



**AMERICAN HEART ASSOCIATION, INC.**

Financial Statements and Supplementary Information  
(Greater Southeast Affiliate)

June 30, 2009

(With Independent Auditors' Report Thereon)

# AMERICAN HEART ASSOCIATION, INC.

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## Independent Auditors' Report

The Board of Directors  
American Heart Association, Inc.:

We have audited the accompanying balance sheet of the American Heart Association, Inc. (the Association) as of June 30, 2009, 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 2008 financial statements and, in our report dated October 6, 2008, 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 financial statements referred to above present fairly, in all material respects, the financial position of the American Heart Association, Inc. as of June 30, 2009, 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.

As discussed in note 3 to the financial statements, the Association adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, as of July 1, 2008.

As discussed in note 4 to the financial statements, the Association adopted the provisions of FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*, as of July 1, 2008.

KPMG LLP

November 2, 2009

**AMERICAN HEART ASSOCIATION, INC.**  
Statement of Activities  
Year ended June 30, 2009  
(with summarized comparative totals for the year ended June 30, 2008)  
(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Revenue:					
Public support:					
Contributions	\$ 82,424	42,173	29	124,626	153,643
Contributed services and materials	44,495	—	—	44,495	44,147
Special events	200,760	60,823	—	261,583	310,247
Less direct donor benefits	(32,823)	—	—	(32,823)	(35,748)
Bequests	59,325	14,361	77	73,763	80,517
Split-interest agreements	886	666	278	1,830	7,707
Federated and nonfederated fund-raising organizations	4,593	5,818	—	10,411	12,726
Total public support	<u>359,660</u>	<u>123,841</u>	<u>384</u>	<u>483,885</u>	<u>573,239</u>
Other revenue:					
Program fees	20,260	—	—	20,260	20,970
Sales of educational materials	46,499	—	—	46,499	52,188
Membership dues	2,263	—	—	2,263	2,030
Interest and dividends, net of fees	11,943	783	—	12,726	18,419
Net realized and unrealized losses on investments	(77,278)	(1,624)	(1,492)	(80,394)	(40,266)
Perpetual trust distributions	4,197	1,315	—	5,512	6,218
Net unrealized losses on beneficial interest in perpetual trusts	—	—	(20,856)	(20,856)	(15,212)
Change in value of split-interest agreements	(2,201)	(8,527)	256	(10,472)	2,442
Gains on disposal of fixed assets	1,272	—	—	1,272	4,568
Royalty revenue	15,837	—	—	15,837	15,370
Miscellaneous revenue (losses), net	4,124	(7,971)	(3,310)	(7,157)	1,680
Total other revenue	<u>26,916</u>	<u>(16,024)</u>	<u>(25,402)</u>	<u>(14,510)</u>	<u>68,407</u>
Net assets released from restrictions:					
Satisfaction of purpose restrictions	106,187	(106,187)	—	—	—
Expiration of time restrictions	57,085	(57,085)	—	—	—
Total net assets released from restrictions	<u>163,272</u>	<u>(163,272)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenue	<u>549,848</u>	<u>(55,455)</u>	<u>(25,018)</u>	<u>469,375</u>	<u>641,646</u>

**AMERICAN HEART ASSOCIATION, INC.**  
Statement of Activities  
Year ended June 30, 2009  
(with summarized comparative totals for the year ended June 30, 2008)  
(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Expenses:					
Program services:					
Research – to acquire new knowledge through biomedical investigation by providing financial support to academic institutions and scientists	\$ 142,783	—	—	142,783	168,028
Public health education – to inform the public about the prevention and treatment of cardiovascular diseases and stroke	274,290	—	—	274,290	275,427
Professional education and training – to improve the knowledge, skills, and techniques of health professionals	82,375	—	—	82,375	92,485
Community services – to provide organized training in emergency aid, blood pressure screening, and other community-wide activities	25,837	—	—	25,837	23,626
Total program services	<u>525,285</u>	<u>—</u>	<u>—</u>	<u>525,285</u>	<u>559,566</u>
Supporting services:					
Management and general – to provide executive direction, financial management, overall planning, and coordination of the Association’s activities	50,081	—	—	50,081	51,657
Fundraising – to secure vital financial support from the public	111,155	—	—	111,155	112,854
Total supporting services	<u>161,236</u>	<u>—</u>	<u>—</u>	<u>161,236</u>	<u>164,511</u>
Total program and supporting services expenses	<u>686,521</u>	<u>—</u>	<u>—</u>	<u>686,521</u>	<u>724,077</u>
Change in net assets before postretirement changes other than net periodic benefit cost	(136,673)	(55,455)	(25,018)	(217,146)	(82,431)
Postretirement changes other than net periodic benefit cost	1,934	—	—	1,934	567
Change in net assets	<u>(134,739)</u>	<u>(55,455)</u>	<u>(25,018)</u>	<u>(215,212)</u>	<u>(81,864)</u>
Net assets, beginning of year	<u>299,472</u>	<u>274,482</u>	<u>159,163</u>	<u>733,117</u>	<u>814,981</u>
Net assets, end of year	<u>\$ 164,733</u>	<u>219,027</u>	<u>134,145</u>	<u>517,905</u>	<u>733,117</u>

See accompanying notes to financial statements.

**AMERICAN HEART ASSOCIATION, INC.**

Statement of Functional Expenses

Year ended June 30, 2009

(with summarized comparative totals for the year ended June 30, 2008)

(In thousands)

	<b>Research</b>	<b>Public health education</b>	<b>Professional education/ training</b>	<b>Community services</b>	<b>Subtotal program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Subtotal supporting services</b>	<b>2009 Total</b>	<b>2008 Total</b>
Salaries	\$ 2,052	107,417	22,068	9,797	141,334	26,455	51,359	77,814	219,148	213,964
Payroll taxes	151	8,347	1,695	779	10,972	2,257	3,949	6,206	17,178	16,379
Employee benefits	414	19,067	3,749	1,777	25,007	4,580	9,068	13,648	38,655	33,625
Occupancy	72	9,212	887	636	10,807	1,946	3,943	5,889	16,696	16,359
Telephone	31	3,408	640	302	4,381	747	1,532	2,279	6,660	6,637
Supplies	11	3,014	354	199	3,578	585	1,532	2,117	5,695	7,594
Rental and maintenance of equipment	93	3,550	634	264	4,541	820	1,535	2,355	6,896	6,963
Printing and publication	31	21,062	9,792	4,925	35,810	1,363	8,820	10,183	45,993	52,987
Postage and shipping	16	8,824	319	161	9,320	461	4,274	4,735	14,055	17,878
Conferences and meetings	396	3,987	11,859	827	17,069	814	1,655	2,469	19,538	22,471
Travel	1,069	9,703	3,599	1,311	15,682	1,997	5,614	7,611	23,293	28,246
Professional fees	5,916	69,057	19,135	1,703	95,811	3,582	15,834	19,416	115,227	116,688
Awards and grants	131,954	1,745	1,275	712	135,686	—	—	—	135,686	161,801
Other expenses	415	505	4,918	1,855	7,693	3,180	(245)	2,935	10,628	11,215
Depreciation and amortization	162	5,392	1,451	589	7,594	1,294	2,285	3,579	11,173	11,270
Total functional expenses before direct donor benefits	142,783	274,290	82,375	25,837	525,285	50,081	111,155	161,236	686,521	724,077
Direct donor benefits	—	—	—	—	—	—	—	—	32,823	35,748
Total functional expenses and direct donor benefits	<u>\$ 142,783</u>	<u>274,290</u>	<u>82,375</u>	<u>25,837</u>	<u>525,285</u>	<u>50,081</u>	<u>111,155</u>	<u>161,236</u>	<u>719,344</u>	<u>759,825</u>

See accompanying notes to financial statements.

**AMERICAN HEART ASSOCIATION, INC.**

Balance Sheet

June 30, 2009

(with comparative amounts for June 30, 2008)

(In thousands)

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Cash and cash equivalents	\$ 76,297	106,452
Investments	421,004	536,820
Accounts receivable:		
Federated and nonfederated	4,957	6,637
Pledges, net	109,608	138,040
Bequests	21,602	20,802
Split-interest agreements, net	92,542	112,283
Exchange transactions	5,327	7,985
Other	6,075	6,607
Inventory	6,930	7,849
Prepaid expenses and other assets	13,049	13,864
Beneficial interest in perpetual trusts	99,680	120,258
Land, buildings, and equipment, net	83,572	81,983
Total assets	\$ 940,643	1,159,580
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 50,275	55,570
Deferred revenue	6,863	7,541
Research awards payable	332,636	330,089
Debt payable	1,865	2,015
Other liabilities	31,099	31,248
Total liabilities	422,738	426,463
Net assets:		
Unrestricted:		
Available for research, program and supporting activities	81,161	217,489
Investment in land, buildings, and equipment	83,572	81,983
Total unrestricted	164,733	299,472
Temporarily restricted	219,027	274,482
Permanently restricted	134,145	159,163
Total net assets	517,905	733,117
Total liabilities and net assets	\$ 940,643	1,159,580

See accompanying notes to financial statements.

**AMERICAN HEART ASSOCIATION, INC.**

Statement of Cash Flows

Year ended June 30, 2009

(with comparative amounts for the year ended June 30, 2008)

(In thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (215,212)	(81,864)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	11,173	11,270
Net realized and unrealized losses on investments	80,394	40,266
Net unrealized losses on beneficial interest in perpetual trusts	20,856	15,212
Change in value of split-interest agreements	10,472	(2,442)
Gains on sale of fixed assets	(1,272)	(4,568)
Losses on uncollectible accounts and settlement of receivables	12,322	1,860
Contributions to endowment	(106)	(954)
Changes in operating assets and liabilities:		
Accounts receivable	20,180	(30,036)
Inventory	919	496
Prepaid expenses and other assets	815	594
Beneficial interest in perpetual trusts	(278)	(6,079)
Split-interest agreements	9,269	5,362
Accounts payable and accrued expenses	(5,295)	4,974
Research awards payable	2,547	23,877
Deferred revenue	(1,817)	(397)
Other liabilities	14	2,161
Net cash used in operating activities	<u>(55,019)</u>	<u>(20,268)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(12,759)	(16,949)
Proceeds from sale of fixed assets	3,172	7,968
Purchases of investments	(305,959)	(288,213)
Proceeds from sales/maturities of investments	341,381	268,640
Net cash provided by (used in) investing activities	<u>25,835</u>	<u>(28,554)</u>
Cash flows from financing activities:		
Payments on mortgage notes payable and capital leases	(1,077)	(1,808)
Contributions to endowment	106	954
Net cash used in financing activities	<u>(971)</u>	<u>(854)</u>
Net decrease in cash and cash equivalents	<u>(30,155)</u>	<u>(49,676)</u>
Cash and cash equivalents, beginning of year	106,452	156,128
Cash and cash equivalents, end of year	\$ <u>76,297</u>	<u>106,452</u>
Supplemental cash flow information:		
Interest paid	\$ 167	261
Taxes paid	333	338
Contributed materials	184	168
Equipment purchased by capital lease	764	713
Noncash leasehold improvements	1,139	—

See accompanying notes to financial statements.



# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

### (1) Organization and 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 U.S. generally accepted accounting principles (GAAP).

#### (b) *Cash Equivalents*

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The Association has classified any cash or money market accounts held by external investment managers as investments as these funds are not readily available for operations.

#### (c) *Investments*

Interest and dividend income is presented net of investment advisory/management fees and is reflected as net interest and dividends in the 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 statement of activities. The fair value of equity securities, debt securities, and investments in partnerships with readily determinable fair values approximates quoted market prices. Investments in mineral interests, which have a limited marketability, are stated at fair value, as estimated based on a multiple of annual revenues. The fair value of real estate and buildings held as investments is estimated using private valuations of the properties held. Investments with limited marketability, including investments in certain partnerships, are stated at fair value as estimated by the general partner and reviewed by management.

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

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

**(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 their use 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.

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 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 more than one year 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-adjusted interest rates applicable to the years in which the promises are expected to be received, ranging from 0.6% to 5.1%. Accretion of the discounts is recognized as contribution revenue using the effective interest method.

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.

**(e) Research Awards and Grants**

The Association awards funds each year to support cardiovascular and related research 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 reported as research awards payable in the balance sheet.

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 interest rates applicable to the years in which awards are granted, ranging from 1.1% to 4.9%. Accretion of the discounts is recognized as research – awards and grants expense, using the effective interest method, in the 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.

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

**(g) Inventory**

Inventory is stated at the lower of cost or market using the first-in, first-out method and consists of educational, promotional, and campaign materials held for use in program services and sales to unrelated parties.

**(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 – 2 to 7 years).

**(i) 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.

Contributed services reported in the statement of activities were allocated as follows in 2009 and 2008 (in thousands):

	<b>2009</b>	<b>2008</b>
Research	\$ 5,336	4,325
Public health education	35,154	35,497
Professional education	2,444	3,822
Management and general	401	91
Fundraising	976	244
Total contributed services	<u>\$ 44,311</u>	<u>43,979</u>

Public service announcements of approximately \$32,248,000 and \$32,202,000 were included in contributed services and materials revenue on the statement of activities and professional fees on the statement of functional expenses for the years ended June 30, 2009 and 2008, respectively.

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 for recognition.

**(j) 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.

## AMERICAN HEART ASSOCIATION, INC.

### Notes to Financial Statements

June 30, 2009

**(k) 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.

**(l) Functional Allocation of Expenses**

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

**(m) 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, 2009 and 2008. The Association had no significant uncertain tax positions for the years ended June 30, 2009 and 2008.

**(n) 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, other than split-interest agreements, and accounts payable are stated at cost, which approximates fair value, due to their short term to maturity.

**(o) 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 reported as changes in value of split-interest agreements in the statement of activities.

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

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 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, 2009 and 2008 were 3.2% and 4.7%, respectively.

### (p) *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.

### (q) *Summarized Comparative Totals*

The financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

## (2) **Investments**

Investments at June 30, 2009 and 2008, and related returns for the years ended June 30, 2009 and 2008 consisted of the following (in thousands):

	June 30, 2009			
	Interest and dividends (expenses)	Net realized and unrealized gains (losses)	Fair value	Cost
Cash and cash equivalents	\$ 1,227	—	—	—
Money market funds, certificates of deposit, and other short-term investments	71	18	39,790	40,536
U.S. Treasury and Government agency obligations	5,085	1,638	107,200	106,145
Corporate notes and bonds	2,797	(892)	61,377	56,242
Equity securities	5,595	(82,053)	202,520	236,093
Other investments	19	895	10,117	10,118
Investment fee expenses	(2,068)	—	—	—
Total	\$ 12,726	(80,394)	421,004	449,134

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

	June 30, 2008			
	Interest and dividends (expenses)	Net realized and unrealized gains (losses)	Fair value	Cost
Cash and cash equivalents	\$ 4,100	—	—	—
Money market funds, certificates of deposit, and other short-term investments	238	1,178	52,837	52,798
U.S. Treasury and Government agency obligations	6,883	851	127,326	127,865
Corporate notes and bonds	2,860	(1,451)	72,878	74,924
Equity securities	6,239	(42,803)	281,040	278,929
Other investments	279	1,959	2,739	2,936
Investment fee expenses	(2,180)	—	—	—
Total	\$ 18,419	(40,266)	536,820	537,452

### (3) Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). This statement provides a new definition for fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Association adopted the provisions of this statement as of July 1, 2008 for its financial assets and liabilities that are re-measured and reported at fair value each reporting period. In accordance with the provisions of FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, the Association has elected to defer implementation of SFAS 157 until July 1, 2009 as it relates to nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis. The Association is evaluating the impact, if any, this statement will have on those nonfinancial assets and liabilities. The adoption of SFAS 157 did not have any impact on the statement of activities or balance sheet, but does require additional disclosures.

The following table presents information about the Association's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2009, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Association's assumptions based on the best information available in the circumstances.

Fair value measurements at reporting date using				
	Balance June 30, 2009	Level 1	Level 2	Level 3
(in thousands)				
Description:				
Investments:				
Money market funds, certificates of deposit, and other short-term investments	\$ 39,790	39,790	—	—
Fixed income	168,577	—	168,577	—
Equities	202,520	202,520	—	—
Other	10,117	45	6,428	3,644
Split-interest agreements receivable	92,542	—	—	92,542
Beneficial interest in perpetual trusts	99,680	—	—	99,680
Total	\$ 613,226	242,355	175,005	195,866

Level 3 assets do not represent alternative investments. They represent interest in trusts where the Association is not the trustee or nonliquid assets. The change in the fair value of the Association's assets valued using significant unobservable inputs (level 3) is shown below (in thousands):

	Investments	Split-interest agreements	Perpetual trusts	Total
Beginning balance June 30, 2008	\$ 3,673	112,283	120,258	236,214
Total net losses (realized and unrealized)	46	(7,835)	(20,856)	(28,645)
Acquisitions and settlements	(75)	(11,906)	278	(11,703)
Ending balance June 30, 2009	\$ 3,644	92,542	99,680	195,866

The change in value of split-interest agreements valued using significant unobservable inputs is included in change in value of split-interest agreements in the accompanying statement of activities. The change in value of perpetual trusts using significant unobservable inputs is included in the net unrealized losses on beneficial interest in perpetual trusts in the accompanying statement of activities. The change in unrealized loss relating to assets still held at the reporting date is approximately \$(30,986,000).

## AMERICAN HEART ASSOCIATION, INC.

### Notes to Financial Statements

June 30, 2009

#### (4) Endowments

Effective September 1, 2007, the State of Texas enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to funds existing on or established after that date.

Effective July 1, 2008, the Association adopted the provisions of FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Association's endowment consists of donor-restricted endowment funds, and do not include any funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### (a) *Interpretation of Relevant Law*

Based on the interpretation of UPMIFA by the Board of Directors of the Association, the guidance in FSP 117-1, and absent explicit donor stipulations to the contrary, the Association classifies the original value of gifts donated to the permanent endowment as well as accumulations to the permanent endowment made at the direction of the donor as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Association and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association



# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

Changes in endowment net assets for the year ended June 30, 2009 are as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2008	\$ 1,830	3,964	38,240	44,034
Net asset reclassification based on FSP 117-1 *	<u>(1,830)</u>	<u>1,830</u>	<u>—</u>	<u>—</u>
Endowment net assets after reclassification	<u>—</u>	<u>5,794</u>	<u>38,240</u>	<u>44,034</u>
Investment return:				
Investment income	—	768	—	768
Net depreciation	<u>(3,075)</u>	<u>(3,440)</u>	<u>(1,467)</u>	<u>(7,982)</u>
Total investment return	<u>(3,075)</u>	<u>(2,672)</u>	<u>(1,467)</u>	<u>(7,214)</u>
Contributions	—	—	106	106
Transfer of split-interest agreement	—	—	426	426
Uncollectible pledge	—	—	(3,309)	(3,309)
Appropriation for expenditure	<u>—</u>	<u>(1,033)</u>	<u>—</u>	<u>(1,033)</u>
Endowment net assets, June 30, 2009	<u>\$ (3,075)</u>	<u>2,089</u>	<u>33,996</u>	<u>33,010</u>

\* Based on its immateriality, the Association has elected to reflect the reclassification in the fiscal year 2009 statement of activities, netted in the line net realized and unrealized losses on investments rather than restate 2008 financial statements.

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

Changes in endowment net assets for the year ended June 30, 2008 are as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2007	\$ 3,626	6,470	37,776	47,872
Investment return:				
Investment income	156	789	—	945
Net depreciation	<u>(1,528)</u>	<u>(2,658)</u>	<u>(490)</u>	<u>(4,676)</u>
Total investment return	<u>(1,372)</u>	<u>(1,869)</u>	<u>(490)</u>	<u>(3,731)</u>
Contributions	—	—	954	954
Appropriation for expenditure	<u>(424)</u>	<u>(637)</u>	<u>—</u>	<u>(1,061)</u>
Endowment net assets, June 30, 2008	<u>\$ 1,830</u>	<u>3,964</u>	<u>38,240</u>	<u>44,034</u>

**(b) Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled approximately \$3,075,000 as of June 30, 2009. These deficiencies resulted primarily from unfavorable market fluctuations.

**(c) Return Objectives and Risk Parameters**

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

**(d) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

### (e) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Association has a policy of appropriating for distribution each year 4% of the endowment's average fair value over the prior five years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment, mentioned above.

### (5) **Unconditional Promises**

As of June 30, 2009 and 2008, the Association has received unconditional promises to give, consisting primarily of federated and nonfederated funds, pledges, bequests, and split-interest agreements as follows (in thousands):

	<b>2009</b>	<b>2008</b>
Less than one year	\$ 105,398	123,880
One to five years	40,424	61,464
More than five years	161,773	232,309
Subtotal	307,595	417,653
Allowance for uncollectible accounts	(7,695)	(4,178)
Discount	(71,191)	(135,713)
Total	\$ 228,709	277,762

During 2008, long-term unconditional promises to give were reduced due to the structured settlement of a large split-interest with a forty-year time horizon. Under the terms of the settlement, most of the trust assets were distributed within fiscal year 2009.

### (6) **Land, Buildings, and Equipment**

At June 30, 2009 and 2008, land, buildings, and equipment, and the related accumulated depreciation and amortization were (in thousands):

	<b>2009</b>	<b>2008</b>
Land and leasehold improvements	\$ 17,956	15,671
Buildings and improvements	82,562	81,794
Equipment and furniture	86,783	91,307
Total	187,301	188,772
Less accumulated depreciation and amortization	(103,729)	(106,789)
Land, buildings, and equipment, net	\$ 83,572	81,983

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

### (7) 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 February 1, 2019. The weekly variable interest rate is 0.47% and 1.52% at June 30, 2009 and 2008, respectively. The Bonds are secured by land and improvements. The fair value of bonds payable at June 30, 2009 and 2008 approximates carrying value.

Principal payments are as follows (in thousands):

2010	\$	155
2011		160
2012		170
2013		175
2014		180
Thereafter		<u>1,025</u>
Total	\$	<u><u>1,865</u></u>

### (8) 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, 2009 are as follows (in thousands):

2010	\$	9,870
2011		8,655
2012		6,785
2013		5,738
2014		4,834
Thereafter		<u>16,034</u>
Total	\$	<u><u>51,916</u></u>

Total operating lease expense for the years ended June 30, 2009 and 2008 was approximately \$10,853,000 and \$9,306,000, respectively.

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

### (b) Capital Leases

The Association leases computers and office equipment under capital lease agreements expiring on various dates through 2014. As of June 30, 2009, the future minimum lease payments under capital leases were as follows (in thousands):

2010	\$	1,040
2011		564
2012		373
2013		184
2014		44
Total		2,205
Less amount representing interest		(135)
Less amount representing support and maintenance		(173)
Present value of lease obligation, included in other liabilities		\$ 1,897

### (9) 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.

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

Participant's years of service	Contribution percentage
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, 2009 and 2008 were approximately \$16,127,000 and \$15,529,000, respectively.

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

### (10) 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.

### (11) Allocation of Joint Costs

The Association conducts joint activities (activities benefiting multiple programs and/or supporting services) that include fundraising appeals. Those activities primarily includes direct mail campaigns and special events. The costs of conducting those joint activities were allocated as follows in 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Research	\$ 763	—
Public health education	106,569	105,134
Professional education and training	2,840	2,376
Community services	5,809	6,619
Management and general	17,778	17,983
Fundraising	61,177	63,231
Total joint costs	<u>\$ 194,936</u>	<u>195,343</u>

### (12) Research Awards Payable

The activity in research awards liabilities during the years ended June 30, 2009 and 2008 and the amounts payable by year are summarized below (in thousands):

	<u>2009</u>	<u>2008</u>
Beginning balance, June 30	\$ 330,089	306,212
Awards expense:		
New awards	149,394	177,897
Cancellations, declinations, and refunds	(22,965)	(23,567)
Award increases	277	519
Research awards expense before discount	126,706	154,849
Change in discount	5,206	2,700
Total research awards expense	131,912	157,549
Payments	(129,365)	(133,672)
Ending balance, June 30	<u>\$ 332,636</u>	<u>330,089</u>

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

Payable in year ending June 30:		
2010	\$	165,474
2011		103,285
2012		48,047
2013		20,343
2014		3,574
2015		162
Total		340,885
Less unamortized discount		(8,249)
Net research awards payable		\$ 332,636

### (13) 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.

During fiscal year 2009, eligibility requirements for the postretirement benefit plan were amended. As of the March 1, 2009 effective date, present employees (a) who had at least ten years of continuous service with the Association, or (b) whose age and years of continuous service with the Association summed to at least 50, maintained their eligibility. As of the March 1, 2009 effective date, present employees who did not meet either of these eligibility requirements may still participate in the plan upon retirement prior to age 65, but will be responsible for 100% of the cost. New employees joining the Association after March 1, 2009 are not eligible for postretirement benefits.

At various times throughout fiscal year 2009, the Association implemented a reduction in force. This reduction in force was necessitated by the negative impact on donations resulting from the recession experienced in the U.S. economy. Approximately 11% of full-time jobs Association-wide were eliminated.

# **AMERICAN HEART ASSOCIATION, INC.**

## Notes to Financial Statements

June 30, 2009

As of June 30, 2009 and 2008, the accumulated postretirement benefit obligation is calculated using a discount rate of 6.10% and 6.75%, respectively. The following table presents information with respect to the postretirement benefit plans as of and for the years ended June 30, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Changes in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation, July 1	\$ 15,272	14,424
Service cost	712	922
Interest cost	852	877
Actuarial gain	(490)	(169)
Participant contributions	221	197
Benefits paid	(1,033)	(979)
Effect of plan amendment	(523)	—
Effect of reduction in force	(1,062)	—
Accumulated postretirement benefit obligation, June 30	\$ <u>13,949</u>	<u>15,272</u>
Changes in plan assets:		
Fair value of plan assets, July 1	\$ —	—
Employer contributions	812	782
Participant contributions	221	197
Benefits paid	(1,033)	(979)
Fair value of plan assets, June 30	\$ <u>—</u>	<u>—</u>
Funded status:		
Unfunded benefit obligation, June 30 – included in other liabilities	\$ <u>13,949</u>	<u>15,272</u>



# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

	<b>2009</b>	<b>2008</b>
Changes in prior service cost:		
Prior service cost, July 1	\$ 88	168
Amortization of prior service cost	(35)	(80)
Effect of reduction in force	236	—
Effect of plan amendment	(523)	—
Prior service (credit) cost, June 30	<u>\$ (234)</u>	<u>88</u>
Changes in net actuarial loss:		
Net actuarial loss, July 1	\$ 4,037	4,524
Amortization of net actuarial loss	(61)	(318)
Actuarial gain	(490)	(169)
Effect of reduction in force	(1,062)	—
Unrecognized net actuarial loss, June 30	<u>\$ 2,424</u>	<u>4,037</u>
Components of net periodic benefit cost:		
Service cost	\$ 712	922
Interest cost	852	877
Amortization of prior service cost	35	80
Amortization of net actuarial loss	61	318
Net periodic benefit cost	1,660	2,197
Effect of reduction in force	(236)	—
Total benefit cost	<u>\$ 1,424</u>	<u>2,197</u>
Amounts expected to be recognized as components of net periodic benefit cost during the next fiscal year:		
Amortization of prior service cost	\$ 45	80
Amortization of unrecognized net actuarial loss	137	329
Total	<u>\$ 182</u>	<u>409</u>

The assumed healthcare cost trend rates as of June 30, 2009 and 2008 are as follows:

	<b>2009</b>	<b>2008</b>
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	2028	2013

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, 2009 would have resulted in a \$1,119,000 increase or \$1,009,000 decrease in the accumulated postretirement benefit obligation, and a \$150,000 increase or \$133,000 decrease in the fiscal year 2009 benefit expense.

# AMERICAN HEART ASSOCIATION, INC.

## Notes to Financial Statements

June 30, 2009

The effect of a 1% change in the assumed healthcare cost trend rate at June 30, 2008 would have resulted in a \$1,373,000 increase or \$1,220,000 decrease in the accumulated postretirement benefit obligation, and a \$192,000 increase or \$169,000 decrease in the fiscal year 2008 benefit expense.

The Association expects to contribute approximately \$1,015,000 to its postretirement benefit plan in fiscal year 2010.

Benefit payments, which reflect expected future service, are expected to be paid as follows (in thousands):

2010	\$	1,015
2011		1,186
2012		1,282
2013		1,338
2014		1,484
2015 – 2019		8,339

### (14) Restricted Net Assets

Temporarily and permanently restricted net assets as of June 30, 2009 and 2008 have been restricted by donors as follows (in thousands):

	Temporarily restricted		Permanently restricted	
	2009	2008	2009	2008
Capital expenditures	\$ 20	—	—	—
Research	14,269	17,388	—	—
Specific programs and support activities	70,934	103,217	—	—
Split-interest agreements	61,010	81,898	469	665
Beneficial interest in perpetual trusts	—	—	99,680	120,258
Time restrictions	72,794	71,979	—	—
Endowment funds	—	—	33,996	38,240
Total restricted net assets	\$ 219,027	274,482	134,145	159,163

### (15) 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 changes in net assets.

### (16) Subsequent Events

The Association evaluated subsequent events after the balance sheet date of June 30, 2009 through November 2, 2009, which was the date the financial statements were issued, and concluded that no additional disclosures are required.

## AMERICAN HEART ASSOCIATION

Greater Southeast Affiliate

Statement of Activities

Year ended June 30, 2009

(with summarized comparative totals for the year ended June 30, 2008)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Revenue:					
Public support:					
Contributions	\$ 9,470,981	2,056,720	—	11,527,701	19,755,557
Contributed services and materials	5,739,013	—	—	5,739,013	5,726,618
Special events	34,591,612	9,800,157	—	44,391,769	52,918,008
Less direct donor benefits	(5,014,347)	—	—	(5,014,347)	(6,252,987)
Bequests	9,631,843	874,128	—	10,505,971	12,067,438
Split-interest agreements	111,694	89,662	277,408	478,764	716,501
Federated and nonfederated fund-raising organizations	609,220	1,221,582	—	1,830,802	2,331,249
Total public support	<u>55,140,016</u>	<u>14,042,249</u>	<u>277,408</u>	<u>69,459,673</u>	<u>87,262,384</u>
Other revenue:					
Program fees	12,844	—	—	12,844	27,014
Sales of educational materials	4,220,698	1,433	—	4,222,131	4,608,810
Interest and dividends, net of fees	1,344,421	46,216	—	1,390,637	1,765,013
Net realized and unrealized gains (losses) on investment transactions	(5,612,964)	(253,213)	—	(5,866,177)	(2,994,878)
Perpetual trust distributions	506,491	288,832	—	795,323	785,466
Net unrealized losses on beneficial interest in perpetual trusts	—	—	(1,987,473)	(1,987,473)	(1,810,670)
Change in value of split-interest agreements	(561,170)	(260,202)	—	(821,372)	23,056
Gains on disposal of fixed assets	8,565	—	—	8,565	3,097,267
Royalty revenue	364,038	—	—	364,038	267,061
Miscellaneous revenue	334,213	—	—	334,213	474,975
Transfers between components	—	—	—	—	1,734
Loss on uncollectible accounts	—	(5,055,044)	—	(5,055,044)	(938,551)
Total other revenue	<u>617,136</u>	<u>(5,231,978)</u>	<u>(1,987,473)</u>	<u>(6,602,315)</u>	<u>5,306,297</u>
Net assets released from restrictions:					
Transfer of restrictions to National Center	2,549,410	(2,549,410)	—	—	—
Satisfaction of purpose restrictions	7,814,940	(7,814,940)	—	—	—
Expiration of time restrictions	4,965,704	(4,965,704)	—	—	—
Total net assets released from restrictions	<u>15,330,054</u>	<u>(15,330,054)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenue	<u>71,087,206</u>	<u>(6,519,783)</u>	<u>(1,710,065)</u>	<u>62,857,358</u>	<u>92,568,681</u>

## AMERICAN HEART ASSOCIATION

Greater Southeast Affiliate

Statement of Activities

Year ended June 30, 2009

(with summarized comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily restricted	Permanently restricted	2009 Total	2008 Total
Expenses:					
Program services:					
Research – to acquire new knowledge through biomedical investigation by providing financial support to academic institutions and scientists	14,579,818	—	—	14,579,818	10,799,915
Public health education – to inform the public about the prevention and treatment of cardiovascular diseases and stroke	33,810,643	—	—	33,810,643	35,140,806
Professional education and training – to improve the knowledge, skills, and techniques of health professionals	4,136,820	—	—	4,136,820	5,204,608
Community services – to provide organized training in emergency aid, blood pressure screening, and other community-wide activities	3,624,602	—	—	3,624,602	4,094,325
Total program services	56,151,883	—	—	56,151,883	55,239,654
Supporting services:					
Management and general – to provide executive direction, financial management, overall planning, and coordination of the Association's activities	6,208,370	—	—	6,208,370	7,440,740
Fundraising – to secure vital financial support from the public	16,244,651	—	—	16,244,651	17,364,623
Total supporting services	22,453,021	—	—	22,453,021	24,805,363
Total program and supporting services expenses	78,604,904	—	—	78,604,904	80,045,017
Allocation to National Center	13,627,479	—	—	13,627,479	15,545,552
Total expenses and allocation to National Center	92,232,383	—	—	92,232,383	95,590,569
Change in net assets before postretirement changes other than net periodic benefit cost	(21,145,177)	(6,519,783)	(1,710,065)	(29,375,025)	(3,021,888)
Postretirement changes other than net periodic benefit cost	73,296	—	—	73,296	32,179
Change in net assets	(21,071,881)	(6,519,783)	(1,710,065)	(29,301,729)	(2,989,709)
Net assets, beginning of year	26,936,196	27,768,386	19,406,844	74,111,426	77,101,135
Net assets, end of year	\$ 5,864,315	21,248,603	17,696,779	44,809,697	74,111,426

See accompanying notes to financial statements.

## AMERICAN HEART ASSOCIATION

Greater Southeast Affiliate

Statement of Functional Expenses

Year ended June 30, 2009

(with summarized comparative totals for the year ended June 30, 2008)

	Research	Public health education	Professional education/training	Community service	Subtotal program services	Management and general	Fundraising	Subtotal supporting services	2009 Total	2008 Total
Salaries	\$ 21,093	12,540,540	891,434	955,812	14,408,879	2,990,290	7,456,158	10,446,448	24,855,327	25,690,319
Payroll taxes	—	962,413	63,168	69,649	1,095,230	340,687	561,541	902,228	1,997,458	1,959,725
Employee benefits	3,649	2,285,152	165,692	168,602	2,623,095	534,133	1,348,023	1,882,156	4,505,251	4,334,282
Occupancy	—	719,208	33,512	34,800	787,520	146,935	354,448	501,383	1,288,903	1,662,914
Telephone	—	546,530	25,651	28,030	600,211	113,870	270,945	384,815	985,026	945,368
Supplies	155	404,237	16,105	41,370	461,867	91,660	205,937	297,597	759,464	1,269,859
Rental and maintenance of equipment	—	310,588	14,603	15,548	340,739	64,038	153,684	217,722	558,461	573,326
Printing and publication	171	2,036,871	170,754	128,975	2,336,771	134,887	951,283	1,086,170	3,422,941	4,194,935
Postage and shipping	1,085	1,007,692	9,360	17,245	1,035,382	63,795	452,018	515,813	1,551,195	2,294,442
Conferences and meetings	27,207	434,102	75,587	325,900	862,796	91,659	309,079	400,738	1,263,534	1,566,492
Travel	38,090	1,176,812	109,244	152,485	1,476,631	332,946	728,313	1,061,259	2,537,890	3,567,531
Professional fees	633,993	9,288,948	2,484,033	1,626,862	14,033,836	619,795	2,825,006	3,444,801	17,478,637	18,063,782
Awards and grants	13,854,375	937,896	27,236	4,850	14,824,357	10,863	7,599	18,462	14,842,819	10,780,134
Other expenses	—	461,221	15,194	20,104	496,519	531,015	280,920	811,935	1,308,454	1,589,178
Depreciation and amortization	—	698,433	35,247	34,370	768,050	141,797	339,697	481,494	1,249,544	1,552,730
Total expenses before allocation to National Center	14,579,818	33,810,643	4,136,820	3,624,602	56,151,883	6,208,370	16,244,651	22,453,021	78,604,904	80,045,017
Allocation to National Center	6,677,465	3,270,595	1,090,198	136,275	11,174,533	1,362,748	1,090,198	2,452,946	13,627,479	15,545,552
Total functional expenses and allocation before direct donor benefits	21,257,283	37,081,238	5,227,018	3,760,877	67,326,416	7,571,118	17,334,849	24,905,967	92,232,383	95,590,569
Direct donor benefits	—	—	—	—	—	—	—	—	5,014,347	6,252,987
Total functional expenses, allocation and direct donor benefits	\$ 21,257,283	37,081,238	5,227,018	3,760,877	67,326,416	7,571,118	17,334,849	24,905,967	97,246,730	101,843,556

See accompanying notes to financial statements.

**Exhibit I****AMERICAN HEART ASSOCIATION**

Greater Southeast Affiliate

Balance Sheet

June 30, 2009

(with comparative amounts for June 30, 2008)

<b>Assets</b>	<b>2009 Total</b>	<b>2008 Total</b>
Assets:		
Cash and cash equivalents	\$ 4,750,858	16,346,788
Investments	34,513,184	48,177,389
Accounts receivable:		
Federated and nonfederated	948,300	1,132,058
Pledges, net	7,693,272	15,801,497
Bequests	2,460,580	2,705,941
Split-interest agreements, net	13,105,656	14,163,017
Other	193,812	—
Intercompany accounts receivable	3,883,355	1,506,947
Prepaid expenses and other assets	158,645	458,709
Beneficial interest in perpetual trusts	16,095,035	17,805,100
Land, buildings, and equipment, net	13,509,512	13,667,323
Total assets	<u>\$ 97,312,209</u>	<u>131,764,769</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Intercompany payables	\$ 22,307,645	20,438,087
Intercompany settlement	—	5,684,814
Accounts payable and accrued expenses	3,736,745	4,536,961
Research awards payable	20,384,634	20,491,874
Debt payable	1,865,000	2,015,000
Other liabilities	4,208,488	4,486,607
Total liabilities	<u>52,502,512</u>	<u>57,653,343</u>
Net assets:		
Unrestricted:		
Available for research, program and supporting activities	(7,645,197)	13,268,873
Investment in land, buildings, and equipment	13,509,512	13,667,323
Total unrestricted	<u>5,864,315</u>	<u>26,936,196</u>
Temporarily restricted	21,248,603	27,768,386
Permanently restricted	17,696,779	19,406,844
Total net assets	<u>44,809,697</u>	<u>74,111,426</u>
Total liabilities and net assets	<u>\$ 97,312,209</u>	<u>131,764,769</u>

See accompanying notes to financial statements.