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Metcalfe Davis

*Certified Public Accountants*

## Report of Independent Certified Public Accountants

Board of Directors  
Arthritis Foundation, Inc.  
Tennessee Chapter

We have audited the accompanying statement of financial position of the **Arthritis Foundation, Inc. Tennessee Chapter** (the "Chapter") (a nonprofit organization) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Chapter'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 Chapter's 2007 financial statements and, in our report dated May 15, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chapter'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 financial statements referred to above present fairly, in all material respects, the financial position of the **Arthritis Foundation, Inc. Tennessee Chapter** as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Metcalfe Davis*

Atlanta, Georgia  
April 15, 2009

**ARTHRITIS FOUNDATION, INC.  
TENNESSEE CHAPTER**

Statement of Financial Position

December 31, 2008 with Summarized Financial Information for December 31, 2007

| <u>Assets</u>  | <u>Unrestricted</u>     | <u>Temporarily<br/>Restricted</u> | <u>Totals</u>           |                         |
|--|-------------------------|-----------------------------------|-------------------------|-------------------------|
|  |                         |                                   | <u>2008</u>             | <u>2007</u>             |
| Cash and cash equivalents  | \$ 868,845              | \$ 168,436                        | \$ 1,037,281            | \$ 697,160              |
| Investments  | 28,912                  | -                                 | 28,912                  | 59,501                  |
| Due from national office   | 41,707                  | -                                 | 41,707                  | 89,868                  |
| Accounts receivable  | 12,649                  | -                                 | 12,649                  | 40,810                  |
| Contributions receivable (net of<br>allowance for doubtful accounts and<br>net present value discount of<br>\$84,657 and \$3,081 respectively) | 83,481                  | 213,048                           | 296,529                 | 447,569                 |
| Prepaid expenses and other assets  | 7,800                   | -                                 | 7,800                   | 13,271                  |
| Property and equipment, net  | 220                     | -                                 | 220                     | 1,614                   |
| <br>Total assets   | <br><u>\$ 1,043,614</u> | <br><u>\$ 381,484</u>             | <br><u>\$ 1,425,098</u> | <br><u>\$ 1,349,793</u> |
| <br><u>Liabilities and Net Assets</u>  |                         |                                   |                         |                         |
| Accounts payable   | \$ 32,456               | \$ -                              | \$ 32,456               | \$ 6,667                |
| Accrued expenses and other liabilities   | 17,136                  | -                                 | 17,136                  | 9,248                   |
| Due to national office   | 313,378                 | -                                 | 313,378                 | 305,199                 |
| Total liabilities  | 362,970                 | -                                 | 362,970                 | 321,114                 |
| Net assets   | 680,644                 | 381,484                           | 1,062,128               | 1,028,679               |
| <br>Total liabilities and net assets   | <br><u>\$ 1,043,614</u> | <br><u>\$ 381,484</u>             | <br><u>\$ 1,425,098</u> | <br><u>\$ 1,349,793</u> |

The accompanying notes are an integral part of these statements

# TENNESSEE CHAPTER

## Statement of Activities

Year Ended December 31, 2008 with Summarized Financial Information for the Year Ended December 31, 2007

|  | Unrestricted | Temporarily<br>Restricted | Totals       |              |
|--|--------------|---------------------------|--------------|--------------|
|  |              |                           | 2008         | 2007         |
| <b>Revenues, Gains and Public Support</b>      |              |                           |              |              |
| Personal major gifts                           | \$ 30,000    | \$ 10,000                 | \$ 40,000    | \$ -         |
| Personal annual gifts                          | 41,997       | 50,229                    | 92,226       | 163,599      |
| Commerce and industry                          | 345,272      | 16,350                    | 361,622      | 487,718      |
| Foundations                                    | 31,049       | 43,536                    | 74,585       | 186,549      |
| Memorials                                      | 8,659        | -                         | 8,659        | 6,702        |
| Clubs and organizations                        | -            | -                         | -            | 290          |
| Direct mail                                    | 415          | -                         | 415          | 695          |
| Membership/direct response marketing           | 237,179      | -                         | 237,179      | 271,896      |
| Donated vehicles                               | -            | -                         | -            | 1,643        |
| Total contributions                            | 694,571      | 120,115                   | 814,686      | 1,119,092    |
| Special events - gross income                  | 798,900      | -                         | 798,900      | 745,016      |
| Less direct donor benefit costs                | (150,436)    | -                         | (150,436)    | (152,043)    |
| Bequests/planned giving                        | 94,921       | 75,000                    | 169,921      | 236,397      |
| Total direct public support                    | 1,437,956    | 195,115                   | 1,633,071    | 1,948,462    |
| Federated campaigns                            | 29,974       | -                         | 29,974       | 21,130       |
| United Way                                     | 88,242       | -                         | 88,242       | 84,053       |
| Total indirect public support                  | 118,216      | -                         | 118,216      | 105,183      |
| Contributed goods and services                 | 5,979        | -                         | 5,979        | 5,970        |
| Total public support                           | 1,562,151    | 195,115                   | 1,757,266    | 2,059,615    |
| Government grants                              | 61,316       | -                         | 61,316       | 65,444       |
| Investment and royalty income                  | 17,025       | -                         | 17,025       | 18,402       |
| Unrealized gains (losses) on investments       | -            | -                         | -            | (3,315)      |
| Realized gains (losses) on investments         | 611          | -                         | 611          | 1,923        |
| Sales and service fees                         | 2,956        | 2,500                     | 5,456        | 11,281       |
| Miscellaneous revenue and (losses)             | 7,572        | (29,445)                  | (21,873)     | 275          |
| Total other revenue                            | 89,480       | (26,945)                  | 62,535       | 94,010       |
| Net assets released from restrictions          | 164,696      | (164,696)                 | -            | -            |
| Total revenues, gains and public support       | 1,816,327    | 3,474                     | 1,819,801    | 2,153,625    |
| <b>Expenses</b>                                |              |                           |              |              |
| Research                                       | 242,408      | -                         | 242,408      | 309,516      |
| Public health education                        | 462,477      | -                         | 462,477      | 477,319      |
| Professional education & training              | 262,447      | -                         | 262,447      | 299,185      |
| Patient & community services                   | 342,912      | -                         | 342,912      | 340,377      |
| Fundraising                                    | 312,863      | -                         | 312,863      | 262,047      |
| Management & general                           | 163,245      | -                         | 163,245      | 164,841      |
| Total program and supporting services expenses | 1,786,352    | -                         | 1,786,352    | 1,853,285    |
| Change in net assets                           | 29,975       | 3,474                     | 33,449       | 300,340      |
| Net assets, beginning of year                  | 650,669      | 378,010                   | 1,028,679    | 728,339      |
| Net assets, end of year                        | \$ 680,644   | \$ 381,484                | \$ 1,062,128 | \$ 1,028,679 |

The accompanying notes are an integral part of these statements.

**ARTHURIS FOUNDATION, INC.**  
**TENNESSEE CHAPTER**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2008 with Summarized Financial Information for the Year Ended December 31, 2007**

|   | PROGRAM SERVICES |                         |                                   |                              |                        | SUPPORTING SERVICES |                      |                           | Totals       |              |
|---|------------------|-------------------------|-----------------------------------|------------------------------|------------------------|---------------------|----------------------|---------------------------|--------------|--------------|
|   | Research         | Public Health Education | Professional Education & Training | Patient & Community Services | Total Program Services | Fund Raising        | Management & General | Total Supporting Services | 2008         | 2007         |
| <b>EXPENSES</b>                                   |                  |                         |                                   |                              |                        |                     |                      |                           |              |              |
| Other awards and grants                           | \$ 5,000         | \$ -                    | \$ -                              | \$ -                         | \$ 5,000               | \$ -                | \$ -                 | \$ -                      | \$ 5,000     | \$ 652,053   |
| Salaries  | 35,004           | 188,046                 | 143,168                           | 159,864                      | 505,882                | 120,972             | 43,721               | 164,693                   | 670,575      | 55,653       |
| Payroll taxes                                     | 2,503            | 12,019                  | 10,238                            | 11,419                       | 36,189                 | 8,652               | 3,127                | 11,779                    | 47,959       | 7,493        |
| Employee benefits                                 | 3,985            | 18,555                  | 15,808                            | 17,830                       | 55,858                 | 13,357              | 4,828                | 18,185                    | 74,043       | 63,183       |
| Technology fees                                   | 3,428            | 16,458                  | 14,022                            | 15,637                       | 49,545                 | 11,848              | 4,282                | 16,130                    | 65,675       | 13,162       |
| Data processing and accounting services           | 1,002            | 4,809                   | 4,097                             | 4,569                        | 14,477                 | 3,462               | 1,251                | 4,713                     | 18,190       | 18,287       |
| Professional fees and contract services           | 762              | 3,753                   | 3,196                             | 3,566                        | 11,299                 | 2,702               | 976                  | 3,678                     | 14,877       | 3,750        |
| Professional services - contributed               | -                | -                       | -                                 | -                            | -                      | 150                 | -                    | 150                       | 150          | 2,220        |
| Supplies  | 789              | 3,789                   | 3,228                             | 3,600                        | 11,406                 | 2,727               | 965                  | 3,712                     | 15,118       | 16,390       |
| Supplies and materials - contributed              | -                | -                       | -                                 | -                            | -                      | 5,828               | -                    | 5,828                     | 5,828        | 2,320        |
| Printing, publications, and artwork               | 803              | 3,854                   | 3,283                             | 3,661                        | 11,601                 | 2,774               | 1,003                | 3,777                     | 15,378       | 23,631       |
| Materials expenses (including purchases from nat) | 515              | 2,470                   | 2,104                             | 2,347                        | 7,436                  | 1,778               | 642                  | 2,420                     | 9,856        | 18,820       |
| Membership/direct response marketing              | -                | 46,290                  | -                                 | -                            | 46,290                 | 24,804              | -                    | 24,804                    | 71,154       | 78,057       |
| Arthritis Today cost recovery                     | -                | 32,830                  | -                                 | -                            | 32,830                 | -                   | -                    | -                         | 32,830       | 33,672       |
| Postage, shipping, and delivery                   | 730              | 3,503                   | 2,984                             | 3,328                        | 10,545                 | 2,521               | 811                  | 3,432                     | 13,977       | 17,699       |
| Telephone   | 1,055            | 5,064                   | 4,314                             | 4,811                        | 15,244                 | 3,645               | 1,316                | 4,961                     | 20,205       | 18,172       |
| Occupancy   | 4,008            | 19,241                  | 16,393                            | 18,282                       | 57,924                 | 13,851              | 5,006                | 18,857                    | 76,781       | 73,496       |
| Taxes and licenses                                | 41               | 197                     | 168                               | 187                          | 593                    | 142                 | 50                   | 192                       | 785          | 771          |
| Insurance   | 2,783            | 3,267                   | 2,783                             | 3,104                        | 8,835                  | 2,352               | 850                  | 3,202                     | 13,037       | 12,888       |
| Staff travel                                      | 2,527            | 12,130                  | 10,334                            | 11,525                       | 36,516                 | 8,732               | 3,154                | 11,886                    | 48,402       | 42,843       |
| Volunteer travel                                  | 283              | 1,358                   | 1,158                             | 1,281                        | 4,091                  | 978                 | 354                  | 1,332                     | 5,423        | 2,059        |
| Meeting and conferences                           | 1,059            | 5,084                   | 4,332                             | 4,831                        | 15,306                 | 3,660               | 1,322                | 4,982                     | 20,288       | 31,485       |
| Equipment lease and maintenance                   | 834              | 3,042                   | 2,591                             | 2,890                        | 9,157                  | 2,180               | 790                  | 2,980                     | 12,137       | 8,983        |
| Membership dues and subscriptions                 | 243              | 1,184                   | 982                               | 1,106                        | 3,505                  | 838                 | 303                  | 1,141                     | 4,846        | 2,980        |
| Specific assistance to individuals                | -                | -                       | -                                 | 15,071                       | 15,071                 | -                   | -                    | -                         | 15,071       | 7,754        |
| Advertising                                       | 546              | 2,623                   | 2,235                             | 2,493                        | 7,887                  | 1,988               | 683                  | 2,572                     | 10,469       | 1,342        |
| Miscellaneous                                     | 1,388            | 6,654                   | 5,669                             | 6,322                        | 20,031                 | 4,790               | 1,731                | 6,521                     | 26,552       | 52,333       |
| Depreciation and amortization                     | 73               | 348                     | 288                               | 332                          | 1,052                  | 251                 | 81                   | 342                       | 1,394        | 2,538        |
| Total operating expenses                          | 66,957           | 376,510                 | 293,368                           | 297,668                      | 984,531                | 244,984             | 77,376               | 322,370                   | 1,316,901    | 1,300,884    |
| Share expense                                     | 175,451          | 85,987                  | 9,049                             | 45,246                       | 315,733                | 67,989              | 85,869               | 153,738                   | 489,451      | 552,591      |
| Total expenses                                    | \$ 242,408       | \$ 482,477              | \$ 282,447                        | \$ 342,912                   | \$ 1,310,244           | \$ 312,863          | \$ 163,245           | \$ 476,108                | \$ 1,786,352 | \$ 1,853,285 |

The accompanying notes are an integral part of these statements.

ARTHRITIS FOUNDATION, INC.  
**TENNESSEE CHAPTER**  
Statement of Cash Flows  
For the years ended December 31, 2008 and 2007

|   | 2008                       | 2007                     |
|---|----------------------------|--------------------------|
| Cash flows from operating activities:                         |                            |                          |
| Change in net assets  | \$ 33,449                  | \$ 300,340               |
| Adjustments to reconcile change in net assets to              |                            |                          |
| net cash provided by (used in) operating activities:          |                            |                          |
| Depreciation and amortization                                 | 1,394                      | 2,538                    |
| Donated investments   | -                          | (126,912)                |
| Net realized and unrealized (gains) losses on investments     | (611)                      | 1,392                    |
| Changes in asset and liabilities:                             |                            |                          |
| (Increase) decrease in due from national office               | 48,161                     | (70,274)                 |
| (Increase) decrease in accounts and notes receivable          | 28,161                     | 69,940                   |
| (Increase) decrease in contributions receivable               | 151,040                    | (21,239)                 |
| (Increase) decrease in prepaid expenses and other assets      | 5,472                      | (93)                     |
| Increase (decrease) in accounts payable                       | 25,789                     | (1,603)                  |
| Increase (decrease) in due to national office                 | 8,179                      | 10,015                   |
| Increase (decrease) in accrued expenses and other liabilities | 7,888                      | 7,582                    |
| Net cash provided by (used in) operating activities           | <u>308,922</u>             | <u>171,686</u>           |
| Cash flows from investing activities:                         |                            |                          |
| Proceeds from sale of investments                             | 31,199                     | 220,089                  |
| Net cash provided by (used in) investing activities           | <u>31,199</u>              | <u>220,089</u>           |
| Net increase (decrease) in cash and cash equivalents          | <u>340,121</u>             | <u>391,775</u>           |
| Cash and cash equivalents at beginning of year                | <u>697,160</u>             | <u>305,385</u>           |
| Cash and cash equivalents at end of year                      | <u><u>\$ 1,037,281</u></u> | <u><u>\$ 697,160</u></u> |

The accompanying notes are an integral part of these statements.

**TENNESSEE CHAPTER**  
**Notes To Financial Statements**  
as of and for the Year Ended December 31, 2008 with comparative amounts for 2007

**1 DESCRIPTION OF ORGANIZATION**

Arthritis Foundation, Inc. Tennessee Chapter (the "Chapter") is a not-for-profit voluntary health agency by charter of the Arthritis Foundation, Inc. seeking to improve lives through leadership in the prevention, control and cure of arthritis and arthritis related diseases. Major funding sources are from direct public contributions and bequests. The Chapter provides public health education and community service programs along with supporting arthritis-related research and influencing public policy regarding research funding and access to care.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

*Accrual Basis of Accounting* - The financial statements of the Arthritis Foundation, Inc. Tennessee Chapter have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Basis of Presentation* - The Chapter classifies its net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Chapter and changes therein are classified and reported as follows:

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

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Chapter and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that the Chapter maintains them permanently. Generally, the donors of these assets permit the Chapter to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

*Income Taxes* - The Chapter is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code (the "Code") as a charitable organization whereby only unrelated business income, as defined by Section 512 (a) (1) of the code, is subject to federal income tax. The Chapter currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

*Fair Value of Financial Instruments* - The carrying value of cash and cash equivalents, accrued interest receivable, and contributions receivable approximates fair value because of the short maturity of these financial instruments. The fair value of investments and funds held in trust by others is disclosed in other notes and is based upon values provided by external investment managers or quoted market values. The carrying value of indebtedness approximates the fair value because these financial instruments bear interest rates which approximate current market rates for debt with similar terms.

ARTHRITIS FOUNDATION, INC.

TENNESSEE CHAPTER

Notes To Financial Statements

as of and for the Year Ended December 31, 2008 with comparative amounts for 2007

*Cash and Cash Equivalents* - Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for interest bearing accounts and to an unlimited amount for certain non-interest bearing business accounts. At December 31, 2008 the Chapter's uninsured cash balance was \$692,583. The Chapter has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase.

*Investments* - Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. The cost assigned to investments received by gift is the fair value at the date the gift is received. Purchase and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average historical value (cost of securities if purchased or the fair market value at the date of gift if received by donation). Dividend and interest income is recorded on the accrual basis. In accordance with the policy of stating investments at fair value, the net change in unrealized appreciation or depreciation for the year is reflected in the statement of activities.

The various investments in stocks, securities, mutual funds, and other investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these instruments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the organization.

*Accounts Receivable* - Accounts receivable consist of exchange transactions primarily related to government grants and sales and service fees and are stated at unpaid balances, less an allowance for doubtful accounts when deemed necessary.

*Allowance for Doubtful Accounts* - Allowance for doubtful accounts on outstanding accounts receivable balances is recorded when deemed necessary based upon historical trends, current market risk assessments and specific donor considerations.

*Property and Equipment* - Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair market value at date of receipt. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is recorded as expense as incurred; significant renewals and betterments are capitalized. The Chapter's policy is to capitalize property and equipment acquisitions in excess of \$1,000.

*Contributed Goods and Services* - Contributed goods and services are reflected as both contribution revenue and expenses if they meet the criteria defined in Statement of Financial Accounting Standards No. 116 "Accounting for Contributions." in the accompanying statement of activities at their estimated fair value at date of receipt. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. Generally such services include set-up and printing.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Chapter, but do not meet the criteria for recognition as contributed services.

*Contributions* - Contributions, including unconditional promises to give, are recorded at the date of pledge. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable in amount.

*Awards and Grants* - Awards and grants are recorded as expense in the year for which the grants are designated. The terms of research awards and grants are from one to three years with continuation of grants subject to certain performance requirements.

*Functional Allocation* - The cost of providing the Chapter's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**TENNESSEE CHAPTER**  
**Notes To Financial Statements**  
as of and for the Year Ended December 31, 2008 with comparative amounts for 2007

*Reclassifications* - Certain reclassifications have been made to the 2007 balances to conform with the 2008 presentation.

*Use of Estimates* - Management of the Chapter has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). Actual results could differ from these estimates.

*Comparative Data* - The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with the Chapter's financial statements for the year ended December 31, 2007 from which the summarized financial information was derived.

### 3 RELATED PARTY TRANSACTIONS

The Chapter is required to share 27%, 35% or 45% of unrestricted public support and bequests (less certain allowances) to the Arthritis Foundation, Inc., National Office (the "National Office"). For the years ended December 31, 2008 and 2007 share expense was \$469,451 and \$552,591 respectively. The Chapter is also allocated a portion of certain contributions received by the National Office which for the years ended December, 2008 and 2007 was \$323,373 and \$350,293 respectively. The Chapter reimburses the National Office for a portion of costs associated with *Arthritis Today*, the organization's magazine, it's direct mail program, computer system support, financial services and educational and promotional materials which totaled \$206,544 and \$219,379 in 2008 and 2007 respectively.

### 4 INVESTMENTS

Investments at December 31, 2008 and 2007 were as follows:

|                         | 2008             | 2007             |
|-------------------------|------------------|------------------|
| Certificates of deposit | \$ 28,912        | \$ 58,251        |
| Common stocks           | -                | 1,250            |
|                         | <u>\$ 28,912</u> | <u>\$ 59,501</u> |

### 5 CONTRIBUTIONS RECEIVABLE

The Chapter had the following contributions receivable at December 31, 2008 and 2007:

|                                    | 2008              | 2007              |
|------------------------------------|-------------------|-------------------|
| In less than one year              | \$ 304,377        | \$ 397,798        |
| In one to five years               | 76,390            | 108,065           |
| In more than five years            | 3,500             | -                 |
| Gross contributions receivable     | <u>384,267</u>    | <u>505,863</u>    |
| Allowance for doubtful accounts    | (84,657)          | (50,006)          |
| Unamortized present value discount | (3,081)           | (8,288)           |
| Net contributions receivable       | <u>\$ 296,529</u> | <u>\$ 447,569</u> |

Contributions receivable are net of unamortized present value discount calculated using a risk free interest rate of 2.7 % and 4.5% which approximates the 30 year daily U.S. Treasury yield curve rate at December 31, 2008 and 2007 respectively.



**TENNESSEE CHAPTER**  
**Notes To Financial Statements**  
as of and for the Year Ended December 31, 2008 with comparative amounts for 2007

**6 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2008 and 2007:

|                               | estimated useful life | 2008          | 2007            |
|-------------------------------|-----------------------|---------------|-----------------|
| Leasehold improvements        | (3-10 years)          | \$ 7,767      | \$ 7,767        |
| Furniture and other equipment | (3-5 years)           | 76,494        | 76,494          |
|                               |                       | <u>84,261</u> | <u>84,261</u>   |
| Accumulated depreciation      |                       | (84,041)      | (82,647)        |
| Net property and equipment    |                       | <u>\$ 220</u> | <u>\$ 1,614</u> |

Depreciation and amortization expense was \$1,394 and \$2,538 for the years ended December 31, 2008 and 2007 respectively.

**7 ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities consisted of the following at December 31, 2008 and 2007.

|  | 2008             | 2007            |
|--|------------------|-----------------|
| Wages  | \$ 8,044         | \$ 3,221        |
| Payroll taxes and other related liabilities  | 9,092            | 2,099           |
| Other  | -                | 3,928           |
| Total accrued expenses and other liabilities | <u>\$ 17,136</u> | <u>\$ 9,248</u> |

**8 JOINT COSTS**

In 2008 and 2007 the Chapter incurred joint costs of \$71,154 and \$76,057 for informational materials and activities that included fund-raising appeals, such as the Chapter's direct mail. Joint costs for the years ended December 31, 2008 and 2007 were allocated as follows:

|                         | 2008             | 2007             |
|-------------------------|------------------|------------------|
| Public health education | \$ 46,250        | \$ 49,437        |
| Fundraising             | 24,904           | 26,620           |
|                         | <u>\$ 71,154</u> | <u>\$ 76,057</u> |

**9 NET ASSETS**

Temporarily restricted net assets at December 31, 2008 and 2007 were available for the following purposes:

|   | 2008              | 2007              |
|---|-------------------|-------------------|
| Chapter programs, scholarships, training and projects | \$ 71,245         | \$ 49,828         |
| Research  | 99,791            | 53,100            |
| Use in future periods                                 | 210,448           | 275,082           |
| Total temporarily restricted net assets               | <u>\$ 381,484</u> | <u>\$ 378,010</u> |

Temporarily restricted net assets released from restrictions consisted of the following in the years ended December 31, 2008 and 2007:

|  | 2008              | 2007             |
|--|-------------------|------------------|
| Programs                                   | \$ 93,662         | \$ 5,526         |
| Time releases                              | 71,034            | 58,981           |
| Total net assets released from restriction | <u>\$ 164,696</u> | <u>\$ 64,507</u> |

TENNESSEE CHAPTER  
Notes To Financial Statements  
as of and for the Year Ended December 31, 2008 with comparative amounts for 2007

**10 OPERATING LEASES**

Rental expense for Chapter office space was \$73,108 and \$68,402 for the years ended December 31, 2008 and 2007 respectively. Lease agreements having an original term of more than one year expire on various dates through 2011.

Future minimum annual lease payments as of December 31, 2008 are as follows:

|                                     |                  |
|-------------------------------------|------------------|
| 2009                                | \$ 46,089        |
| 2010                                | 48,677           |
| 2011                                | 4,074            |
| Total future minimum lease payments | <u>\$ 98,840</u> |

**11 EMPLOYEE BENEFIT PLAN**

**Defined Contribution Plan**

The Chapter sponsors a defined contribution retirement plan ("the Plan") covering substantially all employees of the Chapter. The Chapter contributes 6% of each eligible employee's compensation as specified in the Plan agreement. Total contributions to the Plan for the years ended December 31, 2008 and 2007 were \$15,467 and \$10,241 respectively.