

**Financial Statements
Year Ended
December 31, 2010**

American Thyroid Association, Inc.

American Thyroid Association, Inc.

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Report of Independent Auditors

Board of Directors
American Thyroid Association, Inc.

We have audited the accompanying statement of financial position of the **American Thyroid Association, Inc.** (a nonprofit organization) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the **American Thyroid Association, Inc.** Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Thyroid Association, Inc.**, as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses, comparison to budget and the schedule of CME meeting and symposia expenses on pages 16 to 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dalal & Company

Alexandria, Virginia
September 27, 2011

American Thyroid Association, Inc.

Statement of Financial Position

December 31, 2010

| Assets | |
|--|----------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 1,536,504 |
| Receivables | 45,418 |
| Prepaid expenses | <u>25,701</u> |
| Total current assets | 1,607,623 |
| Property and equipment , net of accumulated depreciation of \$120,413 | 27,838 |
| Investments | 2,713,394 |
| Other assets | |
| Deposits | 15,279 |
| Trademarks, net of accumulated amortization of \$1,540 | <u>3,593</u> |
| | <u>\$ 4,367,727</u> |
| Liabilities and Net Assets | |
| Current liabilities | |
| Accounts payable and accrued expenses | \$ 39,575 |
| Deferred revenue | <u>212,016</u> |
| Total current liabilities | <u>251,591</u> |
| Net assets | |
| Unrestricted | 1,021,301 |
| Unrestricted, board designated | <u>506,514</u> |
| Total unrestricted net assets | 1,527,815 |
| Temporarily restricted | 198,420 |
| Permanently restricted | <u>2,389,901</u> |
| Total net assets | <u>4,116,136</u> |
| | <u>\$ 4,367,727</u> |

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

American Thyroid Association, Inc.

Statement of Activities

Year Ended December 31, 2010

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total all Funds |
|--|---------------------|------------------------|------------------------|---------------------|
| Support and Revenue | | | | |
| CME grants | \$ 222,500 | \$ - | \$ - | \$ 222,500 |
| Meeting registration | 85,978 | - | - | 85,978 |
| Other meeting revenue | 23,734 | - | - | 23,734 |
| Research support | 16,390 | 176,290 | - | 192,680 |
| Publications and communications | 246,327 | - | - | 246,327 |
| Member dues | 292,835 | - | - | 292,835 |
| Exhibitor income | 39,800 | - | - | 39,800 |
| Individual and matching donations | 15,835 | 77,712 | 2,000 | 95,547 |
| Member donations | 26,728 | 3,830 | - | 30,558 |
| Other | 212 | - | - | 212 |
| Net assets released from restrictions | 585,100 | (585,100) | - | - |
| Total support and revenue | 1,555,439 | (327,268) | 2,000 | 1,230,171 |
| Expenses | | | | |
| Program expenses | | | | |
| Education | 319,511 | - | - | 319,511 |
| Research | 298,526 | - | - | 298,526 |
| Public and professional awareness | 122,170 | - | - | 122,170 |
| Program support | 508,530 | - | - | 508,530 |
| Total program expenses | 1,248,737 | - | - | 1,248,737 |
| Management and general | 76,826 | - | - | 76,826 |
| Fundraising | 30,082 | - | - | 30,082 |
| Total expenses | 1,355,645 | - | - | 1,355,645 |
| Operational support and revenue in excess of (less than) expenses | 199,794 | (327,268) | 2,000 | (125,474) |
| Net investment return | 5,038 | 242,814 | - | 247,852 |
| Change in net assets | 204,832 | (84,454) | 2,000 | 122,378 |
| Net assets, beginning of year | 1,322,983 | 282,874 | 2,387,901 | 3,993,758 |
| Net assets, end of year | \$ 1,527,815 | \$ 198,420 | \$ 2,389,901 | \$ 4,116,136 |

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

American Thyroid Association, Inc.

Statement of Cash Flows

Year Ended December 31, 2010

| | |
|---|---------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 122,378 |
| Adjustments to reconcile to net cash from operating activities: | |
| Depreciation and amortization | 12,790 |
| Net realized and unrealized gains on investments | (191,192) |
| Change in: | |
| Receivables | (36,227) |
| Prepaid expenses | 3,387 |
| Deposits | (5,000) |
| Accounts payable and accrued expenses | (14,781) |
| Deferred revenue | 36,853 |
| Net cash from operating activities | <u>(71,792)</u> |
| Cash flows from investing activities | |
| Investment purchases, reinvestments and transfers | (711,040) |
| Proceeds from sale of investments | 766,910 |
| Purchase of property and equipment | (7,026) |
| Net cash from investing activities | <u>48,844</u> |
| Net change in cash and cash equivalents | (22,948) |
| Cash and cash equivalents, beginning of year | <u>1,559,452</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,536,504</u> |

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

American Thyroid Association, Inc.

Notes to Financial Statements

December 31, 2010

1. Organization and Nature of Activities

The **American Thyroid Association, Inc.** ("the Association" or "the ATA") is a nonprofit organization incorporated under the laws of the State of New York and is exempt from federal taxes under Internal Revenue Code Section 501(c)(3). The Association is organized and operated exclusively for charitable, scientific, and educational purposes including the study and dissemination of knowledge regarding the basis and clinical aspects of thyroid physiopathology. Sources of revenue include grants for research and education, member dues, donations, publication revenue and meeting revenue.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial records are maintained on the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The Association records contributions when they are unconditionally promised or received. Donor-restricted contributions whose restrictions are met in the same reporting period are shown as temporarily restricted net assets released from restrictions and are transferred to unrestricted net assets.

Basis of Presentation

In accordance with U.S. generally accepted accounting principles, the Association classifies resources for accounting and reporting purposes into three net asset categories according to the externally (donor) imposed restrictions. A description of the three net asset categories follows:

Unrestricted net assets include undesignated and board designated net assets that are associated with the principal mission of the Association and that are not restricted by donor stipulations.

Temporarily restricted net assets include funds for which donor imposed stipulations have not been met. When such stipulations have been met, the net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets include gifts that require, by donor restriction, that the principal be invested in perpetuity.

To assure compliance with limitations and restrictions placed on the use of resources available to the Association, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, the assets, liabilities and fund balances of the Association are reported in fund groups as follows:

Unrestricted Funds

Operating Fund

The Operating Fund supports programs of the Association including education, research, public and professional awareness, program support, and the administrative and infrastructure operations necessary to support these programs for the benefit of the public.

Board Designated Funds

The Board has designated \$506,514 of unrestricted funds at December 31, 2010 as follows: \$320,000 to serve as an operational reserve; \$147,688 from a 2007 bequest to be spent for clinical initiatives; and \$38,826 from contributions received from a foundation which ceased operations, to be spent on patient education. These funds are invested in money funds and are included in cash and cash equivalents.

Temporarily Restricted Funds

ITC Travel Fund

The International Thyroid Congress (ITC) is a collaborative meeting held every fifth year (starting in 1980) of the four world thyroid societies – the Latin American Thyroid Association (LATS), the European Thyroid Association (ETA), the Asia & Oceania Thyroid Association (AOTA), and the ATA. Each society hosts the ITC meeting on a rotating basis. The ITC Travel Fund represents the Association's share of the net revenue of the previous ITC meeting. The previous ITC meeting funds of \$10,252 were released for young investigator travel to the 2010 ITC meeting held in Paris hosted by the ETA. The next ITC meeting will be hosted by the ATA held in Orlando, Florida in 2015. There were no temporarily restricted funds at December 31, 2010.

Research Fund

The Research Fund supports thyroid research and includes contributions from the Combined Federal Campaign, United Way and Independent Charities of America. The ATA is a Health and Medical Research charity under the Combined Federal Campaign. There were no temporarily restricted funds at December 31, 2010.

Braverman Fund

This fund was established to support the Lewis E. Braverman Distinguished Lectureship Award to be presented at each annual meeting of the ATA. The award will be given to an individual who has demonstrated passion for mentoring and a dedication to advancing the understanding of thyroid disease. The fund allows for the release of an administrative fee of 10% of donations received during the year. When donations reach \$100,000, the fund will become a permanent endowment.

Endowment Appreciation

Absent of donor-imposed stipulations, the unspent returns from permanently restricted endowments are set aside and subject to the Board's investment spending policy.

Permanently Restricted Funds

Sidney H. Ingbar Fund

The Sidney H. Ingbar Fund supports an annual award recognizing outstanding academic achievements in the field of thyroidology in keeping with the innovation and vision that epitomized Dr. Ingbar's brilliant investigative career. It is conferred upon an established investigator who has made a major contribution in thyroid-related research over many years.

Endowment Fund

The Endowment Fund was established to assure the future of the American Thyroid Association's scientific and educational programs for its members.

Campaign Fund

The Campaign Fund supports peer-reviewed clinical and basic science investigations of exceptional merit.

Stanbury Pathophysiology Award Fund

The Stanbury Pathophysiology Award Fund was established to perpetually fund the annual award of the Stanbury medal for contributions to thyroid pathophysiology.

University of Southern California Thyroid Research Group Fellows Fund

The University of Southern California Thyroid Research Group Fellows Fund (USC Fellows Fund) was established to support fellows' attendance at ticketed program events of the annual meeting of the Association.

Arthur Bauman Fund

The Arthur Bauman Fund supports the presentation of advances of clinical investigation in thyroidology and promotes participation by younger members of the scientific community in the annual meeting. A clinical symposium during the annual meeting has been designated the Arthur Bauman Clinical Symposium.

Clark T. Sawin Endowment Fund

The Clark T. Sawin Endowment Fund supports *The Clark T. Sawin History Resource Center*, an online thyroid history and archive resource, and the history lectureship at the annual meeting.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of demand deposits at banks and cash, money funds and FDIC deposits held at financial institutions. The Association considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all principal and income cash balances in the investment accounts to be cash equivalents.

Investments

The Association's investments are reported at fair value, which is based on quoted market prices or dealer quotes. Unrealized and realized gains and losses are included in the statement of activities as changes in net assets. Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the volatility in the capital markets, changes in the value of investment securities could occur in the near term and those values could materially differ from the amounts reported in the accompanying financial statements.

Fair Value of Financial Instruments

As of December 31, 2010, the carrying value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximated their fair value.

Support, Revenues and Expenses

The Association records support, revenues and expenses on the accrual basis. Contributions are recorded in the funds in accordance with donor restrictions. The donor-restricted contributions whose restrictions are met in the same reporting period are shown as temporarily restricted net assets released from restrictions and are transferred to unrestricted net assets. Unrestricted donations are recorded in the operating fund. Temporarily restricted and permanently restricted donations are recorded in the respective restricted funds.

Receivables

The Association classifies all receivables as current assets, and provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables deemed uncollectible are expensed based on credit evaluation and the specific circumstances of the parties involved. Receivables as of December 31, 2010 totaling \$45,418 include \$19,902 in donations, \$16,390 in research support, \$7,000 for meeting support, \$2,096 due for 2010 journal royalties and \$30 for a refund. There was no allowance for doubtful accounts at December 31, 2010.

Property and Equipment

Property and equipment are stated at cost and are depreciated on a straight-line basis over their useful lives which currently range from 3 to 7 years. It is the Association's policy to capitalize assets purchased with a value greater than \$1,000.

Deferred Revenue

All member dues received prior to December 31, but relating to the subsequent year, are recorded as deferred revenue in the accompanying statement of financial position totaling \$157,631 at December 31, 2010. Also included in deferred revenue at year end are exhibitor

fees collected in advance of the October 2011 annual meeting, grant support for 2011 CME webinars and grant support for the publication *Clinical Thyroidology* in 2011, totaling \$14,385, \$25,000 and \$15,000, respectively.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of Credit Risk

The Association maintains cash in bank deposit accounts that may at times exceed FDIC limits. As of December 31, 2010, bank deposits exceeded FDIC limits by \$81,380. The Association has not experienced any losses as a result of the concentration, and management believes it is not exposed to any significant credit risk.

The Association maintains a concentration of cash and investment accounts with a brokerage institution which is a member of the Securities Investor Protection Corporation (SIPC). The financial institution carries excess SIPC insurance beyond the SIPC limit of \$500,000 per customer.

Income Taxes

Under applicable provisions of the Internal Revenue Code Section 501 (c) (3) and the Codes of the Commonwealth of Virginia, and the State of New York, the Association is exempt from taxes on income, other than unrelated business income, and property. There was no taxable unrelated business income for the year ended December 31, 2010.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 27, 2011, the date the financial statements were available to be issued.

3. Cash and Cash Equivalents

A summary of cash and cash equivalents in each fund as of December 31, 2010 is as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|-------------------|---------------------|------------------------|------------------------|---------------------|
| Checking accounts | \$ 851,506 | \$ 23,323 | \$ - | \$ 874,829 |
| Money funds | 661,675 | - | - | 661,675 |
| | <u>\$ 1,513,181</u> | <u>\$ 23,323</u> | <u>\$ -</u> | <u>\$ 1,536,504</u> |

Fair value approximates cost.

4. Investments and Fair Value Measurements

The investments at December 31, 2010 are as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|-------------------|--------------|------------------------|------------------------|--------------|
| Equity securities | \$ 148,396 | \$ 175,097 | \$ 1,307,704 | \$ 1,631,197 |
| Debt securities | - | - | 1,082,197 | 1,082,197 |
| Total | \$ 148,396 | \$ 175,097 | \$ 2,389,901 | \$ 2,713,394 |

The cost basis of these investments is \$2,404,656.

U.S. generally accepted accounting principles define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants and the measurement date. Generally accepted accounting principles also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities or interest rate and yield curves.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

The table below summarizes investments, by level, for items measured at fair value on a recurring basis at December 31, 2010:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|--------------|---------|---------|--------------|
| Equity securities | | | | |
| Common stocks | \$ 4,210 | \$ - | \$ - | \$ 4,210 |
| Preferred stocks | 53,213 | - | - | 53,213 |
| Mutual funds | 1,573,774 | - | - | 1,573,774 |
| Debt securities | | | | |
| Government bonds | 273,801 | - | - | 273,801 |
| Government backed securities | 934 | - | - | 934 |
| Corporate bonds | 807,462 | - | - | 807,462 |
| | \$ 2,713,394 | \$ - | \$ - | \$ 2,713,394 |

Net investment return for 2010 consisted of the following:

| | |
|------------------------------------|------------|
| Interest and dividend income: | |
| Wachovia | \$ 734 * |
| Provident | 151 * |
| Burke & Herbert - money market | 2,452 * |
| BB&T | 1,639 * |
| Deutsche Bank - Operating | 11 * |
| Deutsche Bank - Operations reserve | 51 * |
| Deutsche Bank - Growth | 19,412 |
| Deutsche Bank - Income | 38,916 |
| Deutsche Bank - Calamos | 8,701 |
| | <hr/> |
| Total Interest and dividends | 72,067 |
| Investment advisory fees | (15,407) |
| Net realized and unrealized gains | 191,192 |
| | <hr/> |
| | \$ 247,852 |

* operating income

5. Property and equipment

Property and equipment consisted of the following at December 31, 2010:

| | Cost | Accumulated Depreciation | Depreciation Expense | Life (years) |
|------------------------------------|------------|-----------------------------|-------------------------|-----------------|
| Furniture, fixtures, and equipment | \$ 42,411 | \$ 29,278 | \$ 5,684 | 5-7 |
| Computer hardware | 17,274 | 9,309 | 2,458 | 5 |
| Computer software | 26,382 | 24,657 | 1,072 | 3 |
| Website and database | 61,914 | 56,899 | 2,549 | 3 |
| | <hr/> | <hr/> | <hr/> | |
| Total | \$ 147,981 | \$ 120,143 | \$ 11,763 | |

Intellectual Property

The Association registered its logo (a white thyroid shape within a blue circle), its name (American Thyroid Association), and one of its online publication names (Clinical Thyroidology) with the United States Patent and Trademark Office. The costs associated with the applications are capitalized on the Statement of Financial Position as Trademarks at December 31, 2010.

Depreciation and amortization for the year ended December 31, 2010 were \$11,763 and \$1,027, respectively, totaling \$12,790.

6. Publications and Communications

The Association extended its agreement that assigned the right to publish and sell *Thyroid*, the official journal of the American Thyroid Association, to a publishing company. This agreement will continue in force for a period of seven years from January 1, 2005. The publisher is considered the sole owner of *Thyroid* and is responsible for subscription solicitation, sale of advertising space, reprints, back volumes and electronic products. The Association entered into an agreement with the Editor in Chief of *Thyroid* effective January 1, 2008 through January 1,

2013. The Association earns royalty income from the publication of *Thyroid* and an online news brief for the use of the ATA trademark, logo and other materials.

The Association continued to publish *Clinical Thyroidology* on the Internet and in a printed version to ATA members who cannot access the Internet. The agreement with the Editor in Chief of *Clinical Thyroidology* is effective from January 1, 2008 through January 1, 2011. The Association entered into an agreement with the new Editor in Chief of *Clinical Thyroidology* effective January 1, 2011 through January 1, 2014. The Association also publishes *Clinical Thyroidology for Patients*, an online version of *Clinical Thyroidology* for patients and the public who are Friends of the ATA.

Included in publications and communications support and revenue is subscription revenue of \$137,558, editorial support of \$50,000, manuscript fees of \$37,825, grant support of \$10,000 for *Clinical Thyroidology*, net royalty income of \$6,944 and other support of \$4,000.

7. Restricted Net Assets and Endowments

The Association's endowments consist of individual donor-restricted endowment funds established for a variety of purposes as described above in Footnote 2. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Association 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. 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. 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; and
7. The investment policies of the Association.

Donor-Restricted Net Asset Composition by Type and Fund

| | <u>December 31, 2010</u> | |
|-------------------------------------|--------------------------|------------------|
| Temporarily Restricted | \$ | 23,323 |
| Braverman Fund | | 175,097 |
| Endowment Appreciation | | |
| | | <u>198,420</u> |
| Permanently Restricted | | |
| Campaign Fund | \$ | 1,803,121 |
| Endowment Fund | | 307,797 |
| Sidney H. Ingbar Fund | | 82,245 |
| Arthur Bauman Fund | | 75,025 |
| Clark T. Sawin Endowment Fund | | 50,000 |
| USC Fellows Fund | | 40,000 |
| Stanbury Pathophysiology Award Fund | | 31,713 |
| | | <u>2,389,901</u> |

Changes in Endowment Net Assets for the Year Ended December 31, 2010

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 282,874 | \$ 2,387,901 | \$ 2,670,775 |
| Total investment return | 242,814 | - | 242,814 |
| Contributions | 257,832 | 2,000 | 259,832 |
| Appropriation of endowment assets for expenditure | (244,761) | - | (244,761) |
| Other changes: | | | |
| Transfer to unrestricted | <u>(340,339)</u> | <u>-</u> | <u>(340,339)</u> |
| Endowment net assets, end of year | <u>\$ 198,420</u> | <u>\$ 2,389,901</u> | <u>\$ 2,588,321</u> |

All investment returns on permanently restricted funds are accumulated as temporarily restricted until appropriated for expenditure. Investment return consists of interest and dividends of \$51,622 and net realized and unrealized gains of \$191,192.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles,

deficiencies of this nature are reported in unrestricted net assets. The transfer to unrestricted represents a repayment of \$340,339 for prior year deficiencies.

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. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize the return on investments while taking an appropriate (conservative/moderate) amount of investment risk and to increase the principal at least at a minimum annual return of the current rate of inflation of the long term while maintaining a prudent diversification of the investment assets.

Strategies Employed for Achieving Objective

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 utilizes fixed-income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association's investment policy includes an endowment spending rate of up to 4% calculated as a percentage of the moving average of the market value of the three preceding year-end market values of the endowment funds. In establishing this policy, the Association considered the long-term expected return on its endowment. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through new gift and investment return.

8. Retirement Plan

The Association has a 401(k) discretionary contribution plan that covers all eligible employees. The Association contributes 3% of the participant's compensation and matches up to 3% of the participant's contribution, vesting immediately. The Association's contributions totaled \$24,700 for the year.

In 2009, the Association established a Tax-Exempt Organization Eligible 457 Plan. Participation in the plan is restricted to "top hat" employees as understood in Title 1 of ERISA. The Association's contributions totaled \$7,263 for 2010.

9. Leases

The Association leases office space under an agreement which expired November 30, 2009. A new lease has not been signed and the Association pays on a monthly basis. Rent expense for the year ended December 31, 2010 was \$27,794. Expected rent for 2011 is \$31,110.

10. Meetings, Workshops and Symposia Commitments

The Association has entered into contracts for meetings, workshops and symposia to be held in the future in various cities as follows:

| Date | Conference | Location | Commitment as of December 31, 2010 |
|----------------|--------------------------------|------------------|--|
| 2011 October | Annual Meeting | Indian Wells, CA | \$ 455,175 |
| 2012 September | Annual Meeting | Quebec, QC | 12,438 |
| 2013 October | Annual Meeting | San Juan, PR | 61,074 |
| 2014 October | Annual Meeting | Coronado, CA | 417,871 |
| 2015 October | International Thyroid Congress | Orlando, FL | 465,711 |
| 2016 September | Annual Meeting | Denver, CO | 92,950 |

The Association secures event cancellation insurance to cover the meetings in the current year.

American Thyroid Association, Inc.

Schedule of Functional Expenses

Year Ended December 31, 2010

| | Program services | Management and general | Fundraising | Total |
|--|---------------------|---------------------------|------------------|---------------------|
| Education | | | | |
| CME meetings and symposia (See supplemental schedule) | \$ 162,263 | \$ - | \$ - | \$ 162,263 |
| Publications | | | | |
| Clinical Thyroidology | 22,775 | - | - | 22,775 |
| Signal | 731 | - | - | 731 |
| Thyroid Journal | 133,742 | - | - | 133,742 |
| Total education | 319,511 | - | - | 319,511 |
| Research | | | | |
| Grants to young investigators | 287,500 | - | - | 287,500 |
| Other research initiatives | 11,026 | - | - | 11,026 |
| Total research | 298,526 | - | - | 298,526 |
| Public, patient and professional awareness | | | | |
| Guidelines | 22,600 | - | - | 22,600 |
| Thyroid health collaborations | 73,532 | - | - | 73,532 |
| Web content | 26,038 | - | 610 | 26,648 |
| Total public, patient and professional awareness | 122,170 | - | 610 | 122,780 |
| Program support | | | | |
| Program implementation | 46,569 | 3,462 | 1,346 | 51,377 |
| General and administration | | | | |
| Payroll and benefits | 401,164 | 55,697 | 12,227 | 469,088 |
| Rent | 20,845 | 5,559 | 1,390 | 27,794 |
| Accounting and legal services | 11,970 | 3,420 | 1,710 | 17,100 |
| Depreciation and amortization | 9,593 | 2,557 | 640 | 12,790 |
| Fundraising costs, direct | - | - | 9,416 | 9,416 |
| Insurance | 4,481 | 2,245 | 1,989 | 8,715 |
| Repairs and maintenance | 5,710 | 1,523 | 381 | 7,614 |
| Office expense | 3,401 | 902 | 227 | 4,530 |
| Telephone | 4,797 | 635 | 146 | 5,578 |
| Bank and credit card fees | - | 826 | - | 826 |
| Total program support | 508,530 | 76,826 | 29,472 | 614,828 |
| Total expenses | \$ 1,248,737 | \$ 76,826 | \$ 30,082 | \$ 1,355,645 |

See report of independent auditors.

American Thyroid Association, Inc.

Comparison to Budget

Year Ended December 31, 2010

| | Actual | Budget |
|--|-------------------|---------------------|
| Support and Revenue | | |
| CME grants | \$ 222,500 | \$ 245,000 |
| Meeting registration | 85,978 | 202,800 |
| Other meeting revenue | 23,734 | 44,510 |
| Research support | 192,680 | - |
| Publications and communications | 246,327 | 234,775 |
| Member dues | 292,835 | 276,255 |
| Exhibitor income | 39,800 | 20,000 |
| Individual and matching donations | 95,547 | 64,450 |
| Member donations | 30,558 | 20,000 |
| Other | 212 | - |
| Total Support and Revenue | <u>1,230,171</u> | <u>1,107,790</u> |
| Expenses | | |
| Program expenses | | |
| Education | 319,511 | 380,827 |
| Research | 298,526 | 115,994 |
| Public and professional awareness | 122,170 | 85,440 |
| Program support | 508,530 | 554,370 |
| Total program expenses | <u>1,248,737</u> | <u>1,136,631</u> |
| Management and general | 76,826 | 83,750 |
| Fundraising | 30,082 | 32,790 |
| Total expenses | <u>1,355,645</u> | <u>1,253,171</u> |
| Operational support and revenue in excess of (less than) expenses | (125,474) | (145,381) |
| Net investment return | 247,852 | 33,000 |
| Support and revenue in excess of (less than) expenses | <u>\$ 122,378</u> | <u>\$ (112,381)</u> |

See report of independent auditors.

American Thyroid Association, Inc.

Schedule of CME Meeting and Symposia Expenses

Year Ended December 31, 2010

| | Program services | Management and general | Fundraising | Total |
|---------------------------|---------------------|---------------------------|-------------|-------------------|
| Spring CME | | | | |
| Audiovisual | \$ 12,238 | \$ - | \$ - | \$ 12,238 |
| Awards | 373 | - | - | 373 |
| Bank and credit card fees | 3,185 | - | - | 3,185 |
| Banquet | 7,492 | - | - | 7,492 |
| Cancellation insurance | 1,383 | - | - | 1,383 |
| CME certification | 6,969 | - | - | 6,969 |
| Entertainment | 695 | - | - | 695 |
| Fellows direct expenses | 35,184 | - | - | 35,184 |
| Food and beverage | 35,125 | - | - | 35,125 |
| Honoraria | 3,620 | - | - | 3,620 |
| Marketing materials | 13,906 | - | - | 13,906 |
| Media | 350 | - | - | 350 |
| Program book | 2,410 | - | - | 2,410 |
| Registration outsource | 13,816 | - | - | 13,816 |
| Temporary staffing | 404 | - | - | 404 |
| Travel expenses | 8,961 | - | - | 8,961 |
| Ultrasound course | 12,413 | - | - | 12,413 |
| Video | 2,334 | - | - | 2,334 |
| Other meeting expense | 1,405 | - | - | 1,405 |
| Total | \$ 162,263 | \$ - | \$ - | \$ 162,263 |

See report of independent auditors.