



**FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT**

**For the Years Ended December 31, 2011 and 2010**

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**For the Years Ended December 31, 2011 and 2010**

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## INDEPENDENT AUDITORS' REPORT

**Board of Directors  
AAA Foundation for Traffic Safety  
Washington, DC**

We have audited the accompanying statements of financial position of the **AAA Foundation for Traffic Safety** (the Foundation) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the AAA Foundation for Traffic Safety as of December 31, 2011 and 2010, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The supplementary schedules of program services and supporting services on pages 18-19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of the Foundation's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*DeLeon & Stang*  
**DeLeon & Stang, CPAs  
Gaithersburg, Maryland  
March 22, 2012**

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Statements of Financial Position**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 304,629	\$ 369,231
Investments, at fair value	11,674,991	11,386,262
Accounts receivable	337,010	308,622
Pledge endowment receivable	337,000	1,321,709
Inventory	47,784	65,490
Prepaid expenses and other assets	24,309	38,415
Furniture and equipment, net of accumulated depreciation of \$182,845 in 2011 and \$166,845 in 2010	22,505	37,171
Total assets	\$ 12,748,228	\$ 13,526,900
<b>LIABILITIES AND NET ASSETS</b>		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 394,921	\$ 159,507
Accrued pension and post retirement liability	249,918	191,098
Unamortized endowment contribution discount	-	6,689
Total liabilities	644,839	357,294
<u>Net Assets:</u>		
Net assets, unrestricted	2,278,999	3,338,368
Net assets, unrestricted, Board designated for endowment	3,030,000	3,030,000
Net assets, unrestricted	5,308,999	6,368,368
Net assets, temporarily restricted	255,743	269,280
Net assets, permanently restricted for endowment	6,538,647	6,531,958
Net assets, restricted	6,794,390	6,801,238
Total net assets	12,103,389	13,169,606
Total liabilities and net assets	\$ 12,748,228	\$ 13,526,900

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Statements of Activities**  
**For the Years Ended December 31, 2011 and 2010**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2011 Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2010 Total</b>
<b>Revenue and support:</b>								
Contributions from AAA affiliated organizations and others	\$ 2,290,380	\$ 279,882	\$ -	\$ 2,570,262	\$ 2,467,538	\$ 363,260	\$ -	\$ 2,830,798
Amortization of discount on pledges receivable	-	-	6,689	6,689	-	-	67,668	67,668
Sales of videos, guides and other	107,574	-	-	107,574	103,482	-	-	103,482
Investment (loss) income	(489,590)	-	-	(489,590)	1,462,576	-	-	1,462,576
Net assets released from restrictions	293,419	(293,419)	-	-	411,407	(411,407)	-	-
<b>Total revenue and support</b>	<b>2,201,783</b>	<b>(13,537)</b>	<b>6,689</b>	<b>2,194,935</b>	<b>4,445,003</b>	<b>(48,147)</b>	<b>67,668</b>	<b>4,464,524</b>
<b>Expenses:</b>								
<b>Program services:</b>								
Research	1,864,731	-	-	1,864,731	1,775,603	-	-	1,775,603
Public education	748,341	-	-	748,341	808,726	-	-	808,726
Product sales	155,501	-	-	155,501	173,409	-	-	173,409
<b>Total program services</b>	<b>2,768,573</b>	<b>-</b>	<b>-</b>	<b>2,768,573</b>	<b>2,757,738</b>	<b>-</b>	<b>-</b>	<b>2,757,738</b>
<b>Supporting services:</b>								
General and administrative	384,648	-	-	384,648	263,636	-	-	263,636
Fundraising	107,931	-	-	107,931	111,039	-	-	111,039
<b>Total supporting services</b>	<b>492,579</b>	<b>-</b>	<b>-</b>	<b>492,579</b>	<b>374,675</b>	<b>-</b>	<b>-</b>	<b>374,675</b>
<b>Total expenses</b>	<b>3,261,152</b>	<b>-</b>	<b>-</b>	<b>3,261,152</b>	<b>3,132,413</b>	<b>-</b>	<b>-</b>	<b>3,132,413</b>
Change in net assets	(1,059,369)	(13,537)	6,689	(1,066,217)	1,312,590	(48,147)	67,668	1,332,111
Net assets, beginning of year	6,368,368	269,280	6,531,958	13,169,606	5,055,778	317,427	6,464,290	11,837,495
Net assets, end of year	\$ 5,308,999	\$ 255,743	\$ 6,538,647	\$ 12,103,389	\$ 6,368,368	\$ 269,280	\$ 6,531,958	\$ 13,169,606

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<u>Cash Flows From Operating Activities:</u>		
(Decreased) increase in net assets	\$ (1,066,217)	\$ 1,332,111
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	16,000	21,701
Realized (gain) loss on investments	(286,393)	2,472
Unrealized loss (gain) on investments	1,198,209	(1,134,273)
(Increase) decrease in net accounts receivable	(28,388)	243,950
Decrease in pledge endowment receivable	984,709	985,435
Decrease in inventories	17,706	23,201
Decrease in prepaid expenses and other assets	14,106	3,181
Increase (decrease) in accounts payable and accrued expenses	235,414	(178,623)
Increase in accrued pension liability	58,820	45,788
Decrease in endowment contribution discount	(6,689)	(67,668)
Total adjustments	2,203,494	(54,836)
Net cash provided by operating activities	1,137,277	1,277,275
<u>Cash Flows From Investing Activities:</u>		
(Purchases) of investments, net of sales and maturities	(1,200,545)	(1,560,372)
Purchases of fixed assets	(1,334)	(5,225)
Net cash used in investing activities	(1,201,879)	(1,565,597)
Net decrease in cash and cash equivalents	(64,602)	(288,322)
Cash and cash equivalents at beginning of year	369,231	657,553
Cash and cash equivalents at end of year	\$ 304,629	\$ 369,231

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 1 - PURPOSE OF THE ORGANIZATION**

The AAA Foundation for Traffic Safety (the Foundation) was established in 1947 to prevent traffic deaths and injuries through research and education. The Foundation is a nonprofit 501(c)(3) charitable organization and is supported by voluntary contributions from individual AAA members; from AAA-affiliated insurance companies; and from others.

Since 2002, the Foundation has placed increased emphasis on two areas: enhancing collaboration with other organizations and increasing the real-world impact of its activities. To that end, it has re-energized the research and development advisory committee to select candidate research projects for funding. It has also increased its public outreach and educational efforts.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of the financial statements are described below:

**Basis of Presentation**

The accounts are maintained in accordance with the principles of net asset accounting, whereby resources are classified into net asset classes established according to the nature, purpose and restrictions placed by donors on the use of such resources. Accordingly, all financial transactions have been recorded and reported by net asset classes as follows:

- *Unrestricted:* Net assets that are not subject to donor-imposed restrictions.
- *Temporarily Restricted:* Funds subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.
- *Permanently Restricted:* Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

In 2007 the Board established a Board designated endowment fund established to set aside funds for future operations. The balance was \$3,030,000 as of December 31, 2011 and 2010.

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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

**Income Taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable income tax regulations of the District of Columbia. No provision for income taxes has been established, as the Foundation has no unrelated business activity. The Foundation has determined that there are no uncertain tax positions which require accrual or disclosure under FASB Staff Position FIN No. 48. Federal and state tax returns may be subject to audit for three years after filing, hence the Foundation's tax returns for 2008 are open to tax examination.

**Cash and Cash Equivalents**

The Foundation considers all highly-liquid instruments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of money market and overnight investment accounts.

**Investments**

Investments are presented in the statements of financial position at fair value. Gains and losses on investments, including changes in fair value, are reported in the statements of activities as increases or decreases in unrestricted net assets, unless their use is restricted by the donor. Currently, no restrictions on investment income have been imposed by donors.

The fair values of investments are determined by utilizing quoted market prices on active markets (Level 1) for identical investments.

**Accounts Receivable**

Accounts receivable are due under normal trade terms requiring payment within 30 days of the invoice date. Accounts receivable are stated at the amount billed. Account balances over 90 days are considered delinquent and, unless strong mitigating factors exist, an allowance for bad debts is established. At December 31, 2011 and 2010, there were no accounts in delinquent status. Allowance of uncollectable accounts was zero at December 31, 2011 and 2010.



**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Pledges Receivable**

Pledges receivable are recorded at their estimated net realizable value. Pledges consist of annual or periodic pledges and those related to an endowment campaign. Annual, periodic and endowment pledges are expected to be collected within one year.

**Inventory**

Inventory consists of videos, tapes, and guides and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Original video and CD-ROM production costs are considered period costs and are included in current projects' expenditures. Subsequent incremental costs to complete and reproduce the videos are capitalized as inventory.

**Furniture and Equipment**

The Foundation capitalizes all expenditures for furniture, equipment and automobiles in excess of \$500, these items are recorded at cost. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Furniture	7 years
Office equipment	5 years
Automobiles	5 years

**Contributions**

Contributions are recorded at fair value as revenue when promises to give are received. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue. The Foundation receives voluntary contributions principally from affiliated organizations that include the American Automobile Association (AAA), AAA motor clubs and individual AAA club members.

The Foundation receives an in-kind contribution of office space from AAA. The Foundation has recorded the fair value of the office space of \$227,200 and \$217,600 as contribution revenue and within program and general and administrative expense in the accompanying statements of activities for each of the years ended December 31, 2011 and 2010, respectively.

**Functional Allocation of Expenses**

The cost of providing various program are summarized on a functional basis in the statements of activities and details reported in the schedules of program services and schedules of supporting services.

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Subsequent Events**

The financial statements have been evaluated by management for subsequent events requiring disclosure through March 22, 2012, the date the financial statements were available for issuance.

**Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to enhance comparability with the 2011 presentation.

**NOTE 3 - INVESTMENTS**

The cost and fair value of investments at December 31, 2011 and 2010 are as follows:

	<u>2011</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Losses unrealized</u>
Money market funds	\$ 9,331	\$ 9,331	\$ -
Corporate bond and fixed income mutual funds	2,636,610	2,611,662	(24,948)
Common stocks and stock mutual funds	9,504,580	9,053,998	(450,582)
Total investments	<u>\$ 12,150,521</u>	<u>\$ 11,674,991</u>	<u>\$ (475,530)</u>
	<u>2010</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Gains unrealized</u>
Money market funds	\$ 9,331	\$ 9,331	\$ -
Corporate bond and fixed income mutual funds	2,600,482	2,620,199	19,717
Common stocks and stock mutual funds	8,053,770	8,756,732	702,962
Total investments	<u>\$ 10,663,583</u>	<u>\$ 11,386,262</u>	<u>\$ 722,679</u>

Investment income for the years ended December 31 consisted of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 422,226	\$ 330,775
Realized gain (loss)	286,393	(2,472)
Unrealized (losses) gains	<u>(1,198,209)</u>	<u>1,134,273</u>
Investment (loss) income	<u>\$ (489,590)</u>	<u>\$ 1,462,576</u>

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 4 - FURNITURE AND EQUIPMENT**

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 177,350	\$ 176,016
Automobile	<u>28,000</u>	<u>28,000</u>
	205,350	204,016
Less: accumulated depreciation	<u>(182,845)</u>	<u>(166,845)</u>
Furniture and equipment, net	<u>\$ 22,505</u>	<u>\$ 37,171</u>

Depreciation expense was \$16,000 and \$21,701 in 2011 and 2010, respectively.

**NOTE 5 - RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2011 and 2010 were \$255,743 and \$269,280, respectively. Permanently restricted net assets were \$6,538,647 and \$6,531,958 at December 31, 2011 and 2010, respectively. Revenues are 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.

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**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 6 - RETIREMENT AND POST-RETIREMENT BENEFIT PLANS**

**Pension Plan**

Substantially all employees of the Foundation are covered under the AAA and subsidiary companies' noncontributory defined benefit retirement plan (the Plan). Under this arrangement, AAA and the Foundation have the same benefit plan design, but each organization is responsible for its own funding and has a separate benefit trust. The Foundation's funding policy is to make the minimum annual contribution required by applicable laws and regulations. Contributions are intended to provide not only for benefits attributed to service but also for those to earned in the future. In 2011 and 2010, the Foundation made contributions of \$100,000 and \$0 respectively, to the Plan. As of December 31, 2009, the Foundation decided to curtail the Plan and restrict participation to current participants only, and existing participants will not accrue any additional benefits.

*Year Ended December 31,*

	<u>2011</u>	<u>2010</u>
Projected benefit obligation	\$ 1,288,393	\$ 1,115,580
Fair value of plan assets	<u>1,084,932</u>	<u>985,186</u>
Funded status	<u>\$ (203,461)</u>	<u>\$ (130,394)</u>
Accumulated benefit obligation	\$ 1,288,393	\$ 1,115,580
Employer contributions	\$ 100,000	\$ -
Participant contributions	\$ -	\$ -
Benefits paid	\$ 47,087	\$ 41,169

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**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 6 - RETIREMENT AND POST-RETIREMENT BENEFIT PLANS** (Continued)

Amounts recognized in the Statements of Financial Position at December 31:

	<u>2011</u>	<u>2010</u>
Pension liability	\$ 203,461	\$ 130,394

Amounts recognized in the Statements of Activities at December 31:

	<u>2011</u>	<u>2010</u>
Net loss	\$ 159,910	\$ 53,832
Amortization of prior service cost (credit) and net loss	13,348	-
Amortization of recognition of net gain	(28,574)	(23,224)
Net periodic benefit cost	<u>28,383</u>	<u>24,979</u>
Total	<u>\$ 173,067</u>	<u>\$ 55,587</u>

The following assumptions were used in accounting for the pension plan:

Weighted average assumptions used to determine pension benefit obligations at December 31:

Discount rate	4.52%	5.32%
Rate of compensation increase	N/A	N/A

Weighted average assumptions used to determine net periodic pension benefit costs at December 31:

Discount rate	5.32%	5.90%
Expected return on plan assets	6.75%	7.25%
Rate of compensation increase	N/A	N/A

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The target allocations for plan assets are 10% equity securities, 80% corporate bonds, and 10% other for the years ended December 31, 2011 and 2010, respectively.

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 6 - RETIREMENT AND POST-RETIREMENT BENEFIT PLANS** (Continued)

The fair values of the Foundation's pension plan assets by class are as follows:

	<b>December 31, 2011</b>				
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>	
	Equity securities	\$ 249,531	\$ 95,835	\$ -	\$ 345,366
	Debt securities	477,735	-	-	477,735
Cash and cash equivalents	-	16,082	-	16,082	
Real estate	-	-	63,795	63,795	
Other	58,538	123,416	-	181,954	
<b>Total</b>	<b>\$ 785,804</b>	<b>\$ 235,333</b>	<b>\$ 63,795</b>	<b>\$ 1,084,932</b>	

	<b>December 31, 2010</b>				
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>	
	Equity securities	\$ 187,097	\$ 213,367	\$ -	\$ 400,464
	Debt securities	310,484	-	-	310,484
Cash and cash equivalents	-	9,510	-	9,510	
Real estate	-	-	64,826	64,826	
Other	92,574	107,328	-	199,902	
<b>Total</b>	<b>\$ 590,155</b>	<b>\$ 330,205</b>	<b>\$ 64,826</b>	<b>\$ 985,186</b>	

The Foundation expects to contribute \$49,500 to the pension plan in 2012. No plan assets are expected to be returned to the Foundation during 2012.

The following benefits are expected to be paid:

**Year Ending December 31,**

2012	\$ 58,456
2013	79,720
2014	83,869
2015	86,295
2016	85,761
Thereafter	433,435

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 6 - RETIREMENT AND POST-RETIREMENT BENEFIT PLANS** (Continued)

**Post-Retirement Benefits Plan**

In addition, employees hired prior to January 1, 2002 are covered under the AAA and subsidiary companies' contributory defined benefit postretirement plan (the Retirement Plan) that provides certain health care and life insurance benefits for retired employees. All of the Foundation's employees who retire under the provisions of the Retirement Plan are eligible for those benefits. The Retirement Plan is funded on a pay-as-you-go basis.

Significant assumptions used in the actuarial computation for 2011 and 2010 are shown on page 11:

	<u>2011</u>	<u>2010</u>
Funded status	\$ (46,457)	\$ (60,704)

**NOTE 7 - 403(b) THRIFT PLAN**

The Foundation has a defined contribution pension plan in which the Foundation matches employees' contributions. There is no minimum age requirement to participate in the plan, and there is no minimum service requirement to make salary reduction contributions. After one year of service, employees are eligible to receive employer matching contributions on employee deferrals up to 6% of total compensation. The Foundation also provides a base contribution of 4% to all current employees who actively participate in the plan. Employees are partially vested after three years of service and fully vested after five years of service with respect to the employer's contributions. Employees are immediately vested with respect to the employee's contributions. The Foundation's contributions to this plan were \$53,042 and \$31,815 during the years ended December 31, 2011 and 2010, respectively. Plan assets were \$1,036,142 and \$979,593 at December 31, 2011 and 2010, respectively.

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**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
<u>Balance January 1:</u>	\$ 269,280	\$ 317,427
<u>Contributions:</u>		
iRap & US Rap	133,325	254,920
Driver Education (DE) Evaluations	112,999	95,327
Audi of America	30,000	-
University of Waterloo	1,958	10,525
Edwin S. Soforenko Fund	1,600	2,200
Network for Good	-	288
 Project expense released from restrictions	 <u>(293,419)</u>	 <u>(411,407)</u>
 Total temporarily restricted net assets	 <u>\$ 255,743</u>	 <u>\$ 269,280</u>

**NOTE 9- ENDOWMENT FUNDS**

Permanently restricted net assets at December 31, 2011 and 2010 consist of an endowment fund. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be expended to fund the Foundation's general operations and various programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 9- ENDOWMENT FUNDS (Continued)**

**Interpretation of Relevant Law**

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. If applicable, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by SPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The spending policies of the Foundation
- The Foundation's investment policies

**Investment Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to, preserve capital, obtain growth from capital appreciation, and receive total annual returns that exceed the appropriate market index rate of return by between .5 and 1%.

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

**NOTE 9- ENDOWMENT FUNDS** (Continued)

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the investment strategy is to emphasize total return in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation current asset allocation for the endowment funds targets a composition of 45% domestic equities, 20% non-U.S. equities, 5% emerging equities, 15% core bonds, 10% inflation hedging, and 5% non-U.S. government bonds. The Investment Committee, in coordination with the Foundation's Treasurer and President, shall monitor financial progress against the investment policy targets and make asset allocation decisions as required. .

**Endowment Spending Policy**

The Foundation allocates the investment income generated by the endowment fund each year for research project, public outreach and educational efforts.

**Endowment Composition**

The composition and changes in endowment net assets for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Net assets, permanently restricted for endowment, January 1:	\$ 6,531,958	\$ 6,464,290
Amortization of discount on pledges receivable	6,689	67,668
Investment (loss) income	(264,379)	731,288
Amounts appropriated from (to) unrestricted net assets	<u>264,379</u>	<u>(731,288)</u>
Net assets, permanently restricted for endowment, December 31:	<u>\$ 6,538,647</u>	<u>\$ 6,531,958</u>

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**SUPPLEMENTARY INFORMATION**

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Schedules of Program Services**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Research:</b>		
Cognitive distraction	\$ 295,104	\$ -
DE evaluation phase II	251,559	264,129
POSIT Science	200,000	-
iRAP phase I	133,325	254,919
Road assessment program	128,914	81,567
Parent coaching	98,959	-
General research	50,999	66,684
Safety culture index	49,370	-
Learner stage of GDL	46,515	101,785
Eval noteworthy initiatives	35,000	77,000
Distraction campaign messaging	-	135,532
Safety culture index	-	102,570
Roadwise rx	-	89,992
Psych foundations of SC	-	74,565
Changes in teen crashes	-	17,435
Driving skills validation	-	10,800
Canadian database (LPP)	-	7,206
Public surveys - staff	-	12
Sub-total	<u>1,289,745</u>	<u>1,284,196</u>
Allocation of general and administrative expenses	<u>574,986</u>	<u>491,407</u>
Total	<u>\$ 1,864,731</u>	<u>\$ 1,775,603</u>
<b>Public education:</b>		
Project Outreach	\$ 182,903	\$ 184,157
Public Education & Giveaways	21,115	61,534
General Outreach	78,164	50,103
Contribution Expense	<u>12,105</u>	<u>8,842</u>
Sub-total	294,287	304,636
Allocation of general and administrative expenses	<u>454,054</u>	<u>504,090</u>
Total	<u>\$ 748,341</u>	<u>\$ 808,726</u>
<b>Product Sales:</b>		
Videos	\$ 87,482	\$ 96,410
Bad debt (recovery)	<u>(1,910)</u>	<u>-</u>
Sub-total	85,572	96,410
Allocation of general and administrative expenses	<u>69,929</u>	<u>76,999</u>
Total	<u>\$ 155,501</u>	<u>\$ 173,409</u>

**AAA FOUNDATION FOR TRAFFIC SAFETY**  
**Schedules of Supporting Services**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>General and administrative:</b>		
Salaries	\$ 695,173	\$ 696,928
Office rent	227,200	217,600
Employee fringe benefits	221,255	168,270
Pension and post retirement expense	158,820	46,688
Accounting	72,017	55,490
Payroll taxes	49,020	51,641
Travel & meetings - staff	27,928	24,476
Travel & meetings - committee	20,495	21,294
Auditing	17,450	15,800
Depreciation	16,000	21,701
Legal services	15,074	4,082
Travel & meetings - board	7,493	13,887
Telephone	6,898	13,385
Stationery & office supplies	6,103	12,158
Dues & subscriptions	3,959	4,425
Auto operating expenses	3,662	2,745
Postage & delivery	3,247	5,811
Training	1,009	3,230
Equipment - repairs & maintenance	744	710
Computer supplies & services	549	214
Local taxes	157	609
Consultant fees	-	19,500
Sub-total	<u>1,554,253</u>	<u>1,400,644</u>
Allocation of general and administrative expenses	<u>(1,169,605)</u>	<u>(1,137,008)</u>
Total	<u>\$ 384,648</u>	<u>\$ 263,636</u>
<b>Fundraising:</b>		
Fundraising	\$ 37,295	\$ 41,515
Charitable Golf Outing	<u>-</u>	<u>5,012</u>
Sub-total	37,295	46,527
Allocation of general and administrative expenses	<u>70,636</u>	<u>64,512</u>
Total	<u>\$ 107,931</u>	<u>\$ 111,039</u>