

**Diabetes Association of Greater Cleveland  
and Subsidiaries**

**Consolidated Financial Report  
12.31.10**

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## Independent Auditor's Report

Board of Directors  
Diabetes Association of Greater Cleveland  
Cleveland, Ohio

We have audited the accompanying consolidated statement of financial position of Diabetes Association of Greater Cleveland and Subsidiaries as of December 31, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of DAGC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2009 audited financial statements and, in our report, dated June 8, 2010, we expressed an unqualified opinion on those 2009 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diabetes Association of Greater Cleveland and Subsidiaries as of December 31, 2010, and the changes in their net assets, functional expenses, and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Cleveland, Ohio  
June 8, 2011

## Diabetes Association of Greater Cleveland and Subsidiaries

### Consolidated Statement of Financial Position

December 31, 2010

(With Comparative Totals at December 31, 2009)

Assets	2010	2009
Current Assets		
Cash and cash equivalents	\$ 465,796	\$ 271,003
Receivables:		
Trade	21,926	12,414
Pledges, net	392,454	558,003
<b>Total receivables</b>	<b>414,380</b>	<b>570,417</b>
Prepaid expenses and deposits	13,991	9,262
<b>Total current assets</b>	<b>894,167</b>	<b>850,682</b>
Property, Buildings, Furnishings and Equipment, net	764,574	740,341
Investments	2,970,590	2,631,367
Pledges receivable	208,138	405,913
<b>Total assets</b>	<b>\$ 4,837,469</b>	<b>\$ 4,628,303</b>
Liabilities and Net Assets		
Current Liabilities		
Annuity payable	\$ 3,787	\$ 3,787
Accrued expenses	6,718	6,013
Accounts payable	25,180	23,439
Research payable	-	47,000
<b>Total current liabilities</b>	<b>35,685</b>	<b>80,239</b>
Other Liabilities		
Annuity payable	10,937	11,654
Pension obligation	143,360	152,250
<b>Total other liabilities</b>	<b>154,297</b>	<b>163,904</b>
Net Assets		
Unrestricted	3,343,393	2,911,938
Temporarily restricted	1,289,094	1,457,222
Permanently restricted	15,000	15,000
<b>Total net assets</b>	<b>4,647,487</b>	<b>4,384,160</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,837,469</b>	<b>\$ 4,628,303</b>

See Notes to Consolidated Financial Statements.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Consolidated Statement of Activities

Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Totals	2009 Totals
<b>Revenues and Support</b>					
Contributions, bequests and memorials	\$ 572,499	\$ 141,803	\$ -	\$ 714,302	\$ 649,647
Grants	26,000	115,202		141,202	239,133
Special events, net	469,870	500		470,370	407,528
Donated goods and services	202,886			202,886	195,252
Allocations from United Way Services	52,247	52,251		104,498	106,799
Camp fees	117,185			117,185	118,673
Less: camp scholarships and financial assistance	(31,448)			(31,448)	(31,260)
<b>Net camp fees</b>	<b>85,737</b>	<b>-</b>		<b>85,737</b>	<b>87,413</b>
Symposia and education programs	70,766	-		70,766	156,073
Investment income	74,963	2,095		77,058	66,550
Membership dues	6,195			6,195	8,310
Miscellaneous	77,748	100		77,848	(16,424)
Change in value of annuities	(3,070)			(3,070)	(2,268)
Net assets released from restrictions	494,716	(494,716)		-	-
<b>Total revenues and support</b>	<b>2,130,557</b>	<b>(182,765)</b>		<b>1,947,792</b>	<b>1,898,013</b>
<b>Expenses</b>					
Program services:					
Public information	222,151			222,151	206,230
Patient services and education	253,016			253,016	282,082
Advocacy	25,841			25,841	27,359
Camp	756,295			756,295	709,514
Research	102,323			102,323	197,984
Professional education	170,058			170,058	136,931
<b>Total program services</b>	<b>1,529,684</b>			<b>1,529,684</b>	<b>1,560,100</b>
Supporting services:					
General, management and administration	113,341			113,341	133,892
Fundraising	320,041			320,041	224,464
<b>Total supporting services</b>	<b>433,382</b>			<b>433,382</b>	<b>358,356</b>
<b>Total expenses</b>	<b>1,963,066</b>			<b>1,963,066</b>	<b>1,918,456</b>
<b>Increase (decrease) in net assets before investment activity</b>	<b>167,491</b>	<b>(182,765)</b>		<b>(15,274)</b>	<b>(20,443)</b>
Investment Activity					
Realized and unrealized gain on investments	266,657	14,637		281,294	587,826
<b>Increase (decrease) in net assets before effects of pension adjustments</b>	<b>434,148</b>	<b>(168,128)</b>		<b>266,020</b>	<b>567,383</b>
Pension related changes other than net periodic pension cost	(2,693)			(2,693)	18,422
<b>Increase (decrease) in net assets</b>	<b>431,455</b>	<b>(168,128)</b>		<b>263,327</b>	<b>585,805</b>
Net assets at beginning of year	2,911,938	1,457,222	15,000	4,384,160	3,798,355
<b>Net assets at end of year</b>	<b>\$ 3,343,393</b>	<b>\$ 1,289,094</b>	<b>\$ 15,000</b>	<b>\$ 4,647,487</b>	<b>\$ 4,384,160</b>

See Notes to Consolidated Financial Statements.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Consolidated Statement of Functional Expenses

Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Program Services							Supporting Services			2010 Total	2009 Total
	Public Information	Patient Services and Education	Advocacy	Camp	Research	Professional Education	Total	General, Management and Administration	Fundraising	Total		
Salaries	\$ 128,414	\$ 141,256	\$ 13,729	\$ 251,547	\$ 55,942	\$ 61,270	\$ 652,158	\$ 48,292	\$ 84,221	\$ 132,513	\$ 784,671	\$ 761,377
Employee Benefits	11,964	13,160	1,279	13,969	5,212	5,708	51,292	4,500	7,847	12,347	63,639	60,392
Payroll Taxes	10,122	11,134	1,082	20,186	4,410	4,830	51,764	3,807	6,639	10,446	62,210	70,210
<b>Total salaries and related expenses</b>	<b>150,500</b>	<b>165,550</b>	<b>16,090</b>	<b>285,702</b>	<b>65,564</b>	<b>71,808</b>	<b>755,214</b>	<b>56,599</b>	<b>98,707</b>	<b>155,306</b>	<b>910,520</b>	<b>891,979</b>
Grants, Research & Scholarships	-	-	-	1,000	15,000	-	16,000	-	-	-	16,000	63,000
Occupancy	16,070	16,070	5,357	67,413	5,357	16,070	126,337	16,070	16,070	32,140	158,477	142,328
Professional Fees	18,538	20,407	1,869	58,018	7,476	9,192	115,500	6,939	38,370	45,309	160,809	125,694
Patient and Professional Education	-	14,115	-	190,178	-	45,695	249,988	-	-	-	249,988	286,129
Investment Management Fees	-	-	-	-	-	-	-	21,397	-	21,397	21,397	18,848
Printing and Publications	17,619	1,285	75	4,159	322	4,809	28,269	280	561	841	29,110	20,749
Supplies	1,501	1,634	160	10,763	653	716	15,427	564	984	1,548	16,975	24,573
Conference, Meetings, Public Relations & Promotion	2,418	12,412	259	11,305	1,053	1,352	28,799	907	1,687	2,594	31,393	33,484
Postage and Shipping	1,567	4,299	-	2,383	600	5,566	14,415	1,200	1,357	2,557	16,972	15,907
Equipment Lease, Service	3,422	3,764	366	3,995	1,491	1,633	14,671	2,381	2,185	4,566	19,237	20,649
Telephone, Internet Service & Web Maint.	2,082	2,290	223	4,396	915	993	10,899	783	1,365	2,148	13,047	11,663
Miscellaneous Expense	3,330	5,408	356	19,173	1,450	8,553	38,270	2,935	2,456	5,391	43,661	36,140
Insurance	2,387	2,387	796	6,055	796	2,387	14,808	2,387	2,387	4,774	19,582	16,570
Local Transportation	239	271	26	2,553	107	118	3,314	93	638	731	4,045	8,916
Dues and Subscriptions	97	145	10	1,494	42	46	1,834	52	161	213	2,047	2,094
Licenses and Fees	636	704	67	2,094	262	287	4,050	98	1,296	1,394	5,444	2,415
Special Events, Awareness	-	356	-	-	475	-	831	-	150,673	150,673	151,504	109,601
<b>Total expense before depreciation</b>	<b>220,406</b>	<b>251,097</b>	<b>25,654</b>	<b>670,681</b>	<b>101,563</b>	<b>169,225</b>	<b>1,438,626</b>	<b>112,685</b>	<b>318,897</b>	<b>431,582</b>	<b>1,870,208</b>	<b>1,830,739</b>
Depreciation	1,745	1,919	187	85,614	760	833	91,058	656	1,144	1,800	92,858	87,717
<b>Total expenses</b>	<b>\$ 222,151</b>	<b>\$ 253,016</b>	<b>\$ 25,841</b>	<b>\$ 756,295</b>	<b>\$ 102,323</b>	<b>\$ 170,058</b>	<b>\$ 1,529,684</b>	<b>\$ 113,341</b>	<b>\$ 320,041</b>	<b>\$ 433,382</b>	<b>\$ 1,963,066</b>	<b>\$ 1,918,456</b>

See Notes to Consolidated Financial Statements.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Consolidated Statement of Cash Flows

Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	2010	2009
Cash Flows From Operating Activities		
Increase in net assets	\$ 263,327	\$ 585,805
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Pension related changes other than net periodic pension cost	2,693	(18,422)
Depreciation	92,858	87,717
Change in allowance for uncollectible pledges receivable	37,334	15,711
Change in discount for pledges receivable	(12,725)	(12,603)
Change in value of annuities	3,070	2,268
Net realized and unrealized (gain) loss on investments	(281,294)	(587,826)
(Increase) decrease in:		
Trade receivable	(9,512)	(9,069)
Pledges receivable	338,715	(45,180)
Prepaid expenses and deposits	(4,729)	7,691
Increase (decrease) in:		
Pension obligation	(11,583)	(140,150)
Accrued expenses	705	(23,395)
Accounts payable	1,741	(10,400)
Research payable	(47,000)	(149,750)
<b>Net cash provided by (used in) operating activities</b>	<b>373,600</b>	<b>(297,603)</b>
Cash Flows From Investing Activities		
Purchases of property, buildings, furnishings and equipment	(117,091)	(52,627)
Proceeds from sales of investments	187,827	385,172
Purchases of investments	(245,756)	(274,437)
<b>Net cash (used in) provided by investing activities</b>	<b>(175,020)</b>	<b>58,108</b>
Cash Flows From Financing Activities		
Payments to annuitants	(3,787)	(3,787)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>194,793</b>	<b>(243,282)</b>
Cash and cash equivalents		
Beginning	271,003	514,285
Ending	\$ 465,796	\$ 271,003

See Notes to Consolidated Financial Statements.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Principles of Consolidation

The consolidated financial statements of Diabetes Association of Greater Cleveland (collectively, DAGC) include the following entities:

- Diabetes Association of Greater Cleveland
- CHMK LLC
- CHMK Land LLC

All significant intercompany accounts and transactions have been eliminated in the consolidation.

#### Note 2. Nature of Activities

The Diabetes Association of Greater Cleveland is organized to ensure that Greater Clevelanders affected by diabetes have the support they need to live well with the disease.

In July 2006, the operations of Camp Ho Mita Koda (the Camp) merged with that of the Diabetes Association of Greater Cleveland. The Camp, located in Newbury, Ohio, has provided camp services to children with diabetes since 1929. This merger provides DAGC with a means to expand services to young people and their families who are affected by both Type 1 and Type 2 diabetes. For the Camp and its supporters, the merger provides assurance that the Camp program will continue until there is a cure for diabetes and children no longer need its services.

DAGC created two wholly owned subsidiaries, CHMK LLC and CHMK Land LLC, to house the operating activities of the Camp and the property of the Camp, respectively. These subsidiaries will continue in perpetuity unless otherwise dissolved.

#### Note 3. Summary of Significant Accounting Policies

**Financial statement presentation and accounting method:** DAGC's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. DAGC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Included within unrestricted net assets are several designations. A board designated fund was established by the Board of Directors to cover budgeted deficits, board approved expenditures in excess of budget and for other board approved emergency purposes. The balance at December 31, 2010 is \$126,049.

The funds functioning as endowment represents funds set aside by the Board to be invested as endowment. Additions to and depletions of the fund must be approved by the Board of Directors. The balance at December 31, 2010 is \$2,000,000.

The designated for asset replacement fund was established to fund depreciation with the intention of using the accumulated funds for future major capital repairs or improvements. The balance at December 31, 2010 is \$63,562.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 3. Summary of Significant Accounting Policies (Continued)**

Temporarily restricted net assets result from timing differences between the receipt of funds and the incurrence of the related expenses. DAGC reports receipts of support as temporarily restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, temporarily restricted 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 represent endowment funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized.

**Use of 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of credit risk:** Financial instruments that potentially subject DAGC to concentrations of credit risk consist principally of cash and cash equivalents and investments. DAGC maintains its cash and cash equivalents with financial institutions and although at times invested amounts exceed federally insured limits, management does not believe that DAGC is exposed to any substantial credit risk. Investments are subject to market fluctuations, therefore the investment portfolio is monitored on a regular basis by management.

**Cash and cash equivalents:** Cash and cash equivalents include highly liquid debt instruments with a maturity, when purchased, of three months or less and are stated at cost, which approximates fair value.

**Receivables:** Management estimates an allowance based on their review of delinquent accounts and an assessment of DAGC's historical evidence of collections. At December 31, 2010, DAGC provided an allowance for uncollectible receivables in the amount of \$68,000 as it relates to pledges receivable.

**Pledges receivable:** Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

**Property, buildings, furnishings and equipment:** These assets are stated at cost except for Camp assets acquired through the merger at July 1, 2006 for which no historical cost data was available. These assets, which were determined to be fully depreciated at merger date, consisted of buildings and program facilities related to Camp operations and were stated at replacement cost as determined by an insurance valuation as of December 31, 2006. Expenditures that significantly increase values, change capacities or extend useful lives are capitalized. Maintenance and repairs are charged to expense as incurred. Building improvements are amortized over the useful life of the building. Depreciation is provided on a straight-line basis over the estimated useful lives of the capitalized assets, which ranges from 3 to 20 years.

Depreciation expense was \$92,858 for the year ended December 31, 2010.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 3. Summary of Significant Accounting Policies (Continued)

**Valuation of long-lived asset:** DAGC reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. For the year ended December 31, 2010, no impairment losses were recognized.

**Investments:** The Investments Topic of the Accounting Standards Codification (ASC), requires that covered investments be reported in the consolidated statement of financial position at fair value with any realized and unrealized gains and losses reported in the consolidated statement of activities. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily restricts their use.

DAGC invests in a professionally managed portfolio that contains fixed income and equity investments. Such investments are exposed to various risks such as market and credit. 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 risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

**Revenue recognition:** Contributions received are recorded as unrestricted, temporarily or permanently restricted depending on the nature of the restrictions. Non-government grants are recognized as revenue for the year when notification of the award is received; government grant and program fee revenue is recognized when services associated with those revenues have been provided. The United Way allocation is recognized as revenue when received or when the promise to give has been committed. Donated goods and services are recorded when received and are quantified based on valuation information provided by the third party donor. Camp fees, symposia and education programs and special events revenue are recorded as revenue when the activities associated with these events are held. Investment income is recognized when earned.

**Allocation of expenses:** Expenses are generally charged to the specific program service for which they are incurred. In some cases, however, common expenses are incurred which support the work performed under several programs. Such expenses are allocated among the various funding sources based on the relationship of functionalized payroll costs to total payroll.

**Pension plan:** In accordance with the Compensation - Retirement Benefits Topic of the ASC, DAGC recognizes the funded status of its pension benefit plan in the statement of financial position. The funded status is the difference between fair value of plan assets and the benefit obligation.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 3. Summary of Significant Accounting Policies (Continued)

**Comparative amounts:** 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 Organization's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

**Federal income tax status:** DAGC is a not-for-profit organization as described in Section 501(c) 3 of the Internal Revenue Code and is exempt from income taxes. CHMK LLC and CHMK Land LLC are limited liability companies wholly owned by Diabetes Association of Greater Cleveland. Accordingly, no provision for Federal income taxes has been reported in the financial statements.

DAGC adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, DAGC may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of DAGC and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2010 there were no unrecognized tax benefits identified or recorded as liabilities. With few exceptions, DAGC is no longer subject to tax examinations by the tax authorities for years prior to 2007.

**Reclassifications:** Certain reclassifications of 2009 amounts have been made to conform to the 2010 presentation.

**Subsequent events:** DAGC has evaluated subsequent events for potential recognition and/or disclosure through June 8, 2011, the date the financial statements were available to be issued. At its April 12, 2011 meeting, the DAGC Board of Directors voted to change the name of the organization to Diabetes Partnership of Cleveland.

**Recent accounting pronouncements:** The Financial Accounting Standards Board issued an Amendment "Fair Value Measurements and Disclosures-Improving Disclosures about Fair Value Measurements" (ASU 2010-6), which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about the inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that a reconciliation of Level 3 measurements should separately present purchase, sales, issuances, and settlements instead of netting these changes.

The guidance related to level 3 measurements is effective for periods beginning on or after December 15, 2010 and has not yet been adopted. DAGC is currently evaluating the impact of the guidance related to Level 3 measurements on financial statement disclosures.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4. Pledges

Included within pledges receivable are campaign pledges in the amount of \$439,550 made in response to DAGC's 2002 Leadership Campaign fundraiser which were to be paid over several years. At December 31, 2010, remaining unpaid pledges are as follows:

Receivables in less than one year	\$ 460,454
Less: allowance for uncollectible accounts	<u>(68,000)</u>
<b>Net current pledges receivable</b>	<b><u>\$ 392,454</u></b>
Receivable in one to five years	\$ 223,764
Less 3% discount to net present value	<u>(15,626)</u>
<b>Net long-term pledges receivable</b>	<b><u>\$ 208,138</u></b>

#### Note 5. Property, Buildings, Furnishings and Equipment

Property, buildings, furnishings and equipment at December 31, 2010 are as follows:

Land and improvements	\$ 164,519
Buildings and improvements	1,773,800
Equipment and furnishings	479,503
Program facilities (pool, tennis and ropes course)	<u>411,679</u>
	2,829,501
Accumulated depreciation	<u>(2,064,927)</u>
	<b><u>\$ 764,574</u></b>

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 6. Investments

The following summarizes the fair values, cost and unrealized appreciation (depreciation) of investments at December 31, 2010:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Mutual Funds			
Equity	\$ 1,103,860	\$ 1,105,018	\$ (1,158)
Fixed income	656,113	644,327	11,786
Preferred Stock	8,827	8,553	274
Common/collective funds	1,015,091	820,988	194,103
U.S. Government securities	69,111	63,926	5,185
Corporate bonds	101,461	95,058	6,403
Certificates of deposit	16,127	16,127	-
<b>Total</b>	<b>\$ 2,970,590</b>	<b>\$ 2,753,997</b>	<b>\$ 216,593</b>

#### Note 7. Lease Obligations

DAGC leases office space and office equipment under various operating leases expiring through 2012, exclusive of renewal options. Rent expense for office space was \$100,955 for the year ended December 31, 2010. At December 31, 2010, future minimum lease payments required, exclusive of renewal options, under non-cancellable operating leases are:

2011	\$ 58,452
2012	9,252
<b>Total minimum lease payments</b>	<b>\$ 67,704</b>

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 8. Pension Plan

DAGC maintains a noncontributory defined benefit pension plan for the benefit of certain eligible employees. The benefits are based upon years of service and the employees' compensation. It is DAGC's policy to contribute annually to the defined benefit plan amounts which are actuarially determined to provide the plan with sufficient assets to meet future benefit payment requirements.

DAGC Board of Directors voted to freeze the defined benefit pension plan effective December 31, 2008.

Information relative to DAGC's frozen defined benefit pension plan as of and for the year ended December 31, 2010 is presented below:

Amounts at the end of year:

Projected benefit obligation	\$ (380,408)
Fair value of plan assets	237,048
<b>Unfunded status</b>	<b>\$ (143,360)</b>

Amounts recognized on the consolidated statement of financial position consists of:

Pension obligation - current	\$ -
Pension obligation - non current	143,360
	<b>\$ 143,360</b>

Amounts recognized for the year:

Employer contributions	\$ 20,000
Benefits paid	\$ -

Components of Net Periodic Pension Cost:

Interest cost	\$ (19,334)
Actual return on plan assets	17,778
Deferred asset gain	(6,861)
<b>Net Periodic Pension Cost</b>	<b>\$ (8,417)</b>

Amounts not yet recognized in the Net Periodic Pension Cost:

Unrecognized net loss	<b>\$ 13,873</b>
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No unrecognized net losses are expected to be amortized during the year ended December 31, 2011.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 8. Pension Plan (Continued)

Weighted average assumptions:

Weighted average discount rate	5.15%
Expected long-term rate of return on assets	5.25%

Expected benefit payments during the year ending December 31:

2010	\$ -
2011	-
2012	21,435
2013	164,575
2014	141,763
2015-2017	25,035

Employer contributions expected to be paid during the year ended December 31, 2011 are \$20,000.

The primary investment objective for the Plan Assets is to maximize long-term return within an acceptable risk tolerance level, to meet current and future retirement payments. A secondary objective is to maintain real, inflation adjusted, purchasing power, and preservation of principal.

The strategies employed to achieve the stated objectives include employing a total return concept utilizing a diversified investment strategy of equities, fixed income, convertibles, real estate, and cash equivalents.

The assets in the Plan are held solely to fund retirement obligations as they come due. Distributions from the fund occur when an eligible, retiring employee selects a payment option as calculated by an actuary engaged by DAGC.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 8. Pension Plan (Continued)

The fair values of pension plan assets, by fair value hierarchy, were determined in a manner similar to that discussed in Note 16 and are as follows:

	Total	Quoted Market Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3
Cash and equivalents	\$ 5,164	\$ 5,164	\$ -	\$ -
Mutual Funds				
Equity				
Domestic	63,359	-	63,359	-
Foreign	41,922	-	41,922	-
Fixed income				
Domestic	78,464	-	78,464	-
Guaranteed fund	48,139	-	48,139	-
<b>Total</b>	<b>\$ 237,048</b>	<b>\$ 5,164</b>	<b>\$ 231,884</b>	<b>\$ -</b>

The changes in the fair value of Level 3 assets are summarized as follows:

	Guaranteed Fund
Balance, January 1, 2010	\$ 46,332
Reclassification of categorization of level of fair value hierarchy	(46,332)
<b>Ending, December 31, 2010</b>	<b>\$ -</b>

The Guaranteed fund was reclassified to level 2 at January 1, 2010 because of DAGC's ability to readily redeem the investment. See Note 16.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2010:

	Beginning Balance	Additions (Reductions)	Net Assets Released from Restrictions	Ending Balance
Public awareness	\$ 20,008	\$ -	\$ (9,841)	\$ 10,167
Research-Leadership	70,316	-	-	70,316
Research-General	321,516	15,045	(67,830)	268,731
Diabetes education	157,747	68,071	(43,523)	182,295
Camperships	85,646	31,368	(31,448)	85,566
Camp facilities	13,281	6,600	(19,881)	-
Camp and camp programs	53,451	16,182	(17,192)	52,441
Cleveland City Schools Testing Supplies	11,800	-	(5,600)	6,200
Diabetes supplies for the indigent	12,294	15,775	(2,373)	25,696
Arnoff Library	2,147	-	(1,066)	1,081
Staff wellness and development	920	-	(130)	790
Development/Advancement Dept. Project	2,668	-	(2,668)	-
Technology	-	40,000	-	40,000
Special Events	-	350	(350)	-
	751,794	193,391	(201,902)	743,283
Time restrictions-Capital Campaign and United Way	705,428	133,197	(292,814)	545,811
	<u>\$ 1,457,222</u>	<u>\$ 326,588</u>	<u>\$ (494,716)</u>	<u>\$ 1,289,094</u>

#### Note 10. Permanently Restricted Net Assets

Permanently restricted net assets consist of a donor-restricted fund established at the Camp in 2002. Interest earned on this fund is utilized in full annually for its stated purpose of campership support (reduced camp fees for families demonstrating financial need).

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 11. Donated Materials and Services

In-kind donations valued at \$202,886 received during 2010 consist of \$31,554 in capital assets, \$146,940 in medical supplies and services donated to the Camp and \$24,392 in other in-kind professional services and supplies.

In addition, awards, prizes, advertisements, and other goods were donated to DAGC to support the Swim for Diabetes, the Promenade, the Golf Tournament and Backpack Bivouac. These in-kind donations valued at \$183,710 for the year ended December 31, 2010 are reflected in the accompanying consolidated statement of activities within special events revenue and expense at their estimated fair values at the dates of receipt.

#### Note 12. Charitable Gift Annuities

Since 1996, DAGC received gifts in the form of charitable gift annuities. The terms of the annuities require DAGC to make payments, ranging from \$228 to \$400, on a quarterly basis over the remaining lives of the donors. The present value of the expected annuity payments, discounted at 6.8%, is \$14,724 for the year ended December 31, 2010 of which \$3,787 is considered current at December 31, 2010.

#### Note 13. Special Events

Special events consist of the following for the year ending December 31, 2010:

	Revenue	Benefits to Donors	Net of Benefits	Expense	Net
Swim/Scuba for Diabetes	\$ 344,175	\$ 10,830	\$ 333,345	\$ 139,409	\$ 193,936
Promenade	85,255	44,227	41,028	4,999	36,029
Backpack Bivouac	85,731	41,546	44,185	3,754	40,431
Golf Tournament	56,242	41,719	14,523	3,186	11,337
Other events	37,289	-	37,289	156	37,133
	<u>\$ 608,692</u>	<u>\$ 138,322</u>	<u>\$ 470,370</u>	<u>\$ 151,504</u>	<u>\$ 318,866</u>

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 14. Endowment Funds

DAGC's endowment consists of one individual donor restricted endowment fund established to provide Campership support for families demonstrating financial need. Its endowment includes both a donor restricted endowment fund and a fund designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The DAGC Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 this interpretation, DAGC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In addition, UPMIFA introduced the concept of total return expenditure of endowment net assets for charitable program purposes, expressly permitting prudent expenditure of endowment net assets for charitable program purposes, expressly permitting prudent expenditure of both appreciation and income. Thus asset growth and income can be appropriated for program purposes, subject to the rule that a fund cannot be spent below "historic dollar value."

Endowment net asset composition by type of fund as of December 31, 2010:

	Permanently		
	Restricted	Unrestricted	Total
Funds functioning as endowment	\$ -	\$ 2,000,000	\$ 2,000,000
Donor-restricted endowment	15,000	-	15,000

There have been no material changes in endowment net assets for the year ended December 31, 2010.

**Funds with deficiencies:** There are no funds with deficiencies at December 31, 2010.

**Return objectives and risk parameters:** DAGC has adopted an investment policy designed to maximize long-term total return of its financial assets within an acceptable risk tolerance level, consistent with immediate cash needs and future spending needs. A secondary objective is to maintain real (inflation-adjusted) purchasing power.

**Strategies employed for achieving objectives:** To achieve its investment objectives, DAGC will employ a total return concept and may utilize a diversified investment strategy of equities, fixed income, convertibles, real estate (REITs) and cash equivalents.

**Spending policy and how the investment objectives relate to spending policy:** DAGC has a policy of withdrawing up to 4% of a 36-month rolling average of the value of its investment portfolio to balance its annual operating budget. Withdrawals in excess of such amount must first be approved by its Board of Directors. Over the long-term, this policy is intended to allow its portfolio to grow at a rate that is consistent with its stated investment policy, although there can be no guaranty that such objective will be achieved.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 15. Fair Value Disclosures

DAGC measures its financial instruments at fair value, which 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. Accounting principles and standards established a three level hierarchy for disclosure to show the extent and level of judgment used to estimate fair value measurements:

Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended December 31, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

**Investments:** The fair value of investments is based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

In determining the appropriate levels, DAGC performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as level 3.

In September, 2009, the accounting guidance related to fair value measurements was amended to provide that if DAGC has the ability to redeem an investment at its net asset value at the measurement date, the investment shall be categorized as a Level 2 fair value measurement. If DAGC cannot redeem as investment at net asset value at the measurement date, but the investment may be redeemable at a future date, DAGC considers the length of time until the investment will be redeemable in determining whether it will be categorized as a Level 2 or Level 3 fair value measurement. This amendment is effective for periods ending after December 15, 2009, and accordingly, effective January 1, 2010, DAGC's investment in the common collective investment funds have been categorized as Level 2 investments.

## Diabetes Association of Greater Cleveland and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 15. Fair Value Disclosures (Continued)

**Fair value on a recurring basis:** The table below presents the balance of investment assets measured at fair value on a recurring basis as of December 31, 2010:

	Total	Level 1	Level 2	Level 3
Mutual Funds				
Equity				
Domestic	\$ 394,727	\$ -	\$ 394,727	\$ -
Foreign	709,133		709,133	-
Fixed income				
Domestic	188,879		188,879	-
Foreign	467,234		467,234	-
Preferred Stock	8,827	8,827		-
Common/collective funds	1,015,091		1,015,091	
U.S. Government securities	69,111		69,111	-
Corporate bonds				
Aa1-Aa	43,107		43,107	-
A1-A	58,354		58,354	-
Certificates of deposit	16,127		16,127	-
<b>Total</b>	<b>\$ 2,970,590</b>	<b>\$ 8,827</b>	<b>\$ 2,961,763</b>	<b>\$ -</b>

The changes in the fair value of Level 3 assets are summarized as follows:

	Common/Collective Fund
Balance, January 1, 2010	\$ 933,245
Reclassification of categorization of level of the fair value hierarchy	(933,245)
<b>Ending, December 31, 2010</b>	<b>\$ -</b>