



**Health Resources in Action**  
*Advancing Public Health and Medical Research*

**FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**HEALTH RESOURCES IN ACTION, INC.**

**CONTENTS  
JUNE 30, 2010 AND 2009**

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS:</b>	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Changes in Net Assets .....	4
Statements of Cash Flows .....	5
Statements of Functional Operating Expenses .....	6 - 7
Notes to Financial Statements .....	8 - 16



CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS

*Where Every Client Is A Valued Client*

Alexander, Aronson, Finning & Co., P.C.

21 East Main Street, Westborough, MA 01581-1461 (508) 366-9100  
Boston, MA (617) 205-9100 Wellesley, MA (781) 965-9100  
www.aafcpa.com FAX (508) 366-9789 info@aafcpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Health Resources in Action, Inc.:

We have audited the accompanying statements of financial position of Health Resources in Action, Inc. (a Massachusetts corporation, not for profit) (HRiA) as of June 30, 2010 and 2009, and the related statements of activities, changes in net assets, cash flows and functional operating expenses for the years then ended. These financial statements are the responsibility of HRiA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Resources in Action, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Alexander, Aronson, Finning & Co., P.C.*

Wellesley, Massachusetts  
September 28, 2010

HEALTH RESOURCES IN ACTION, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2010 AND 2009

	2010			2009				
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and money market accounts	\$ 1,340,866	\$ 933,121	\$ -	\$ 2,273,987	\$ 1,556,828	\$ 520,504	\$ -	\$ 2,077,332
Short-term investments	215,135	-	-	215,135	161,224	-	-	161,224
Contracts and other receivables, net of allowance for doubtful accounts of approximately \$25,000 at June 30, 2010 and 2009	1,851,081	16,988	-	1,868,069	2,278,643	20,000	-	2,298,643
Current portion of pledges receivable	3,039,996	520,500	-	3,560,496	2,602,121	1,440,583	-	4,042,704
Prepaid expenses and deposits	29,215	-	-	29,215	102,688	-	-	102,688
Total current assets	6,476,293	1,470,609	-	7,946,902	6,701,504	1,981,087	-	8,682,591
<b>PLEDGES RECEIVABLE, net of current portion and discount</b>	425,000	1,006,192	-	1,431,192	-	2,123,011	-	2,123,011
<b>INVESTMENTS</b>	1,360,432	261,333	278,752	1,900,517	1,252,471	231,212	278,752	1,762,435
<b>FIXED ASSETS, net</b>	188,200	-	-	188,200	266,968	-	-	266,968
Total assets	\$ 8,449,925	\$ 2,738,134	\$ 278,752	\$ 11,466,811	\$ 8,220,943	\$ 4,335,310	\$ 278,752	\$ 12,835,005
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable	\$ 747,547	\$ -	\$ -	\$ 747,547	\$ 724,114	\$ -	\$ -	\$ 724,114
Accrued expenses	65,898	-	-	65,898	45,196	-	-	45,196
Current portion of research grants payable	3,997,548	-	-	3,997,548	3,977,194	-	-	3,977,194
Total current liabilities	4,810,993	-	-	4,810,993	4,746,504	-	-	4,746,504
<b>RESEARCH GRANTS PAYABLE, net of current portion</b>	1,146,000	-	-	1,146,000	1,120,500	-	-	1,120,500
Total liabilities	5,956,993	-	-	5,956,993	5,867,004	-	-	5,867,004
<b>NET ASSETS:</b>								
Unrestricted -								
Operating	944,300	-	-	944,300	834,500	-	-	834,500
Board designated for long-term investment	1,360,432	-	-	1,360,432	1,252,471	-	-	1,252,471
Fixed assets	188,200	-	-	188,200	266,968	-	-	266,968
Total unrestricted	2,492,932	-	-	2,492,932	2,353,939	-	-	2,353,939
Temporarily restricted -								
Community Health Division	-	550,699	-	550,699	-	228,427	-	228,427
Medical Foundation Division	-	1,926,102	-	1,926,102	-	3,875,671	-	3,875,671
Unrealized and realized gains on permanently restricted net assets	-	61,333	-	61,333	-	31,212	-	31,212
Working capital	-	200,000	-	200,000	-	200,000	-	200,000
Total temporarily restricted	-	2,738,134	-	2,738,134	-	4,335,310	-	4,335,310
Permanently restricted	-	-	278,752	278,752	-	-	278,752	278,752
Total net assets	2,492,932	2,738,134	278,752	5,509,818	2,353,939	4,335,310	278,752	6,968,001
Total liabilities and net assets	\$ 8,449,925	\$ 2,738,134	\$ 278,752	\$ 11,466,811	\$ 8,220,943	\$ 4,335,310	\$ 278,752	\$ 12,835,005

The accompanying notes are an integral part of these statements.



HEALTH RESOURCES IN ACTION, INC.

STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	UNRESTRICTED						
	BOARD DESIGNATED FOR						
	OPERATING	LONG-TERM INVESTMENT	FIXED ASSETS	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
NET ASSETS, June 30, 2008	\$ 782,898	\$ 1,582,187	\$ 320,354	\$ 2,685,439	\$ 4,431,150	\$ 278,752	\$ 7,395,341
Transfer of funds for fixed assets additions	(35,023)	-	35,023	-	-	-	-
Changes in net assets from operations	36,625	-	(88,409)	(51,784)	(20,165)	-	(71,949)
Investment return from long-term investments, net	-	(279,716)	-	(279,716)	(75,675)	-	(355,391)
Transfer of net assets - spending policy	50,000	(50,000)	-	-	-	-	-
NET ASSETS, June 30, 2009	834,500	1,252,471	266,968	2,353,939	4,335,310	278,752	6,968,001
Transfer of funds for fixed assets additions	(5,028)	-	5,028	-	-	-	-
Changes in net assets from operations	6,828	-	(83,796)	(76,968)	(1,627,297)	-	(1,704,265)
Investment return from long-term investments, net	-	215,961	-	215,961	30,121	-	246,082
Transfer of net assets - spending policy	108,000	(108,000)	-	-	-	-	-
NET ASSETS, June 30, 2010	\$ 944,300	\$ 1,360,432	\$ 188,200	\$ 2,492,932	\$ 2,738,134	\$ 278,752	\$ 5,509,818

The accompanying notes are an integral part of these statements.

**HEALTH RESOURCES INC ACTION, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (1,458,183)	\$ (427,340)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	83,796	88,409
Net realized and unrealized (gains) losses on investments	(213,052)	389,675
Changes in operating assets and liabilities -		
Contracts and other receivables	430,574	314,822
Pledges receivable	1,174,027	411,451
Prepaid expenses and deposits	73,473	(18,997)
Accounts payable	23,433	(314,223)
Accrued expenses	20,702	(44,382)
Research grants payable	45,854	(289,075)
	180,624	110,340
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of fixed assets	(5,028)	(35,023)
Proceeds from the sales of investments	671,406	1,593,277
Purchases of investments	(650,347)	(1,624,772)
	16,031	(66,518)
<b>NET INCREASE IN CASH AND MONEY MARKET ACCOUNTS</b>	196,655	43,822
<b>CASH AND MONEY MARKET ACCOUNTS, beginning of year</b>	2,077,332	2,033,510
<b>CASH AND MONEY MARKET ACCOUNTS, end of year</b>	\$ 2,273,987	\$ 2,077,332
<b>NON-CASH INVESTING ACTIVITIES -</b>		
Unrealized gain (loss) on investments	\$ 200,947	\$ (262,544)

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

**HEALTH RESOURCES IN ACTION, INC.**

**STATEMENT OF FUNCTIONAL OPERATING EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010**

(With Summarized Comparative Totals for the Year Ended June 30, 2009)

	2010						2009	
	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES	TOTAL EXPENSES
	COMMUNITY HEALTH DIVISION	MEDICAL FOUNDATION DIVISION	TOTAL PROGRAM SERVICES	GENERAL AND ADMIN-TRATIVE	FUNDRAISING AND DEVELOPMENT	TOTAL SUPPORTING SERVICES		
<b>PERSONNEL AND RELATED COSTS:</b>								
Salaries	\$ 2,330,288	\$ 413,562	\$ 2,743,850	\$ 548,028	\$ 56,333	\$ 604,361	\$ 3,348,211	\$ 3,979,355
Employee benefits	317,914	34,503	352,417	90,306	10,199	100,505	452,922	620,315
Payroll taxes	206,919	31,270	238,189	45,150	6,174	51,324	289,513	341,861
Temporary help	9,648	-	9,648	5,655	-	5,655	15,303	51,196
Recruitment	1,281	445	1,726	205	-	205	1,931	2,986
Total personnel and related costs	<u>2,866,050</u>	<u>479,780</u>	<u>3,345,830</u>	<u>689,344</u>	<u>72,706</u>	<u>762,050</u>	<u>4,107,880</u>	<u>4,995,713</u>
<b>DONATED SERVICES</b>	-	1,065,150	1,065,150	-	-	-	1,065,150	1,225,500
<b>OUTSIDE SERVICES:</b>								
Consultants	807,535	39,933	847,468	58,962	49,647	108,609	956,077	1,070,367
Subcontractors	157,132	-	157,132	-	-	-	157,132	572,913
Total outside services	<u>964,667</u>	<u>39,933</u>	<u>1,004,600</u>	<u>58,962</u>	<u>49,647</u>	<u>108,609</u>	<u>1,113,209</u>	<u>1,643,280</u>
<b>OCCUPANCY:</b>								
Rent	286,130	44,766	330,896	73,302	9,767	83,069	413,965	399,343
Insurance	-	-	-	24,971	-	24,971	24,971	21,207
Utilities and office maintenance	16,746	1,975	18,721	5,507	437	5,944	24,665	45,377
Total occupancy	<u>302,876</u>	<u>46,741</u>	<u>349,617</u>	<u>103,780</u>	<u>10,204</u>	<u>113,984</u>	<u>463,601</u>	<u>465,927</u>
<b>TRAINING, MEETINGS AND CONFERENCES:</b>								
Meetings and conferences	144,073	66,677	210,750	27,356	238	27,594	238,344	270,120
Travel	60,703	3,806	64,509	4,306	374	4,680	69,189	78,480
Training and educational supplies	34,907	30	34,937	200	-	200	35,137	16,941
Staff training	7,228	1,229	8,457	-	2,245	2,245	10,702	14,389
Total training, meetings and conferences	<u>246,911</u>	<u>71,742</u>	<u>318,653</u>	<u>31,862</u>	<u>2,857</u>	<u>34,719</u>	<u>353,372</u>	<u>379,930</u>
<b>OTHER COSTS:</b>								
Publications	659,981	4,838	664,819	1,274	-	1,274	666,093	881,430
Telephone	64,160	5,650	69,810	15,783	1,762	17,545	87,355	117,308
Office supplies and equipment maintenance	35,635	11,578	47,213	36,028	708	36,736	83,949	102,205
Depreciation	-	-	-	83,796	-	83,796	83,796	88,409
Miscellaneous	5,306	2,832	8,138	55,647	79	55,726	63,864	44,620
Mailing and postage	47,729	2,785	50,514	3,404	552	3,956	54,470	73,972
Professional services	-	-	-	30,252	-	30,252	30,252	62,291
Data processing	3,480	6,614	10,094	4,854	14,115	18,969	29,063	31,550
Dues, membership and subscriptions	794	4,692	5,486	9,210	282	9,492	14,978	18,115
Total other costs	<u>817,085</u>	<u>38,989</u>	<u>856,074</u>	<u>240,248</u>	<u>17,498</u>	<u>257,746</u>	<u>1,113,820</u>	<u>1,419,900</u>
Total operating expenses before grant awards	5,197,589	1,742,335	6,939,924	1,124,196	152,912	1,277,108	8,217,032	10,130,250
<b>GRANT AWARDS</b>								
Total operating expenses	<u>\$ 6,067,337</u>	<u>\$ 7,541,210</u>	<u>\$ 13,608,547</u>	<u>\$ 1,124,196</u>	<u>\$ 152,912</u>	<u>\$ 1,277,108</u>	<u>\$ 14,885,655</u>	<u>\$ 16,000,374</u>

The accompanying notes are an integral part of these statements.



HEALTH RESOURCES IN ACTION, INC.

STATEMENT OF FUNCTIONAL OPERATING EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES
	COMMUNITY HEALTH DIVISION	MEDICAL FOUNDATION DIVISION	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING AND DEVELOPMENT	TOTAL SUPPORTING SERVICES	
<b>PERSONNEL AND RELATED COSTS:</b>							
Salaries	\$ 2,860,452	\$ 346,319	\$ 3,206,771	\$ 662,496	\$ 110,088	\$ 772,584	\$ 3,979,355
Employee benefits	474,401	40,675	515,076	87,395	17,844	105,239	620,315
Payroll taxes	253,236	28,521	281,757	51,632	8,472	60,104	341,861
Temporary help	40,023	1,541	41,564	9,632	-	9,632	51,196
Recruitment	2,596	110	2,706	50	230	280	2,986
Total personnel and related costs	3,630,708	417,166	4,047,874	811,205	136,634	947,839	4,995,713
<b>DONATED SERVICES</b>	-	1,225,500	1,225,500	-	-	-	1,225,500
<b>OUTSIDE SERVICES:</b>							
Consultants	906,234	54,359	960,593	31,364	78,410	109,774	1,070,367
Subcontractors	572,913	-	572,913	-	-	-	572,913
Total outside services	1,479,147	54,359	1,533,506	31,364	78,410	109,774	1,643,280
<b>OCCUPANCY:</b>							
Rent	318,787	27,583	346,370	42,808	10,165	52,973	399,343
Insurance	-	-	-	21,207	-	21,207	21,207
Utilities and office maintenance	34,573	2,659	37,232	7,143	1,002	8,145	45,377
Total occupancy	353,360	30,242	383,602	71,158	11,167	82,325	465,927
<b>TRAINING, MEETINGS AND CONFERENCES:</b>							
Meetings and conferences	170,749	61,074	231,823	28,882	9,415	38,297	270,120
Travel	73,128	3,013	76,141	2,237	102	2,339	78,480
Training and educational supplies	16,775	-	16,775	166	-	166	16,941
Staff training	10,062	-	10,062	-	4,327	4,327	14,389
Total training, meetings and conferences	270,714	64,087	334,801	31,285	13,844	45,129	379,930
<b>OTHER COSTS:</b>							
Publications	859,975	5,692	865,667	221	15,542	15,763	881,430
Telephone	89,328	3,843	93,171	23,051	1,086	24,137	117,308
Office supplies and equipment maintenance	63,387	13,819	77,206	24,048	951	24,999	102,205
Depreciation	-	-	-	88,409	-	88,409	88,409
Miscellaneous	11,867	1,628	13,495	27,499	3,626	31,125	44,620
Mailing and postage	66,737	2,827	69,564	3,244	1,164	4,408	73,972
Professional services	1,055	1,732	2,787	57,677	1,827	59,504	62,291
Data processing	12,289	3,231	15,520	841	15,189	16,030	31,550
Dues, membership and subscriptions	2,702	5,632	8,334	9,499	282	9,781	18,115
Total other costs	1,107,340	38,404	1,145,744	234,489	39,667	274,156	1,419,900
Total operating expenses before grant awards	6,841,269	1,829,758	8,671,027	1,179,501	279,722	1,459,223	10,130,250
<b>GRANT AWARDS</b>							
	88,599	5,781,525	5,870,124	-	-	-	5,870,124
Total operating expenses	\$ 6,929,868	\$ 7,611,283	\$ 14,541,151	\$ 1,179,501	\$ 279,722	\$ 1,459,223	\$ 16,000,374

The accompanying notes are an integral part of these statements.

**HEALTH RESOURCES IN ACTION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

Health Resources in Action, Inc. (HRiA) is a nonprofit public health organization dedicated to promoting individual and community health through prevention, health promotion, policy and the support of medical research.

Since July, 1957, HRiA has addressed health issues, such as obesity, tobacco, substance abuse, asthma and violence by providing individuals and communities access to quality, innovative and culturally competent health resources and services. HRiA works with state and local governments, private sector corporations, foundations and nonprofit organizations by providing research and evaluation, strategic planning, training, health communication, advocacy, policy development and information and referral services.

HRiA's Medical Foundation division works with private individuals, family foundations and bank trusts to design customized grant programs that fund outstanding biomedical investigators. HRiA brings together the vision of clients and the commitment of scientific reviewers, to support medical discoveries. HRiA also offers philanthropic advisory services to clients who wish to learn more about a specific field of medical research in order to strategically target their funding.

HRiA is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. HRiA is also exempt from state income taxes. Donors may deduct contributions to HRiA within the Internal Revenue Code requirements.

**SIGNIFICANT ACCOUNTING POLICIES**

HRiA prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

Subsequent Events

The preparation of financial statements in accordance with U.S. GAAP requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying financial statements. Subsequent events are transactions or events that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. The accompanying financial statements include the evaluation of subsequent events that have occurred through September 28, 2010, which is the date the financial statements were available to be issued.

HEALTH RESOURCES IN ACTION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value

HRiA follows the criteria of the *Fair Value Measurements* standard. This standard defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements. This standard establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Income Taxes

HRiA adopted the standards for *Accounting for Uncertainty in Income Taxes* in fiscal year 2010, which require HRiA to report any uncertain tax positions, related interest and penalties, and to adjust their financial statements for the impact thereof. As of June 30, 2010 and 2009, HRiA determined that they had no material unrecognized tax benefits to report. HRiA files income tax and information returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

Investment Spending Policy

The Commonwealth of Massachusetts adopted the Uniform Prudent Management of Institutional Funds Act effective June 30, 2009. Under this Act, subject to the intent a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established (see Note 2).

The Board of Directors has voted to allow for the use of a portion of its Board Designated for Long-Term Investment Fund for operations each year (see Note 2).

Revenue Recognition and Concentration of Funding

Contract service revenue and fees are recorded as revenue when earned. The Massachusetts Department of Public Health (DPH) provided either directly or through subcontract agreements approximately 78% and 79% of contract service revenue and fees in fiscal years 2010 and 2009, respectively. At June 30, 2010 and 2009, approximately 50% and 57%, respectively, of the total contracts and other receivables are due from DPH.

HEALTH RESOURCES IN ACTION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition and Concentration of Funding (Continued)

Unrestricted grants and contributions and United Way funding is recognized as revenue when received or unconditionally committed. Restricted contributions are recorded as temporarily restricted support and net assets if they are received or committed with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets.

Expense Allocations

HRiA allocates expenses related directly to a program to that program while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Cash and Money Market Accounts

For the purpose of the statements of cash flows, cash and money market accounts consist of checking, savings and money market accounts.

Pledges Receivable

Unconditional pledges are recorded at their net present value when pledged. Pledges are net of a present value discount of \$57,308 and \$128,989 at June 30, 2010 and 2009, respectively, using a discount rate of 4.0%.

Pledges receivable before discount, are expected to be collected over the following fiscal years:

<u>Year Ending</u> <u>June 30,</u>	
2011	\$3,560,496
2012	\$1,488,500

Total pledges receivable in the accompanying statements of financial position includes approximately 87% due from three donors at June 30, 2010, and approximately 82% from two donors at June 30, 2009.

Allowance for Doubtful Accounts

HRiA records an allowance for doubtful accounts based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. Accounts are written off when they are determined to be uncollectible. As of June 30, 2010 and 2009, the allowance for doubtful accounts was \$25,000.

HEALTH RESOURCES IN ACTION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fixed Assets and Depreciation

Fixed assets are recorded at cost, if purchased, or at their fair market value, if donated. Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives and consists of the following:

	<u>Estimated Useful Lives</u>	<u>2010</u>	<u>2009</u>
Office equipment	3 - 10 years	\$448,604	\$443,576
Office furniture	5 - 10 years	135,617	135,617
Leasehold improvements	4 - 10 years	<u>213,861</u>	<u>213,861</u>
		798,082	793,054
Less – accumulated depreciation		<u>609,882</u>	<u>526,086</u>
Net fixed assets		<u>\$188,200</u>	<u>\$266,968</u>

Research Grants Payable

Research grants are expensed upon being awarded (see Note 4). Grants awarded but not yet paid at the end of the fiscal year are shown as research grants payable in the accompanying statements of financial position. Research grants scheduled to be paid subsequent to the following fiscal year are reflected as long-term liabilities in the accompanying statements of financial position. The research grants payable at June 30, 2010, are due over the following fiscal years:

<u>Year Ending June 30,</u>	
2011	\$3,997,548
2012	\$1,146,000

Research grants payable beyond one year have not been discounted in the accompanying statements of financial position as the effect would be immaterial.

Donated Services

HRiA depends on the donated services of many highly skilled professionals for help in evaluating the relevance of research grant proposals it receives. For the years ended June 30, 2010 and 2009, management valued these services at \$1,065,150 and \$1,225,500, respectively, representing 3,551 and 4,085, respectively, of hours spent evaluating research grant proposals.

HEALTH RESOURCES IN ACTION, INC.

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009  
 (Continued)

(2) NET ASSETS

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by HRiA. HRiA has grouped its unrestricted net assets into the following categories:

**Operating** reflects and accounts for the activities of HRiA's undesignated operating funds.

**Board designated for long-term investment.** These funds can only be used with Board of Directors approval (see Note 3).

Effective for fiscal year 2006, the Board of Directors instituted a spending policy under which HRiA may use up to 5% of the average market value of the Board designated investments (valued at each of the twelve trailing quarters) for operations (see page 9). During fiscal year 2010, the Board voted to approve a spending policy transfer of \$108,000, which was to be used to preserve staffing positions in light of funding cuts. During fiscal year 2009, there was an approved spending policy transfer of \$50,000 which was to support public health policy and advocacy. This spending policy is reflected as support and revenues in the accompanying statements of activities for the years ended June 30, 2010 and 2009.

**Fixed assets** reflect the net book value of HRiA's fixed assets.

Temporarily Restricted Net Assets

HRiA receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes. Temporarily restricted net assets consist of the following at June 30, 2010 and 2009:

	<u>Balance at June 30, 2009</u>	<u>2010 Additions</u>	<u>2010 Releases</u>	<u>Balance at June 30, 2010</u>
Medical Foundation Grants	\$3,875,671	\$3,809,580	\$5,759,149	\$1,926,102
Community Health Programs	<u>228,427</u>	<u>1,664,135</u>	<u>1,341,863</u>	<u>550,699</u>
	<u>\$4,104,098</u>	<u>\$5,473,715</u>	<u>\$7,101,012</u>	<u>\$2,476,801</u>
	<u>Balance at June 30, 2008</u>	<u>2009 Additions</u>	<u>2009 Releases</u>	<u>Balance at June 30, 2009</u>
Medical Foundation Grants	\$3,521,639	\$5,671,585	\$5,317,553	\$3,875,671
Community Health Programs	<u>602,624</u>	<u>1,148,296</u>	<u>1,522,493</u>	<u>228,427</u>
	<u>\$4,124,263</u>	<u>\$6,819,881</u>	<u>\$6,840,046</u>	<u>\$4,104,098</u>

In addition, in a prior year, HRiA received \$200,000 from the Jessie B. Cox Charitable Trust to be used, as needed, for operating cash flow on a revolving loan basis. HRiA may use this fund to cover cash flow needs or to fund operating deficits.

**HEALTH RESOURCES IN ACTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

**(2) NET ASSETS (Continued)**

Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets also include unrealized and realized gains on permanently restricted net assets in accordance with *Accounting for Certain Investments Held by Not-for-Profit Organizations* and Massachusetts state law. The accumulated balances were \$61,333 and \$31,212 as of June 30, 2010 and 2009, respectively.

Permanently Restricted Net Assets

Permanently restricted net assets are restricted by donors against any expenditure of principal. Interest earned on these funds is restricted to support post doctoral research scholarships. HRiA satisfied the restrictions relating to the income earned on these funds during 2010 and 2009 and, accordingly, the income has been reflected as investment income in the unrestricted operating net assets.

**(3) INVESTMENTS**

Investments are recorded at fair market value. Investment income consists of interest, dividends, and realized and unrealized gains and losses. Interest and dividends on investments are recorded when earned. Gains or losses are recorded when realized. Unrealized gains or losses are recorded based upon changes in the fair market value of investments held.

HRiA's investment policy sets forth guidelines for prudent investment of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of HRiA's holdings. In addition, HRiA has an investment committee which has set ranges for the composition of the investment portfolio. These ranges are evaluated by this committee on a periodic basis to determine that the investment portfolio is in line with the predetermined ranges.

Investments are comprised of the following at June 30:

<u>2010</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Daily income government money market funds	\$ 105,485	\$ 105,485	\$ -
State and municipal government obligations	81,581	83,707	2,126
Publicly traded corporate debt securities, maturing in 2018	123,836	150,005	26,169
Publicly traded equity common stocks	<u>1,514,183</u>	<u>1,776,455</u>	<u>262,272</u>
Total	<u>\$1,825,085</u>	<u>\$2,115,652</u>	<u>\$290,567</u>
Unrealized gains for fiscal year 2010			\$200,947
Net realized gains for fiscal year 2010			<u>12,105</u>
Total gains on investments for fiscal year 2010			<u>\$213,052</u>

**HEALTH RESOURCES IN ACTION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**(3) INVESTMENTS (Continued)**

<u>2009</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Daily income government money market funds	\$ 62,439	\$ 62,439	\$ -
State and municipal government obligations	355,859	367,085	11,226
Publicly traded corporate debt securities, maturing in 2018	96,255	104,174	7,919
Publicly traded equity common stocks	<u>1,319,486</u>	<u>1,389,961</u>	<u>70,475</u>
Total	<u>\$1,834,039</u>	<u>\$1,923,659</u>	<u>\$ 89,620</u>

For the year ended June 30, 2009, realized and unrealized losses totaled \$127,131 and \$262,544, respectively.

The Board designated for long-term investment, temporarily restricted - working capital and permanently restricted investments are classified as long-term investments in the accompanying statements of financial position based on the nature and intent of the funds. Investments are not insured and are subject to ongoing market fluctuations.

The following table presents HRiA's investments by level within the fair value framework as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>2010</b>	<u>\$2,031,945</u>	<u>\$ 83,707</u>	<u>\$ -</u>	<u>\$2,115,652</u>
<b>2009</b>	<u>\$1,685,775</u>	<u>\$237,884</u>	<u>\$ -</u>	<u>\$1,923,659</u>

As presented in the accompanying statements of financial position, HRiA's investments are presented as long-term and short-term and are designated for specified purposes as detailed in the table below. The balances of each were as follows at June 30:

	<u>2010</u>	<u>2009</u>
Endowment	\$1,700,517	\$1,562,435
Unrestricted	215,135	161,224
Temporarily restricted - working capital (see Note 2)	<u>200,000</u>	<u>200,000</u>
	<u>\$2,115,652</u>	<u>\$1,923,659</u>



**HEALTH RESOURCES IN ACTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

**(3) INVESTMENTS** (Continued)

A reconciliation of endowment activity is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2008	<u>\$1,582,187</u>	<u>\$106,887</u>	<u>\$278,752</u>	<u>\$1,967,826</u>
Investment return:				
Investment income	51,828	-	-	51,828
Net realized losses	(103,234)	(23,897)	-	(127,131)
Net unrealized losses	<u>(214,026)</u>	<u>(48,518)</u>	<u>-</u>	<u>(262,544)</u>
Total investment returns	<u>(265,432)</u>	<u>(72,415)</u>	<u>-</u>	<u>(337,847)</u>
Investment management fees	<u>(14,284)</u>	<u>(3,260)</u>	<u>-</u>	<u>(17,544)</u>
Appropriation for operations	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Endowment net assets, June 30, 2009	<u>1,252,471</u>	<u>31,212</u>	<u>278,752</u>	<u>1,562,435</u>
Investment return:				
Investment income	51,555	-	-	51,555
Net realized gains	9,998	2,107	-	12,105
Net unrealized gains	<u>170,064</u>	<u>30,883</u>	<u>-</u>	<u>200,947</u>
Total investment returns	<u>231,617</u>	<u>32,990</u>	<u>-</u>	<u>264,607</u>
Investment management fees	<u>(15,656)</u>	<u>(2,869)</u>	<u>-</u>	<u>(18,525)</u>
Appropriation for operations	<u>(108,000)</u>	<u>-</u>	<u>-</u>	<u>(108,000)</u>
Endowment net assets, June 30, 2010	<u>\$1,360,432</u>	<u>\$ 61,333</u>	<u>\$278,752</u>	<u>\$1,700,517</u>

**(4) GRANTS AND ADMINISTERED GRANTS**

HRiA awards grants through a variety of programs. The Medical Foundation Division made awards for the years ended June 30, 2010 and 2009, of \$20,162,125 and \$12,489,000, respectively. Because some clients prefer to distribute their award checks directly to grant recipient institutions, not all disbursements are managed by HRiA. HRiA directly awarded \$5,798,875 and \$5,781,525 of these grants for the years ended June 30, 2010 and 2009, respectively.

**HEALTH RESOURCES IN ACTION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**(5) PENSION PLAN**

HRiA has a defined contribution pension plan. HRiA contributes a percentage of each eligible participant's salary to the plan. In order to be an eligible participant, an employee must be twenty-one years of age and have at least one year (1,000 hours) of credited service. The percentage HRiA contributes varies from 2% to 8% based on the age of the participant. There are no provisions for employee contributions to the plan. The plan operates under Section 401(a) of the Internal Revenue Code. Total HRiA contributions to the plan during fiscal years 2010 and 2009 were \$146,120 and \$178,479, respectively, which are included in employee benefits in the accompanying statements of functional operating expenses.

**(6) LEASES**

HRiA leases administrative office space under an agreement that expires in December, 2010. The agreement contains a renewal option which allows HRiA to extend the lease term for two additional years, through December, 2012. This lease contains a clause which allows the landlord the right to terminate the lease prior to the end of the lease term upon no less than twelve months advance notice to HRiA, provided that no such termination shall be effective before December 31, 2010. If the termination clause is exercised by the landlord, HRiA will receive certain rent credits and payments, as defined in the lease agreement.

Under this agreement, HRiA is responsible for a proportionate share of building operating costs over a base period amount. The minimum rental commitment for the non-cancelable portion of the lease through December 31, 2010, is \$142,173.

In addition, HRiA leases program space at one location with a lease term which was set to expire in July, 2010. Subsequent to June 30, 2010, HRiA continued to occupy the space as a tenant-at-will, at the same monthly rental of \$9,503.

HRiA paid \$413,965 and \$399,343 in rent and related costs during the years ended June 30, 2010 and 2009, respectively.

**(7) COMMITMENTS**

HRiA awarded \$4,142,800 in medical research grant awards subsequent to June 30, 2010, payable in fiscal year 2011.

**(8) CONCENTRATION OF CREDIT**

HRiA maintains its cash balances primarily in one bank in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. HRiA has not experienced any losses in such accounts. HRiA believes it is not exposed to any significant credit risk on its cash.

**(9) CONDITIONAL GRANTS**

During fiscal year 2010, two foundations awarded HRiA grants of \$428,313 and \$250,000 to be used for various programs in fiscal year 2011. The receipt of the balance of these grants is conditional upon annual review of grant reports, assessing the progress and achievement of the projects, and other requirements. For the year ended June 30, 2010, these amounts have not been recorded in the accompanying financial statements.