THE CFIDS ASSOCIATION OF AMERICA, INC.

Financial Statements

December 31, 2008

THE CFIDS ASSOCIATION OF AMERICA, INC.

Contents

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Report of Independent Auditors

The Board of Directors
The CFIDS Association of America, Inc.
Charlotte, North Carolina

We have audited the accompanying statement of financial position of the CFIDS Association of America, Inc. (the "Association") as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. As described in Note 1, the prior year summarized comparative information has been derived from the Association's 2007 financial statements, and in our report dated April 11, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 CFIDS Association of America, Inc. as of December 31, 2008, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert + Holland, L.L.P.

Charlotte, North Carolina
April 22, 2009

The CFIDS Association of America, Inc.

Statement of Financial Position
December 31, 2008
(With Comparative Totals for December 31, 2007)

	December 31, 2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	December 31, 2007
Assets					
Current assets					
Cash and cash equivalents	$ 691,887	$ 963,521	$ -	$ 1,655,408	$ 1,489,514
Contributions receivable, net	50,000	-	-	50,000	31,000
Government grants receivable	73,334	-	-	73,334	190,854
Other receivables	1,371	-	-	1,371	16,543
Inventories	287	-	-	287	246
Investments	6,194	-	5,400	11,594	13,193
Prepaid expenses	7,772	-	-	7,772	12,131
Total current assets	830,845	963,521	5,400	1,799,766	1,753,481
Property and equipment					
Office furniture and fixtures	89,699			89,699	90,536
Computers and related equipment	94,484			94,484	102,408
Leasehold improvements	25,872			25,872	25,872
	210,055	-	-	210,055	218,816
Less accumulated depreciation	(187,412)		-	(187,412)	(173,604)
Net property and equipment	22,643	-	-	22,643	45,212
Cash surrender value of life insurance	-	14,025	-	14,025	14,073
Total assets	$ 853,488	$ 977,546	$ 5,400	$ 1,836,434	$ 1,812,766

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

	December 31, 2008				December 31, 2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
	Liabilities and Net Assets				
Current liabilities					
Accounts payable	$ 75,023	$ -	$ -	$ 75,023	$ 125,330
Accrued payroll and payroll taxes withheld	17,983	-	-	17,983	20,098
Unearned dues revenue	52,499	-	-	52,499	60,748
Obligation under capital lease - current portion	7,365	-	-	7,365	7,365
Total current liabilities	152,870	-	-	152,870	213,541
Other liabilities					
Obligation under capital lease less current portion	15,957	-	-	15,957	23,322
Total liabilities	168,827	-	-	168,827	236,863
Net assets					
Unrestricted					
Undesignated	501,035	-		501,035	842,297
Designated	183,626	-		183,626	188,242
Total unrestricted	684,661	-	-	684,661	1,030,539
Temporarily restricted	-	977,546	-	977,546	539,964
Permanently restricted	-	-	5,400	5,400	5,400
Total net assets	684,661	977,546	5,400	1,667,607	1,575,903
Total liabilities and net assets	$ 853,488	$ 977,546	$ 5,400	$ 1,836,434	$ 1,812,766

The CFIDS Association of America, Inc.

Statement of Activities
Year Ended December 31, 2008
(With Comparative Totals for Year Ended December 31, 2007)

	Year Ended December 31, 2008				Year Ended
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	December 31, 2007
Support and revenues					
Public support:					
Contributions and grants	$ 727,090	$ 718,523	$ -	$ 1,445,613	$ 1,281,030
Federal funds:					
Government grants	336,119	-	-	336,119	1,881,388
Revenues:					
Membership dues	118,672	-	-	118,672	145,252
Educational material sales	7,338	-	-	7,338	11,631
Interest and other	10,360	-	-	10,360	34,976
	136,370	-	-	136,370	191,859
Assets released from restrictions					
Satisfaction of donor restrictions	280,941	(280,941)	-	-	-
Total support and revenues	1,480,520	437,582	-	1,918,102	3,354,277
Expenses and losses					
Program services:					
Research	350,186	-	-	350,186	265,388
Public Policy	235,845	-	-	235,845	227,188
Education	890,608	-	-	890,608	2,545,543
Supporting services:					
Management and general	136,675	-	-	136,675	135,042
Fund raising and development	213,084	-	-	213,084	236,325
	1,826,398	-	-	1,826,398	3,409,486
Gain on assets disposed	-	-	-	-	(5,437)
Total expenses and losses	1,826,398	-	-	1,826,398	3,404,049
Change in net assets	(345,878)	437,582	-	91,704	(49,772)
Net assets					
Beginning of year	1,030,539	539,964	5,400	1,575,903	1,625,675
End of year	$ 684,661	$ 977,546	$ 5,400	$ 1,667,607	$ 1,575,903

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

The CFIDS Association of America, Inc.

Statement of Functional Expenses
Year Ended December 31, 2008
(With Comparative Totals for Year Ended December 31, 2007)

	Year Ended December 31, 2008						
	Program Services			Supporting Services			
	Research	Public Policy	Education	Management and General	Fundraising and Development	Totals	Year Ended December 31, 2007
Contract services	$ 12,903	$ 168,351	$ 178,957	$ 18,577	$ 35,261	$ 414,049	$ 568,166
Honoraria	-	-	-	-	-	-	3,750
Salaries	250,676	39,820	432,967	82,248	106,381	912,092	864,288
Payroll taxes	5,061	4,505	30,763	9,305	12,035	61,669	59,938
Printing and postage	13,022	1,543	60,511	1,973	22,757	99,806	181,001
Repairs and maintenance	354	315	2,152	651	842	4,314	6,920
Supplies	776	593	4,931	1,225	1,584	9,109	13,946
Educational materials/ cost of sales	-	-	1,347	-	-	1,347	1,054
Travel expenses	26,973	5,442	5,105	1,627	5,682	44,829	71,559
Event and Exhibit fees	-	4,814	64,118	-	-	68,932	90,349
Patient Education Seminars	3,912	-	3,912	-	-	7,824	40,402
Awareness and curriculum promotion	-	-	35,318	-	-	35,318	1,173,332
Event sponsorship	-	-	-	-	-	-	24,500
Insurance	573	510	3,481	1,052	1,362	6,978	6,077
Telephone	3,869	672	3,090	1,365	1,317	10,313	6,694
Occupancy costs	5,729	5,099	34,820	10,532	13,622	69,802	65,790
Depreciation	1,928	1,716	11,721	3,545	4,585	23,495	18,743
Miscellaneous	3,173	2,465	17,415	4,575	7,656	35,284	41,281
Direct grants	21,237	-	-	-	-	21,237	171,696
Total expenses	$ 350,186	$ 235,845	$ 890,608	$ 136,675	$ 213,084	$ 1,826,398	$ 3,409,486

Management and general expenses	$ 136,675	$ 135,042
Fundraising and development expenses	213,084	236,325
Total management and general, and fundraising and development expenses	$ 349,759	$ 371,367
Total support and revenue	$ 1,918,102	$ 3,354,277
Supporting services ratio	18.23%	11.07%

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

The CFIDS Association of America, Inc.

Statement of Cash Flows
Year Ended December 31, 2008
(With Comparative Totals For Year Ended December 31, 2007)

	Year Ended December 31, 2008	2007
Cash flows from operating activities		
Change in net assets	$ 91,704	$ (49,772)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	23,495	18,743
Gain on disposal of assets	-	(5,437)
Change in beneficial interest	3,675	-
In-kind contribution of investments	(58,770)	-
Cash value annuity insurance contract	48	293
(Increase) decrease in operating assets:		
Pledges and other receivables	113,692	117,534
Inventories	(41)	682
Prepaid expenses	4,359	4,182
Increase (decrease) in operating liabilities:		
Accounts payable	(50,307)	(84,058)
Accrued payroll and payroll taxes withheld	(2,115)	5,087
Unearned dues revenues	(8,249)	(9,041)
Net cash provided (used) by operating activities	117,491	(1,787)
Cash flows from investing activities		
Purchases of property and equipment	(926)	(40,470)
Proceeds from sale of investments	56,694	1,166
Net cash provided by (used in) investing activities	55,768	(39,304)
Cash flows used in financing activities		
Proceeds from capital lease	-	35,795
Payments of capital lease	(7,365)	(18,993)
Net cash provided by (used in) financing activities	(7,365)	16,802
Net increase (decrease) in cash and cash equivalents	165,894	(24,289)
Cash and cash equivalents		
Beginning of year	1,489,514	1,513,803
End of year	$ 1,655,408	$ 1,489,514

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

The CFIDS Association of America, Inc.

Notes to Financial Statements
Year Ended December 31, 2008

Note 1 – Organization and summary of significant accounting policies

Description of operations

The CFIDS Association of America, Inc. (the "Association") is a non-profit corporation whose purpose is to conquer chronic fatigue syndrome (CFS), also known as chronic fatigue and immune dysfunction syndrome (CFIDS). The Association works toward its mission by building recognition of CFS as a serious widespread medical disorder; securing a meaningful response to CFS from the federal government; stimulating high quality CFS research; improving health care providers' abilities to detect, diagnose and manage CFS; and providing information to persons with CFS and enabling the CFS community to speak with a collective voice. Substantially all of the Association's revenue is derived from contributions from members and other interested parties, grants from foundations, contracts from government agencies, membership dues, and sales of educational materials.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets are those currently available for use in the day-to-day operations of the Association and those resources invested in property and equipment. It is the policy of the Board of Directors to review its plans for future expansion and other future monetary requirements. From time-to-time, the Board of Directors will designate appropriate sums to assure adequate funds are available to assist in those estimated future monetary requirements. Such amounts are presented as designated net assets in the Statement of Financial Position.

Temporarily restricted net assets are those subject to donor-imposed stipulations that may or will be met, either by acts of the Association and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Permanently restricted net assets – Net assets consisting of contributions received from donors whose use by the Association is limited by permanent donor-imposed stipulations. The restrictions are for the donated assets to remain in perpetuity, and the Association does not have the right to invade the original principal. Generally, the donors of these assets permit the Association to use all of, or part of, the income earned on the related investments for general or specific purpose.

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

Note 1 – Organization and summary of significant accounting policies (continued)

Basis of accounting (continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of cash and other assets are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support

Revenue recognition

Dues and other revenues are recognized when earned (amortized over the applicable membership period for dues). Amounts billed or collected in advance of being earned are recorded as deferred revenue. The Association waives membership dues for individuals experiencing financial hardships.

Generally, federal contract funds made available to the Association are utilized to accomplish specific objectives of the funding agency and the Association. Such contracts contain specific criteria governing the expenditure of such funds. As a condition of the contracts, the Association agrees to utilize the funds in a manner as prescribed by the underlying contractual agreement. Accordingly, revenue is recognized as funds are expended.

Donated services and assets

The Association periodically receives donated services for certain functions and donated assets. The assets are stated at their fair value at time of donation. The Association did not receive any in-kind contributions during the year ended December 31, 2008.

Research grants

The Association awards grants for medical research projects in the field of CFS. To ensure that the most worthy and promising research projects are funded, the Association periodically convenes a Scientific Advisory Committee that advises the Association's Executive Committee of its Board of Directors. The Association's Executive Committee, heavily weighing the recommendations of this advisory committee, makes all funding decisions. Members of the Scientific Advisory Committee include internationally respected researchers and clinicians. At December 31, 2008, the Association has approved grants of $647,940 that are available for disbursement in subsequent years. Awards will be booked as payables upon completion of required documentation by research investigators and their sponsoring organization.

Cash equivalents

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments with maturity of three months or less when purchased as cash equivalents.

Note 1 – Organization and summary of significant accounting policies (continued)

Contributions receivable

Management of the Association periodically evaluates its contributions receivable for collectibility and delinquent contributions receivable are written off when that amount is deemed to be uncollectible.

Inventories

Inventories, which consist of educational materials, are recorded at the lower of cost (first-in, first-out) or market.

Investments

Investments are recorded in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.* Under SFAS No. 124, investments in marketable securities with readily determinable fair values are represented in the Statement of Financial Position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in the fair value of securities are reflected as investment gains or losses in the accompanying Statement of Activities.

Property and equipment

Property and equipment items are stated at cost or at fair value at the date of donation, if contributed. Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. Depreciation is charged to expense over the estimated useful lives of the assets principally using accelerated methods.

Beneficial interest in trust

In accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others,* the Association recognizes contribution revenue from assets donated to a recipient organization held for the sole benefit of the Association. At December 31, 2008, the Association has assets held by recipient organizations totaling $9,518. This balance is included in investments on the accompanying Statement of Financial Position.

Cash surrender value of life insurance

The Association is the named beneficiary of a life insurance policy that covers a donor and his spouse. The policy has a face value of $1,000,000 and is payable to the Association upon the death of the donor and his spouse. The policy continues to decrease in value as the policy matures, at which time, an additional premium will be payable from the Association in order to maintain the policy. For the year ended December 31, 2008, the decrease in the cash surrender value of life insurance was $48.

Note 1 – Organization and summary of significant accounting policies (continued)

Advertising expense

The Association expenses advertising costs as they are incurred. There were no advertising costs incurred during the year ended December 31, 2008.

Tax status

The Association is a not-for-profit voluntary health agency, exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and Sections 105-125 and 105-130.11(a)(3) of the General Statues of North Carolina. The Association has been designated as a "publicly supported" charity under Sections 509(a)(1) and 107(b)(1)(A)(vi) of the Internal Revenue Code.

Conflict of interest

All members of the Association's Board of Directors, committees of the board, and advisory committees to the Association are governed by a conflict-of-interest policy. This policy precludes members from voting on motions with respect to which they may have a conflict of interest. Conflict of interest is deemed to exist if the member would directly benefit, personally or professionally, from a motion that has been made.

Concentrations of credit risk

Financial instruments, which potentially subject the Association to concentrations of credit risk, consist principally of cash and contributions receivable.

The Association places its cash and cash equivalents on deposit with financial institutions in the United States. In October and November 2008 the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to $250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2009, at which time it is anticipated the amounts insured by the FDIC will return to $100,000. The Association may from time to time have amounts on deposit in excess of the insured limits.

The Association receives contributions from various entities and individuals located throughout the United States and foreign countries for various fund raising drives. Since these contributions are unsecured, the Association has no guarantee that these monies will be received.

The Association, similar to other organizations of its nature and size, periodically receives large contributions and grants from a relatively small number of individuals and/or organizations. The continued support of large donors cannot be determined with certainty. No individual contribution represented more than twenty percent (20%) of public support for the year ended December 31, 2008; however eighteen percent (18%) of the Association's support and revenue was derived from its contracts with the Centers for Disease Control and Prevention (CDC).

Note 1 – Organization and summary of significant accounting policies (continued)

Reclassifications

Certain reclassifications have been made to the prior year comparative totals in order to comply with the current year financial statement presentation. Such reclassifications had no effect on total net assets.

Prior year summarized information

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Recent accounting pronouncement

In July 2006, Financial Accounting Standards Board Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, was issued and interprets SFAS No. 109, *Accounting for Income Taxes*. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109 by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

FASB Staff Position (FSP) 48-3 defers the effective date of FIN 48 for certain non-public enterprises for fiscal year beginning after December 15, 2008. The Association has elected to defer the application of FIN 48 in accordance with FSP 48-3. During the deferral period of the application of FIN 48 the Association will continue to evaluate uncertain tax positions utilizing the underlying principals of FAS 109, *Accounting for Income Taxes*, and FAS 5, *Accounting for Contingencies*. At this time, the Association does not expect the impact of this pronouncement to be material to its financial statements.

Note 2 – Contributions receivable

Contributions receivable at December 31, 2008, is an unrestricted gift of $50,000, which was paid in full subsequent to year end.

Note 3 – Federal contracts

The Association was awarded a contract of federal funds from the CDC in 2002 for the purpose of educating multidisciplinary health care providers about CFS to enable timely detection and management of the illness, ultimately resulting in improved care for CFS patients. The contract's period of performance ended on December 31, 2007. The Association received a second CDC contract in 2004 to implement a multifaceted campaign delivering vital information about who is at risk for CFS, the symptoms of the illness, treatment and management options, the importance of seeking diagnosis and treatment, and the impact of CFS on both patients and family members. Through contract modifications, the period of performance has been extended to September 22, 2009. Funds for both of these contracts are received by the Association on a reimbursement basis. At December 31, 2008, the government grants receivable is $73,334.

Note 4 – Investments

Investments are recorded at fair value and include investments held in the Association's brokerage account and a beneficial interest in trust totaling $2,076 and $9,518, respectively, as of December 31, 2008.

The beneficial interest in trust is held at the Foundation for the Carolinas and is invested in pooled funds of primarily common stock equities, bonds and fixed income investments, which are subject to fluctuations in market values and expose the Association to a certain degree of interest and credit risk.

Note 5 – Capital leases

At December 31, 2008, property and equipment includes equipment under capital leases with a cost basis of $36,824 and accumulated depreciation of $19,149. Amortization of assets under capital leases is included in depreciation expense. The lease is interest free and interest has not been imputed as the amount is immaterial. The following is a schedule by year of future minimum lease payments under capital leases together with the present value of net minimum lease payments as of December 31, 2008:

2009	$ 7,365
2010	7,365
2011	7,365
2012	1,227
Present value of net minimum lease payments	23,322
Current maturities	(7,365)
Noncurrent maturities	$ 15,957

Note 6 – Net assets

Unrestricted: Unrestricted net assets designated by the Association's Board of Directors for cash reserve for future years at December 31, 2008 total $183,626.

Temporarily restricted: Temporarily restricted net assets are available for the following purposes as of December 31, 2008:

Research activities	$ 917,102
Education activities	42,819
Other donor specified	14,025
Public policy activities	3,600
	$ 977,546

Permanently restricted: Permanently restricted net assets are comprised of contributions made to the Association's endowment fund. These assets are held under an interest in a beneficial trust. At December 31, 2008, the principal balance of the endowment was $5,400.

As required by GAAP, net assets associated with this endowment fund, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2008, there were no quasi-endowed funds, only donor restricted endowment funds.

The purpose of the endowment is to provide a method for funding of the Association to grow and allow the investment of these "endowed funds" for long-term projects. The funds are invested in the asset allocation strategy recommended by the Foundation for the Carolina's Investment Committee, long-term growth. This diverse mix of investments seeks to minimize risk but also seeks to sustain growth in down markets. The blend aims to maximize total return over the long term by investing 61% of its assets in a mix of equity investments, 19% in alternative assets, and 20% in fixed income securities. Funds available for distribution from the fund are based upon a 5% spending plan using a three-year rolling average of fund assets. No funds were withdrawn from the fund for 2008.

The following schedule represents changes in donor-restricted endowment net assets for the year ended December 31, 2008:

	Unrestricted	Permanently Restricted	Total
Net assets, beginning of year	$ 7,793	$ 5,400	$ 13,193
Investment return:			
Investment income	72	-	72
Realized and unrealized gains (losses)	(3,747)	-	(3,747)
Total investment return	(3,675)	-	(3,675)
Contributions	-	-	-
Net assets, end of year	$ 4,118	$ 5,400	$ 9,518

Note 7 – Net assets released from restrictions

Net assets were released from restrictions by incurring expenses satisfying the purpose during the year ended December 31, 2008 as follows:

Purpose restrictions accomplished:	
Research grants and related expenditures	$ 267,346
Educational activities	9,866
Donor specified	2,575
Public policy activities	1,154
	$ 280,941

Note 8 – Operating leases

The Association leases office space used in its operations under an operating lease that expires in June 2009. The lease initially provides for a monthly rental of $4,348 and is subject to annual increases based upon the Consumer Price Index. The Association also leases office equipment under leases expiring in 2012.

Future minimum lease commitments under the above operating leases are as follows at December 31, 2008:

Year ending December 31	
2009	$ 69,598
2010	34,285
2010	1,072
	$ 104,955

Rental expense incurred under operating leases was $62,603 for the year ended December 31, 2008.

Note 9 – Benefit plan

The Association sponsors a cafeteria plan whereby employees may select from a list of available qualified benefits or additional wages up to ten percent (10%) of their annual gross compensation. Included in this cafeteria plan is an election that can be made by employees to have a designated amount contributed into their 403(b) Plan accounts. The Association's 403(b) retirement plan covers substantially all employees meeting certain service and age requirements. This plan is a defined contribution plan with voluntary employee participation. During 2008, the Association made contributions into this plan amounting to $23,242.

Note 10 – Limits on nontaxable lobbying expenditures

The Association is covered under Section 501(h) of the Internal Revenue Code that permits a limited amount of nontaxable lobbying expenditures based upon varying percentages of total exempt purpose expenditures. This code section also imposes a ceiling (upper limit) for lobbying expenditures, above which 501(c)(3) organizations may be subject to revocation of tax-exempt status. The ceiling amounts are 150 percent of nontaxable lobby expenditures computed over a four-year averaging period. Both the ceiling and nontaxable amounts apply to direct and grassroots lobbying expenditures. The nontaxable amounts and the actual amounts spent by the Association for 2008 are listed below. The majority of the Association's public policy expenses are incurred in its monitoring of federal agencies, not on lobbying for specific legislation.

	Allowable	Actual
Direct lobbying	$ 241,317	$ 38,735
Grassroots lobbying	$ 60,329	$ 4,417

Note 11 – Related party transactions

The Association receives contributions and promises to give from members of the Board of Directors and employees. Total contribution revenue recognized from Board members and employees in 2008 was $94,804. There is no contributions receivable from Board members and employees as of December 31, 2008.

Note 12 – Financial instruments

SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of the fair value of all financial instruments, including both assets and liabilities recognized and not recognized in the statement of financial position, for which it is practicable to estimate fair value.

The following methods and assumptions are used by the Association in estimating the fair value of its financial instruments. Fair value approximates carrying value for the following financial instruments due to their short-term nature: cash and cash equivalents, investments, various receivables and accounts payable. The fair value of capital lease payable is estimated by discounting future cash flows using interest rates available to the Association with similar terms and maturities.

	Carrying Amount	Fair Value
Capital leases payable	$ 23,322	$ 31,451

Note 13 - Fair value measurements of assets and liabilities

On January 1, 2008, the Association adopted SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. The Association elected to delay the application of SFAS No. 157 to nonfinancial assets and nonfinancial liabilities, as allowed by Financial Accounting Standards Board ("FASB") Staff Position SFAS 157-2. This statement requires fair value measurements be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges. The Association's brokerage account investments of $2,076 (see Note 4) are considered Level 1 assets at December 31, 2008. The Association has no Level 1 liabilities at December 31, 2008.

Level 2: Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The Association has no Level 2 assets or liabilities at December 31, 2008.

Level 3: Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The Association's beneficial interest of $9,518 (see Note 4) is considered subject to Level 3 valuations at December 31, 2008.

The changes in donor-restricted endowed net assets in Note 6 presents a reconciliation of the assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2008. All Level 3 assets were carried at fair value prior to the adoption of SFAS 157. These instruments were valued using pricing models and discounted cash flow methodologies incorporating assumptions that, in management's judgment, reflect the assumptions a marketplace participant would use at December 31, 2008.

Note 14 – Subsequent event

On March 18, 2009, the Association's Board of Directors approved a plan to discontinue its current membership structure through a change to the articles of incorporation, by-laws and accounting policies. This change will be reflected in its marketing strategy to solicit donations rather than a combination of donations and membership revenue. As a result, the Association intends to notify all Association members with unexpired membership terms of the Board's decision and its intent to provide appropriate print publications to fulfill their membership benefits.