



**FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Arthritis National Research Foundation

We have audited the accompanying statements of financial position of Arthritis National Research Foundation (a nonprofit corporation) as of March 31, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Foundation'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 audits provide 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 Arthritis National Research Foundation as of March 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Long Beach, California
July 26, 2012

ARTHRITIS NATIONAL RESEARCH FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	ASSETS	
	March 31,	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 600,423	\$ 440,258
Accrued interest receivable	9,681	8,014
Investments	7,027,156	6,720,648
Note receivable	<u>56,415</u>	<u>56,415</u>
TOTAL ASSETS	<u>\$ 7,693,675</u>	<u>\$ 7,225,335</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	<u>\$ 4,253</u>	<u>\$ 5,446</u>
COMMITMENTS (Note 5)		
NET ASSETS		
Unrestricted		
Undesignated	4,200,105	4,825,358
Board designated endowment	<u>3,479,031</u>	<u>2,384,245</u>
Total Unrestricted	7,679,136	7,209,603
Permanently restricted	<u>10,286</u>	<u>10,286</u>
	<u>7,689,422</u>	<u>7,219,889</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,693,675</u>	<u>\$ 7,225,335</u>

The accompanying notes are an integral part of these financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2012**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support			
Contributions and bequests	\$ 1,516,453		\$ 1,516,453
Total Public Support	<u>1,516,453</u>		<u>1,516,453</u>
Investment return			
Interest income	69,161		69,161
Dividend income	60,982		60,982
Gain on sale of investments	307,372		307,372
Unrealized loss on investments	(150,130)		(150,130)
Total Investment Return	<u>287,385</u>		<u>287,385</u>
TOTAL SUPPORT AND REVENUE	<u>1,803,838</u>		<u>1,803,838</u>
EXPENSES			
Program Services			
Research	1,034,303		1,034,303
Education	<u>197,758</u>		<u>197,758</u>
Total Program Services	<u>1,232,061</u>		<u>1,232,061</u>
Supporting Services			
Management and general	73,679		73,679
Fund-raising	<u>28,565</u>		<u>28,565</u>
Total Supporting Services	<u>102,244</u>		<u>102,244</u>
TOTAL EXPENSES	<u>1,334,305</u>		<u>1,334,305</u>
CHANGE IN NET ASSETS	469,533		469,533
NET ASSETS AT BEGINNING OF YEAR	<u>7,209,603</u>	\$ 10,286	<u>7,219,889</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,679,136</u>	<u>\$ 10,286</u>	<u>\$ 7,689,422</u>

The accompanying notes are an integral part of these financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support			
Contributions and bequests	\$ 2,173,600		\$ 2,173,600
Total Public Support	<u>2,173,600</u>		<u>2,173,600</u>
Investment return			
Interest income	72,671		72,671
Dividend income	49,353		49,353
Gain on sale of investments	54,600		54,600
Unrealized gain on investments	<u>536,457</u>		<u>536,457</u>
Total Investment Return	<u>713,081</u>		<u>713,081</u>
TOTAL SUPPORT AND REVENUE	<u>2,886,681</u>		<u>2,886,681</u>
EXPENSES			
Program Services			
Research	1,061,619		1,061,619
Education	<u>140,280</u>		<u>140,280</u>
Total Program Services	<u>1,201,899</u>		<u>1,201,899</u>
Supporting Services			
Management and general	88,354		88,354
Fund-raising	<u>35,889</u>		<u>35,889</u>
Total Supporting Services	<u>124,243</u>		<u>124,243</u>
TOTAL EXPENSES	<u>1,326,142</u>		<u>1,326,142</u>
CHANGE IN NET ASSETS	1,560,539		1,560,539
NET ASSETS AT BEGINNING OF YEAR	<u>5,649,064</u>	\$ <u>10,286</u>	<u>5,659,350</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,209,603</u>	<u>\$ 10,286</u>	<u>\$ 7,219,889</u>

The accompanying notes are an integral part of these financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

STATEMENTS OF CASH FLOWS

	For the Year Ended March 31,	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 469,533	\$ 1,560,539
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of investments	(307,372)	(54,600)
Unrealized (gain) loss on investments	150,130	(536,457)
Stock donation received		(1,046)
Increase in:		
Accrued interest receivable	(1,667)	
Increase (decrease) in:		
Accounts payable	(<u>1,193</u>)	<u>600</u>
Net Cash Provided By Operating Activities	<u>309,431</u>	<u>969,036</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,806,513)	(3,242,211)
Proceeds from sale of investments	<u>2,657,247</u>	<u>2,110,050</u>
Net Cash Used In Investing Activities	<u>(149,266)</u>	<u>(1,132,161)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	160,165	(163,125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>440,258</u>	<u>603,383</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 600,423</u>	<u>\$ 440,258</u>

The accompanying notes are an integral part of these financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Research</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>	
Research grants	\$ 950,000		\$ 950,000				\$ 950,000
Grants for professional meetings	14,000		14,000				14,000
Awareness program		\$ 8,374	8,374		\$ 105	\$ 105	8,479
Salaries – Executive Director	29,000	57,142	86,142	\$ 9,692	9,667	19,359	105,501
Salaries – Other	13,449	26,536	39,985	4,530	4,482	9,012	48,997
Payroll tax	3,816	6,354	10,170	1,106	1,121	2,227	12,397
Health insurance	4,193	7,041	11,234	2,427	1,169	3,596	14,830
Office rent/parking	3,787	6,610	10,397	2,274	1,152	3,426	13,823
Telephone and internet	244	1,610	1,854	362	42	404	2,258
Website	3,599	8,003	11,602	3,202	686	3,888	15,490
Insurance	299	974	1,273	2,938	140	3,078	4,351
Investment fees				17,443		17,443	17,443
Advertising	5,395	47,116	52,511		3,699	3,699	56,210
Administration	1,257	12,724	13,981	14,481	5,880	20,361	34,342
Professional fees		1,000	1,000	12,500		12,500	13,500
Directories		1,198	1,198		138	138	1,336
Recognition	1,592	1,267	2,859	1,166	40	1,206	4,065
Dues and subscriptions		688	688	380	138	518	1,206
Printing	2,456	10,771	13,227	693	106	799	14,026
Board meetings	1,216	350	1,566	485		485	2,051
	<u>\$ 1,034,303</u>	<u>\$ 197,758</u>	<u>\$ 1,232,061</u>	<u>\$ 73,679</u>	<u>\$ 28,565</u>	<u>\$ 102,244</u>	<u>\$ 1,334,305</u>

The accompanying notes are an integral part of these financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Research</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>	
Research grants	\$ 975,000		\$ 975,000				\$ 975,000
Grants for professional meetings	9,956		9,956				9,956
Awareness program	3,840	\$ 19,356	23,196	\$ 44	\$ 4,246	\$ 4,290	27,486
Salaries – Executive Director	28,497	37,350	65,847	16,904	10,375	27,279	93,126
Salaries – Other	15,063	19,956	35,019	3,612	5,475	9,087	44,106
Payroll tax	3,634	4,584	8,218	1,540	1,241	2,781	10,999
Health insurance	4,426	5,826	10,252	2,112	1,624	3,736	13,988
Office rent/parking	4,076	7,575	11,651	4,998	1,428	6,426	18,077
Telephone and internet	631	2,705	3,336	304	148	452	3,788
Website	3,573	5,892	9,465	454	580	1,034	10,499
Insurance	215	571	786	3,408	207	3,615	4,401
Investment fees				19,933		19,933	19,933
Advertising		1,357	1,357		53	53	1,410
Administration	1,582	27,124	28,706	22,153	10,036	32,189	60,895
Professional fees	8,000	5,000	13,000	10,801		10,801	23,801
Directories		1,414	1,414		85	85	1,499
Recognition	1,219	189	1,408	254	216	470	1,878
Dues and subscriptions		877	877	100		100	977
Printing	956	504	1,460	595	175	770	2,230
Board meetings	951		951	1,142		1,142	2,093
	<u>\$ 1,061,619</u>	<u>\$ 140,280</u>	<u>\$ 1,201,899</u>	<u>\$ 88,354</u>	<u>\$ 35,889</u>	<u>\$ 124,243</u>	<u>\$ 1,326,142</u>

The accompanying notes are an integral part of these financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 1 – Summary of Significant Accounting Policies

Organization

The Arthritis National Research Foundation (“Foundation”) was incorporated on May 2, 1952 as a California nonprofit corporation. The Foundation was organized to provide financial support for the study of prevention, treatment, and cure of arthritis and other rheumatic diseases.

Basis of Presentation of Financial Statements

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. At March 31, 2012 and 2011, the Foundation had no temporarily restricted net assets.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The current economic environment has increased the degree of uncertainty in those estimates and assumptions.

Concentration of Credit Risk – Cash

At March 31, 2012 and throughout the year, the Foundation had cash balances in financial institutions in excess of federally insured limits.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The Foundation has adopted the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures* for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. (See Note 2.)

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. The valuation of marketable securities is based upon quoted market prices. Unrealized and realized gains and losses are included in the change in net assets in the accompanying statements of activities.

The Foundation's investments are exposed to various risks, such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor imposed restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Permanently restricted contributions and net assets have restrictions stipulated by the donor that the corpus be invested in perpetuity and only income be made available for operations.

Legacies and Bequests

The Foundation has been named as beneficiary in a number of bequests. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator, the amount of the bequest is known, the Foundation is certain that, based on the estate's net assets, the amount bequeathed is realizable, and the probate court has declared the will valid.

Allocation of Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively. Accordingly, no provision for income taxes is included in the accompanying financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Foundation recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

Contributions In-Kind

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

The Foundation received no in-kind support during the year ended March 31, 2012. The Foundation recorded in-kind support of \$11,600 for auction items received during the year ended March 31, 2011 as contributions and bequests on the statement of activities.

Concentrations – Contributions and Bequests

For the year ended March 31, 2012, approximately 71% of contributions and bequests was from one donor. For the year ended March 31, 2011, approximately 64% of contributions and bequests was from three donors.

Subsequent Events

The Foundation's management has evaluated subsequent events from the statement of position date through July 26, 2012, the date the financial statements were available to be issued for the year ended March 31, 2012, and determined that there were no other items to disclose.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 2 – Investments and Fair Value Hierarchy

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Foundation’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Foundation groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table presents assets that are measured at fair value on a recurring basis at March 31, 2012 and 2011:

<u>March 31, 2012</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Mutual Funds				
Large Blend	\$ 707,654	\$ 707,654		
Small Blend	355,793	355,793		
Mid-Cap Blend	355,764	355,764		
Foreign Large Blend	350,312	350,312		
Other Investments				
Domestic Stocks	2,048,527	2,048,527		
Corporate Bonds	1,172,460		\$ 1,172,460	
Foreign Bonds	149,760		149,760	
Municipal Bonds	200,816		200,816	
Certificates of Deposit	<u>1,686,070</u>		<u>1,686,070</u>	
	<u>\$ 7,027,156</u>	<u>\$ 3,818,050</u>	<u>\$ 3,209,106</u>	<u>None</u>

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 2 – Investments and Fair Value Hierarchy (Continued)

<u>March 31, 2011</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Mutual Funds				
Large Blend	\$ 491,762	\$ 491,762		
Small Blend	272,806	272,806		
Mid-Cap Blend	268,315	268,315		
Foreign Large Blend	319,553	319,553		
Diversified Emerging Markets	1,093	1,093		
Other Investments				
Domestic Stocks	2,441,679	2,441,679		
Corporate Bonds	1,083,908		\$ 1,083,908	
Municipal Bonds	201,132		201,132	
Certificates of Deposit	1,640,400		1,640,400	
	<u>\$ 6,720,648</u>	<u>\$ 3,795,208</u>	<u>\$ 2,925,440</u>	<u>None</u>

NOTE 3 – Note Receivable

The note receivable is due from the trust of a donor, with interest due annually at 5%. The note will be paid in full to the Foundation on the date of sale of certain assets of the donor's estate. The outstanding balance of the note at March 31, 2012 and 2011 is \$56,415.

NOTE 4 – Restrictions on Net Assets

Net assets were restricted by donors or designated by the Foundation as follows:

	<u>March 31,</u>	
	<u>2012</u>	<u>2011</u>
Unrestricted net assets:		
Undesignated	\$ 4,200,105	\$ 4,825,358
Board designated endowment	3,479,031	2,384,245
Total Unrestricted Net Assets	<u>7,679,136</u>	<u>7,209,603</u>
Permanently restricted net assets:		
Endowment fund	10,286	10,286
Total Permanently Restricted Net Assets	<u>10,286</u>	<u>10,286</u>
Total Net Assets	<u>\$ 7,689,422</u>	<u>\$ 7,219,889</u>

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 5 – Commitments

The Foundation leases commercial office space and office equipment under various terms through 2017 or on a month-to-month basis. The terms of the office space lease provide for payment of minimum annual rentals, with fixed increases in annual rents. Office and equipment rental expense for the years ended March 31, 2012 and 2011 was \$15,466 and \$19,729, respectively.

Future minimum lease payments under these operating lease agreements are as follows:

<u>Year Ending March 31,</u>	
2013	\$ 17,172
2014	17,595
2015	18,031
2016	17,460
2017	<u>2,640</u>
	<u>\$ 72,898</u>

NOTE 6 – Endowment Funds

The Foundation's endowment consists of one donor-restricted contribution of \$10,286 and a board-designated fund established to generate return which is sufficient to meet the current and expected future financial requirements of the Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 6 – Endowment Funds (Continued)

The Foundation's management and investment of donor-endowment funds is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 Foundation's management in a manner consistent with the standard of prudence prescribed by UPMIFA. Board-designated endowment funds are reported as unrestricted net assets.

Spending Policy for Endowment Funds

The income generated by the board-designated endowment fund, including dividends, interest and realized gains, may be appropriated annually to fund general operations and grant making. Earnings in excess of grant expenditures and operations may be used for expanding knowledge and support of the Foundation.

Investment Policy for Endowment Funds

The Foundation utilizes investment policies for endowment assets that attempt to provide a predictable stream of funding of its programs and operations while seeking to maintain the purchasing power of the endowment assets. Specifically, over a market cycle of three to five years, the total return should exceed the Consumer Price Index by 4% annually and should average at least 6% annually. The Foundation targets a diversified asset allocation that places greater emphasis on fixed income and equity-based investments.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 6 – Endowment Funds (Continued)

Net changes in endowment funds for the years ended March 31, 2012 and 2011 were as follows:

<u>March 31, 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,384,245	None	\$ 10,286	\$ 2,394,531
Investment return:				
Investment income	39,089	\$ 242		39,331
Net appreciation (realized and unrealized)	<u>55,697</u>	<u> </u>		<u>55,697</u>
Total investment return	<u>94,786</u>	<u>242</u>		<u>95,028</u>
Contributions	<u>1,000,000</u>			<u>1,000,000</u>
Appropriation of endowment assets for expenditure	<u> </u>	(<u>242</u>)	<u> </u>	(<u>242</u>)
Endowment net assets, end of year	<u>\$ 3,479,031</u>	<u>None</u>	<u>\$ 10,286</u>	<u>\$ 3,489,317</u>

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

NOTE 6 – Endowment Funds (Continued)

<u>March 31, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 2,053,666</u>	<u>None</u>	<u>\$ 10,286</u>	<u>\$ 2,063,952</u>
Investment return:				
Investment income	38,221	\$ 191		38,412
Net appreciation (realized and unrealized)	<u>292,358</u>	<u> </u>		<u>292,358</u>
Total investment return	<u>330,579</u>	<u>191</u>		<u>330,770</u>
Appropriation of endowment assets for expenditure	<u> </u>	<u>(191)</u>	<u> </u>	<u>(191)</u>
Endowment net assets, end of year	<u>\$ 2,384,245</u>	<u>None</u>	<u>\$ 10,286</u>	<u>\$ 2,394,531</u>