments of principal and interest at interest rates ranging from 5.9% to 7.5%. These notes mature through 2012. These notes are collateralized by real estate having a total net book value in excess of the remaining liability.

Principal payments are due as follows:

2007	\$	89,560
2008		97,404
2009		54,311
2010		29,156
2011		31,419
Thereafter		<u>201,656</u>
Total	\$	<u><u>503,506</u></u>

The fair value of mortgage notes payable at June 30, 2007 and 2006 does not differ materially from the carrying value.

(b) *Bonds Payable*

On February 1, 2000, the Association completed a bond offering and issued \$2,900,000 of the Development Authority of Cobb County Georgia Tax-Exempt Adjustable Mode Revenue Bonds, Series 2000 (the Bonds). The Association used the proceeds from the Bonds to fund construction of a building. A portion of the proceeds was used to pay for costs of issuance of the Bonds. The Bonds mature on March 1, 2018. The weekly variable interest rate is 3.79% and 4.03% at June 30, 2007 and 2006, respectively. The Bonds are secured by land and improvements.

Principal payments are as follows:

2008	\$	145,000
2009		150,000
2010		155,000
2011		160,000
2012		170,000
Thereafter		<u>1,380,000</u>
Total	\$	<u><u>2,160,000</u></u>

The fair value of bonds payable at June 30, 2007 and 2006 was approximately \$2,160,000 and \$2,295,000, respectively.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(c) Line of Credit

On August 22, 2005, the Association entered into a line of credit agreement (the Loan Agreement) with Wachovia Bank, N.A. The Loan Agreement provided an unsecured revolving line of credit of up to \$4.5 million for a three-year period. Interest on borrowings was based on the One Month LIBOR Market Index Rate plus 0.50%. The net amount of this borrowing was classified in the statement of financial position as long-term debt in prior year. The Association used the proceeds from the line of credit to fund the acquisition and construction costs of office space for \$3,714,671. During the year ended June 30, 2007, the outstanding balance on the Loan Agreement was paid in full.

(7) Leases

(a) Operating Leases

The Association has operating lease agreements for office space, equipment, and automobiles. Future annual minimum lease payments due under noncancelable leases as of June 30, 2007 are as follows:

2008	\$ 9,867,437
2009	8,928,085
2010	7,355,450
2011	6,306,616
2012	4,724,521
Thereafter	<u>16,075,222</u>
Total	<u>\$ 53,257,331</u>

Total operating lease expense for the years ended June 30, 2007 and 2006 was approximately \$11,687,000 and \$11,844,000, respectively.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(b) Capital Leases

The Association leases computers and office equipment under capital lease agreements expiring on various dates through 2012. As of June 30, 2007, the future minimum lease payments under capital leases were as follows:

2008	\$	1,017,520
2009		765,245
2010		559,921
2011		138,533
2012		32,253
Thereafter		<u>3,589</u>
Total		2,517,061
Less amount representing interest		(214,874)
Less amount representing support and maintenance		<u>(20,007)</u>
Present value of lease obligation	\$	<u><u>2,282,180</u></u>

(8) Retirement Plans

The Association has a 401(a) defined contribution plan (the Plan). Eligible participants include full-time and part-time employees who are at least 21 years of age and have at least two years of service with an accumulation of at least 1,000 hours per year. A year of service is defined as a period of 12 consecutive months beginning on an employee's date of hire. Employees are 100% vested upon satisfaction of the eligibility period.

Each month the Association contributes to the Plan an amount equal to the following percentage of base salary, as defined by the Plan, depending upon the participant's years of service:

<u>Participant's years of service</u>	<u>Contribution percentage</u>
2 to 5	6%
Greater than 5 but less than 10	8
10 or more	10

In addition, the Association contributes to the Plan an employer matching contribution, equal to 100% of each participant's elective contribution up to 4% of base salary to a 403(b) plan also sponsored by the Association. These elective contributions may be made by an employee beginning the first of the month following two years of service. Participants are not permitted to contribute to the Plan.

Total retirement plan costs for the years ended June 30, 2007 and 2006 were approximately \$13,583,000 and \$12,032,000, respectively.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(9) Conflict of Interest Policy and Standards

Included among the Association's officers, board, and committee members are volunteers from the business, medical, and scientific community who provide valuable assistance to the Association in the development of policies and programs and in the evaluation of research awards and grants and business relationships. The Association has adopted a conflict of interest policy and standards whereby volunteers are required to abstain from participating in or otherwise attempting to influence decisions in which they have a personal, professional, or business interest.

(10) Allocation of Joint Costs

The Association conducts joint activities (activities benefiting multiple programs and/or supporting services) that include fundraising appeals. Those activities primarily included direct mail campaigns and special events. The costs of conducting those joint activities were allocated as follows in 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Research	\$ 74,326	72,241
Public health education	85,908,502	83,069,145
Professional education and training	608,702	1,946,932
Community services	862,571	622,121
Management and general	5,504,024	5,367,681
Fundraising	41,421,322	37,528,376
Total joint costs	<u>\$ 134,379,447</u>	<u>128,606,496</u>

The Association allocates joint costs using the physical units methodology.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(11) Research Awards Payable

The activity in unrestricted and temporarily restricted research awards and grants liabilities during the year ended June 30, 2007 and the amounts payable by year are summarized below:

	Payable within one year	Payable after one year	Total
Balance, June 30, 2006	\$ 141,574,487	153,287,399	294,861,886
Awards and grants expense, FY 2007:			
New awards	51,606,960	111,720,913	163,327,873
Cancellations, declinations, and refunds	(10,784,756)	(11,634,928)	(22,419,684)
Award increases	903,856	—	903,856
Awards and grants expense before discount	41,726,060	100,085,985	141,812,045
Discount of payable after one year	—	(10,685,291)	(10,685,291)
Accretion of discount	5,059,433	4,441,974	9,501,407
Total awards and grants expense	46,785,493	93,842,668	140,628,161
Payments	(129,277,631)	—	(129,277,631)
Transfers to current maturities	86,365,767	(86,365,767)	—
Balance, June 30, 2007	\$ 145,448,116	160,764,300	306,212,416
Payable in years ending June 30:			
2008		\$	145,448,116
2009			98,855,725
2010			49,587,839
2011			24,742,235
2012			3,502,711
2013			231,000
Total			322,367,626
Less unamortized discount			(16,155,210)
Net research awards payable		\$	306,212,416

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

(12) Postretirement Benefits

The Association provides postretirement benefits to eligible past and present employees. Eligibility includes those who have retired or will retire at age 55 or thereafter, and who have been employed by the Association for at least ten years of service prior to retirement. The Association provides eligible employees who retire prior to age 65 with medical, dental and life insurance. Dental and life insurance terminate at age 65. At age 65, employees will pay 100% of the premiums for Medicare supplemental insurance.

As of June 30, 2007 and 2006, the accumulated postretirement benefit obligation is calculated using a discount rate of 6.25%. The following table presents changes in accumulated postretirement benefit obligation, changes in plan assets, funded status, changes in unrecognized prior service cost, changes in unrecognized net actuarial loss, components of net periodic benefit cost, and amounts expected to be recognized as components of net periodic benefit cost during the next fiscal year for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Changes in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation, July 1	\$ 11,986,320	13,609,742
Service cost	713,602	901,296
Interest cost	728,985	699,455
Actuarial (gain) loss	1,640,533	(2,650,577)
Participant contributions	225,313	187,627
Benefits paid	(870,424)	(761,223)
Accumulated postretirement benefit obligation, June 30	<u>\$ 14,424,329</u>	<u>11,986,320</u>
Changes in plan assets:		
Fair value of plan assets, July 1	\$ —	—
Employer contributions	645,111	573,596
Participant contributions	225,313	187,627
Benefits paid	(870,424)	(761,223)
Fair value of plan assets, June 30	<u>\$ —</u>	<u>—</u>
Funded status:		
Unfunded benefit obligation	\$ (14,424,329)	(11,986,320)
Unrecognized transition obligation	<u>—</u>	—
Unrecognized prior service cost	<u>247,746</u>	247,746
Unrecognized net actuarial loss	<u>3,082,531</u>	3,082,531
Accrued postretirement benefit cost, June 30	<u>\$ (14,424,329)</u>	<u>(8,656,043)</u>

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Changes in unrecognized prior service cost:		
Unrecognized prior service cost, July 1	\$ 247,746	327,925
Amortization of prior service cost	<u>(80,179)</u>	<u>(80,179)</u>
Unrecognized prior service cost, June 30	<u><u>\$ 167,567</u></u>	<u><u>247,746</u></u>
Changes in unrecognized net actuarial loss:		
Unrecognized net actuarial loss, July 1	\$ 3,082,531	6,218,361
Amortization of unrecognized net actuarial loss	<u>(199,144)</u>	<u>(485,253)</u>
Actuarial (gain) loss	<u>1,640,533</u>	<u>(2,650,577)</u>
Unrecognized net actuarial loss, June 30	<u><u>\$ 4,523,920</u></u>	<u><u>3,082,531</u></u>
Components of net periodic benefit cost:		
Service cost	\$ 713,602	901,296
Interest cost	728,985	699,455
Amortization of transition obligation	—	—
Amortization of prior service cost	80,179	80,179
Amortization of unrecognized net actuarial loss	<u>199,144</u>	<u>485,253</u>
Net periodic benefit cost	<u><u>\$ 1,721,910</u></u>	<u><u>2,166,183</u></u>
Amounts expected to be recognized as components of net periodic benefit cost during the next fiscal year:		
Amortization of transition obligation	\$ —	—
Amortization of prior service cost	80,179	80,179
Amortization of unrecognized net actuarial loss	<u>317,352</u>	<u>199,144</u>
Totals	<u><u>\$ 397,531</u></u>	<u><u>279,323</u></u>

The assumed healthcare cost trend rates as of June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Healthcare cost trend rate assumed for next year	9.0%	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0	5.0
Year that the rate reaches the ultimate trend rate	2011	2010

The healthcare cost trend rate assumption has a significant impact on the postretirement benefit costs and obligations. The effect of a 1% change in the assumed healthcare cost trend rate at June 30, 2007, would have resulted in a \$1,228,923 increase or \$1,090,660 decrease in the accumulated postretirement benefit obligation, and a \$152,147 increase or \$133,837 decrease in the fiscal year 2007 benefit expense.

AMERICAN HEART ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

The effect of a 1% change in the assumed healthcare cost trend rate at June 30, 2006, would have resulted in a \$1,022,337 increase or \$907,553 decrease in the accumulated postretirement benefit obligation, and a \$187,180 increase or \$162,999 decrease in the fiscal year 2006 benefit expense.

The Association expects to contribute \$782,753 to its postretirement benefit plan in fiscal year 2008.

Benefit payments, which reflect expected future service, are expected to be paid as follows:

2008	\$	782,753
2009		910,193
2010		1,079,406
2011		1,289,437
2012		1,399,906
2013-2017		8,771,659

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* – an amendment of FASB statements No. 87, 88, 106, and 132(R). The statement requires an employer to recognize in its statement of financial position the overfunded or underfunded status of a defined benefit post retirement plan, measured as the difference between the fair value of plan assets and the accumulated benefit obligation. The Association adopted SFAS No. 158 effective June 30, 2007. The following table reflects the impact of the adoption of this new accounting pronouncement:

Before adoption of SFAS No. 158:		
Total assets	\$	1,211,923,980
Liability for postretirement benefits		9,732,842
Total unrestricted net assets		389,308,940
Impact of changes:		
Total assets	\$	—
Liability for postretirement benefits		4,691,487
Total unrestricted net assets		(4,691,487)
After adoption of SFAS No. 158:		
Total assets	\$	1,211,923,980
Liability for postretirement benefits		14,424,329
Total unrestricted net assets		384,617,453

The accrued postretirement benefit cost would have increased from \$8,656,043 to \$11,986,320 as of June 30, 2006, if this statement had been required in fiscal year 2006.

(13) Commitments and Contingencies

During the normal course of business, the Association is involved in various claims and lawsuits. In the opinion of management, the potential loss on any claims and lawsuits, net of insurance proceeds, will not be significant to the Association's financial position or results of operations.

AMERICAN HEART ASSOCIATION

Greater Southeast Affiliate

Statement of Financial Position

June 30, 2007

(With summarized comparative totals for the year ended June 30, 2006)

Assets	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Current assets:					
Cash and cash equivalents	\$ 19,945,043	—	—	19,945,043	11,650,976
Short-term investments	2,883,449	55,019	—	2,938,468	4,643,124
Accrued investment income	124,925	—	—	124,925	134,356
Accounts receivable:					
Federated and nonfederated	—	1,248,824	—	1,248,824	1,523,813
Pledges, net	1,197,451	5,480,186	—	6,677,637	6,869,571
Bequests/split-interest agreements	4,575,036	456,669	—	5,031,705	3,364,931
Other current accounts receivable	127,330	4,000	—	131,330	229,267
Intercompany accounts receivable	—	448,659	—	448,659	680,214
Educational and campaign materials inventory	—	—	—	—	6,500
Intercompany settlement	(4,054,380)	3,530,067	(12,399)	(536,712)	79,621
Prepaid expenses and other assets	260,002	—	—	260,002	273,480
Total current assets	25,058,856	11,223,424	(12,399)	36,269,881	29,455,853
Noncurrent assets:					
Long-term investments	44,147,336	503,988	1,608,643	46,259,967	47,368,625
Beneficial interest in perpetual trusts	—	—	19,360,383	19,360,383	17,440,195
Land, buildings and equipment, net	12,095,373	—	—	12,095,373	13,683,360
Accounts receivable:					
Bequests, net	—	—	—	—	686,527
Pledges, net	—	1,066,975	—	1,066,975	886,275
Split-interest agreements	—	10,356,081	—	10,356,081	11,030,066
Pooled income fund	—	15,095	—	15,095	14,649
Intercompany – charitable gift annuities	3,360,320	844,521	—	4,204,841	3,925,982
Other noncurrent accounts receivable	—	291,661	—	291,661	606,520
Prepaid expenses and other assets	45,303	—	—	45,303	46,091
Total noncurrent assets	59,648,332	13,078,321	20,969,026	93,695,679	95,688,290
Total assets	\$ 84,707,188	24,301,745	20,956,627	129,965,560	125,144,143

AMERICAN HEART ASSOCIATION

Greater Southeast Affiliate

Statement of Financial Position

June 30, 2007

(With summarized comparative totals for the year ended June 30, 2006)

Liabilities and Net Assets	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Current liabilities:					
Intercompany campaign share	\$ 15,114,278	2,037,769	—	17,152,047	15,520,226
Intercompany – research	216,250	—	—	216,250	192,500
Intercompany – accounts payable other	—	—	—	—	498,868
Accounts payable and accrued expenses	4,486,402	—	—	4,486,402	5,466,814
Mortgage, notes, bonds payable	145,000	—	—	145,000	135,000
Accrued occupancy expense	3,501	—	—	3,501	—
Capital lease obligations	374,922	—	—	374,922	431,458
Research awards payable	10,198,106	—	—	10,198,106	11,545,292
Total current liabilities	30,538,459	2,037,769	—	32,576,228	33,790,158
Noncurrent liabilities:					
Intercompany campaign share	840,080	2,842,903	—	3,682,983	3,966,964
Intercompany – research	438,750	—	—	438,750	171,250
Long term debt	2,015,000	—	—	2,015,000	2,160,000
Charitable gift annuities	1,830,589	457,258	—	2,287,847	2,264,112
Accrued post retirement benefits	1,499,257	—	—	1,499,257	1,067,420
Capital lease obligations	432,844	—	—	432,844	807,766
Net research awards payable	9,931,516	—	—	9,931,516	9,001,042
Total noncurrent liabilities	16,988,036	3,300,161	—	20,288,197	19,438,554
Total liabilities	47,526,495	5,337,930	—	52,864,425	53,228,712
Net assets:					
Net investment in land, buildings and equipment	9,127,608	—	—	9,127,608	10,149,136
Designated by the governing board or restricted for:					
Programs and operations for the ensuing fiscal year	26,648,612	—	—	26,648,612	21,302,908
Capital expenditures	257,175	—	—	257,175	584,482
Specific program and support activities	—	5,417,058	—	5,417,058	7,312,591
Split-interest agreements	1,147,298	7,395,968	—	8,543,266	9,575,059
Time restrictions	—	6,150,789	—	6,150,789	4,079,816
Endowment funds	—	—	1,596,244	1,596,244	1,471,244
Beneficial interest in perpetual trusts	—	—	19,360,383	19,360,383	17,440,195
Total net assets	37,180,693	18,963,815	20,956,627	77,101,135	71,915,431
Total liabilities and net assets	\$ 84,707,188	24,301,745	20,956,627	129,965,560	125,144,143

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION

Greater Southeast Affiliate

Statement of Activities

Year ended June 30, 2007

(With summarized comparative totals for the year ended June 30, 2006)

	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Revenue:					
Public support:					
Received directly:					
Contributions	\$ 10,922,283	2,531,116	—	13,453,399	13,292,966
Contributed materials	—	—	—	—	21,907
Contributed services	8,881,074	—	—	8,881,074	12,706,853
Special events	42,416,671	10,345,781	—	52,762,452	50,937,987
Direct donor benefits	(6,138,977)	—	—	(6,138,977)	(7,592,096)
Bequests	10,461,410	1,075,352	125,000	11,661,762	8,997,961
Charitable gift annuities	217,297	—	—	217,297	297,154
Split interest agreements	—	31,901	—	31,901	1,119,695
Perpetual trusts	—	—	27,979	27,979	—
Total received directly	66,759,758	13,984,150	152,979	80,896,887	79,782,427
Received indirectly:					
Federated and nonfederated fund-raising organizations	1,158,005	1,271,617	—	2,429,622	2,735,295
Total public support	67,917,763	15,255,767	152,979	83,326,509	82,517,722
Other revenue:					
Grants from National Center	2,227	35,000	—	37,227	50,000
Program fees	26,816	—	—	26,816	36,521
Sales of educational materials	6,198,996	—	—	6,198,996	4,668,099
Interest and dividends, net of fees	2,143,544	58,099	—	2,201,643	2,183,475
Net unrealized gains/losses on investment transactions	2,716,795	(80,691)	—	2,636,104	822,846
Net realized gains/losses on investment transactions	2,224,286	326,444	—	2,550,730	1,168,018
Perpetual trust revenue	480,885	243,502	—	724,387	629,407
Net unrealized gains/losses on beneficial interest in perpetual trusts	—	—	1,892,209	1,892,209	522,043
Change in value of split-interest agreements	(5,363)	(128,412)	—	(133,775)	(110,041)
Gains/losses on disposal of fixed assets	(18,305)	—	—	(18,305)	(25,718)
Royalty revenue	293,828	—	—	293,828	226,393
Miscellaneous	408,546	818	—	409,364	681,561
Transfers between components	—	(319,624)	—	(319,624)	(428,200)
Loss on uncollectible accounts	—	(1,107,198)	—	(1,107,198)	(232,135)
Total other revenue	14,472,255	(972,062)	1,892,209	15,392,402	10,192,269

AMERICAN HEART ASSOCIATION

Greater Southeast Affiliate

Statement of Activities

Year ended June 30, 2007

(With summarized comparative totals for the year ended June 30, 2006)

	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Net assets released from restrictions:					
Transfer of restrictions to National Center	\$ 2,628,223	(2,628,223)	—	—	—
Satisfaction of research restrictions	1,288,324	(1,288,324)	—	—	—
Satisfaction of program restrictions	2,507,921	(2,507,921)	—	—	—
Expiration of time restrictions	6,546,147	(6,546,147)	—	—	—
Satisfaction of equipment acquisition restrictions	46,637	(46,637)	—	—	—
Satisfaction of geographic restrictions	2,275,892	(2,275,892)	—	—	—
Total net assets released from restrictions	15,293,144	(15,293,144)	—	—	—
Total of public support and other revenue	97,683,162	(1,009,439)	2,045,188	98,718,911	92,709,991
Expenses:					
Program services:					
Research	11,337,356	—	—	11,337,356	11,475,140
Public Health Education	36,196,427	—	—	36,196,427	40,263,490
Professional Education	5,337,878	—	—	5,337,878	5,196,122
Community Services	5,108,900	—	—	5,108,900	5,152,401
Total program services	57,980,561	—	—	57,980,561	62,087,153
Supporting services:					
Management and general	5,816,647	—	—	5,816,647	5,871,218
Fundraising	13,392,157	—	—	13,392,157	14,413,072
Total supporting services	19,208,804	—	—	19,208,804	20,284,290
Total program and supporting services	77,189,365	—	—	77,189,365	82,371,443
Allocation to National Center	16,031,429	—	—	16,031,429	15,162,650
Total expenses and allocation to National Center	93,220,794	—	—	93,220,794	97,534,093
Change in net assets before effect of adoption of FASB Stmt No. 158	4,462,368	(1,009,439)	2,045,188	5,498,117	(4,824,102)
Effect of adoption of FASB Stmt No. 158	(312,413)	—	—	(312,413)	—
Change in net assets	4,149,955	(1,009,439)	2,045,188	5,185,704	(4,824,102)
Net assets beginning of year	33,030,738	19,973,254	18,911,439	71,915,431	76,739,533
Net assets end of year	\$ 37,180,693	18,963,815	20,956,627	77,101,135	71,915,431

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION

Greater Southeast Affiliate

Statement of Functional Expenses

Year ended June 30, 2007

(With summarized comparative totals for the year ended June 30, 2006)

	Direct Donor Benefit	Research	Public Health	Professional Education/ Training	Community Services	Subtotal Program Services	Management	Fundraising	Subtotal Supporting Services	2007 Total	2006 Total
Salaries	\$ —	346,853	11,548,250	1,154,623	1,324,096	14,373,822	3,088,862	5,127,567	8,216,429	22,590,251	22,971,377
Payroll taxes	—	25,878	818,312	86,371	100,787	1,031,348	200,337	481,345	681,682	1,713,030	1,819,128
Employee benefits	—	67,578	2,067,297	273,586	206,804	2,615,265	572,288	901,047	1,473,335	4,088,600	4,555,424
Occupancy	—	22,081	739,576	75,077	86,853	923,587	222,355	327,382	549,737	1,473,324	1,504,210
Telephone	—	12,398	380,766	39,439	44,556	477,159	107,694	182,540	290,234	767,393	886,204
Supplies	—	5,012	351,947	28,358	33,786	419,103	61,334	248,469	309,803	728,906	666,731
Rental and maintenance of equipment	—	11,365	257,481	24,564	27,812	321,222	94,817	62,212	157,029	478,251	408,689
Printing and publication	—	10,791	2,563,635	118,825	229,966	2,923,217	20,972	1,381,879	1,402,851	4,326,068	4,240,745
Postage and shipping	—	9,834	1,416,263	18,067	25,823	1,469,987	61,559	667,682	729,241	2,199,228	1,972,694
Association-wide initiatives	—	9,745	1,716,507	2,867,264	2,052,351	6,645,867	336,445	815,614	1,152,059	7,797,926	6,889,043
Conferences and meetings	—	32,832	530,608	118,906	331,577	1,013,923	81,100	279,256	360,356	1,374,279	1,419,442
Travel	—	136,374	1,306,937	183,125	181,822	1,808,258	225,714	867,280	1,092,994	2,901,252	2,706,937
Professional fees	—	288,460	10,429,664	73,343	64,040	10,855,507	179,552	1,044,565	1,224,117	12,079,624	16,889,144
Awards and grants	—	10,318,718	293,353	116,155	204,452	10,932,678	—	503	503	10,933,181	11,720,489
Other expenses	—	16,225	961,908	75,427	99,461	1,153,021	149,227	636,724	785,951	1,938,972	1,721,266
Depreciation and amortization	—	23,212	813,923	84,748	94,714	1,016,597	414,391	368,092	782,483	1,799,080	1,999,920
Total expense before allocation to National Center	—	11,337,356	36,196,427	5,337,878	5,108,900	57,980,561	5,816,647	13,392,157	19,208,804	77,189,365	82,371,443
Allocation to National Center	—	8,259,008	3,013,796	1,110,346	634,483	13,017,633	2,062,071	951,725	3,013,796	16,031,429	15,162,650
Total functional expense and allocation before direct donor benefits	—	19,596,364	39,210,223	6,448,224	5,743,383	70,998,194	7,878,718	14,343,882	22,222,600	93,220,794	97,534,093
Direct donor benefit	6,138,977	—	—	—	—	—	—	—	—	6,138,977	7,592,096
Total functional expenses, allocation and direct donor benefit	\$ 6,138,977	19,596,364	39,210,223	6,448,224	5,743,383	70,998,194	7,878,718	14,343,882	22,222,600	99,359,771	105,126,189

See accompanying notes to financial statements.