



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

For the Years Ended December 31, 2010 and 2009

**AAA FOUNDATION FOR TRAFFIC SAFETY
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Years Ended December 31, 2010 and 2009

	Table of Contents	Page
Independent Auditors' Report	1
Financial Statements:		
Statements of Financial Position.....		2
Statement of Activities and Changes in Net Assets.....		3
Statements of Cash Flows.....		4
Notes to Financial Statements		5
Supplementary Information:		
Schedules of Program Services.....		18
Schedules of Supporting Services.....		19



100 Lakeforest Boulevard
Suite 650
Gaithersburg, MD 20877
P: 301-948-9825
F: 301-948-3220
www.deleonandstang.com

Allen P. DeLeon, CPA, P.C.
Richard C. Stang, CPA, P.C.
Jeanie Price

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, 2010 and 2009, and the related statements of activities and changes in net assets 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, based on our audits, 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, 2010 and 2009, and the results of its operations and 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 information on pages 15-16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Foundation's management. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DeLeon & Stang
**DeLeon & Stang, CPAs
Gaithersburg, Maryland
March 25, 2011**

AAA FOUNDATION FOR TRAFFIC SAFETY
Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 369,231	\$ 657,553
Investments, at fair value	11,386,262	8,694,088
Accounts receivable	308,622	552,572
Pledge endowment receivable	1,321,709	2,307,144
Inventory	65,490	88,691
Prepaid expenses and other assets	38,415	41,596
Furniture and equipment, net of accumulated depreciation of \$166,845 in 2010 and \$234,421 in 2009	37,171	53,648
Total assets	\$ 13,526,900	\$ 12,395,292
LIABILITIES AND NET ASSETS		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 159,507	\$ 338,130
Accrued pension and post retirement liability	191,098	145,310
Unamortized endowment contribution discount	6,689	74,357
Total liabilities	357,294	557,797
<u>Net Assets:</u>		
Net assets, unrestricted	3,338,368	2,025,778
Net assets, unrestricted, Board designated for endowment	3,030,000	3,030,000
Net assets, unrestricted	6,368,368	5,055,778
Net assets, temporarily restricted	269,280	317,427
Net assets, permanently restricted for endowment	6,531,958	6,464,290
Net assets, restricted	6,801,238	6,781,717
Total net assets	13,169,606	11,837,495
Total liabilities and net assets	\$ 13,526,900	\$ 12,395,292

AAA FOUNDATION FOR TRAFFIC SAFETY
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2010 and 2009

<u>Revenue and support:</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>
Contributions from AAA affiliated organizations and others	\$ 2,467,538	\$ 363,260	\$ 67,668	\$ 2,898,466	\$ 2,348,643	\$ 740,687	\$ 23,855	\$ 3,113,185
Sales of videos, guides and other	103,482	-	-	103,482	263,996	-	-	263,996
Investment income	1,462,576	-	-	1,462,576	1,627,450	-	-	1,627,450
Net assets released from restrictions	411,407	(411,407)	-	-	540,484	(540,484)	-	-
Total revenue and support	4,445,003	(48,147)	67,668	4,464,524	4,780,573	200,203	23,855	5,004,631
<u>Expenses:</u>								
<u>Program services:</u>								
Research	1,775,603	-	-	1,775,603	1,788,364	-	-	1,788,364
Public education	808,726	-	-	808,726	795,884	-	-	795,884
Product sales	173,409	-	-	173,409	154,092	-	-	154,092
Total program services	2,757,738	-	-	2,757,738	2,738,340	-	-	2,738,340
<u>Supporting services:</u>								
General and administrative	263,636	-	-	263,636	168,466	-	-	168,466
Fundraising	111,039	-	-	111,039	158,547	-	-	158,547
Total supporting services	374,675	-	-	374,675	327,013	-	-	327,013
Total expenses	3,132,413	-	-	3,132,413	3,065,353	-	-	3,065,353
Change in net assets,	1,312,590	(48,147)	67,668	1,332,111	1,715,220	200,203	23,855	1,939,278
Net assets, beginning of year	5,055,778	317,427	6,464,290	11,837,495	3,340,558	117,224	6,440,435	9,898,217
Net assets, end of year	\$ 6,368,368	\$ 269,280	\$ 6,531,958	\$ 13,169,606	\$ 5,055,778	\$ 317,427	\$ 6,464,290	\$ 11,837,495

See Notes to Financial Statements

AAA FOUNDATION FOR TRAFFIC SAFETY
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Cash Flows From Operating Activities:</u>		
Increase in net assets	\$ 1,332,111	\$ 1,939,278
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	21,701	22,817
Realized loss on investments	(2,472)	-
Unrealized gain (loss) on investments	1,134,273	(1,296,519)
(Increase) decrease in net accounts receivable	243,950	(48,057)
Decrease in pledge endowment receivable	985,435	995,935
Decrease in inventories	23,201	12,521
(Increase) decrease in prepaid assets	3,181	(20,011)
Decrease in accounts payable and accrued expenses	(178,623)	(52,642)
Increase (decrease) in accrued pension liability	45,788	(254,100)
Decrease in endowment contribution discount	<u>(67,668)</u>	<u>(23,855)</u>
Total adjustments	<u>2,208,766</u>	<u>(663,911)</u>
Net cash provided by operating activities	3,540,877	1,275,367
<u>Cash Flows From Investing Activities:</u>		
Sales and maturity of investments, net of (purchases)	(3,823,975)	(1,193,862)
Purchases of fixed assets	<u>(5,224)</u>	<u>(4,121)</u>
Net cash used in investing activities	<u>(3,829,199)</u>	<u>(1,197,983)</u>
Net increase (decrease) in cash and cash equivalents	(288,322)	77,384
Cash and cash equivalents at beginning of year	<u>657,553</u>	<u>580,169</u>
Cash and cash equivalents at end of year	<u>\$ 369,231</u>	<u>\$ 657,553</u>

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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, 2010 and 2009.

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

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 2007 are open to tax examination.

Subsequent Events

The financial statements have been evaluated by management for subsequent events requiring disclosure through the report date of the financial statements.

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.

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010 and 2009, there were no accounts in delinquent status and consequently no allowance of uncollectable accounts was required at December 31, 2010 and 2009.

Pledges Receivable

Pledges receivable are recorded at their estimated net realizable value. Pledges consist of annual or periodic pledges and those related to the endowment campaign. The annual or periodic pledges are expected to be collected within one year. Endowment pledges are expected to be collected in 2011 through 2012. The endowment receivable for 2010 through 2012 has been discounted to the present value of future cash flows. The discount rate 3.22% is the Foundation's average return on investment during 2010 and 2009.

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

Furniture, equipment and automobiles 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

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$217,600 and \$196,600 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, 2010 and 2009, 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.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to enhance comparability with 2010.

NOTE 3 - INVESTMENTS

The cost and fair value of investments at December 31, 2010 and 2009 are as follows:

	2010		
	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain</u>
Money market funds	\$ 9,331	\$ 9,331	\$ -
Corporate bond and fixed income mutual funds	2,596,953	2,620,199	23,246
Common stocks and stock mutual funds	<u>8,053,771</u>	<u>8,756,732</u>	<u>702,961</u>
Total investments	<u>\$ 10,660,055</u>	<u>\$ 11,386,262</u>	<u>\$ 726,207</u>
	2009		
	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain (loss)</u>
Money market funds	\$ 9,590	\$ 9,590	\$ -
Corporate bond and fixed income mutual funds	2,046,495	2,065,960	19,465
Common stocks and stock mutual funds	<u>7,046,069</u>	<u>6,618,538</u>	<u>(427,531)</u>
Total investments	<u>\$ 9,102,154</u>	<u>\$ 8,694,088</u>	<u>\$ (408,066)</u>

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE 3 - INVESTMENTS (Continued)

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

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 330,775	\$ 330,931
Realized loss	(2,472)	-
Unrealized gains	<u>1,134,273</u>	<u>1,296,519</u>
Investment income	<u>\$ 1,462,576</u>	<u>\$ 1,627,450</u>

NOTE 4 - FURNITURE AND EQUIPMENT

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 176,016	\$ 260,069
Automobile	<u>28,000</u>	<u>28,000</u>
Total	204,016	288,069
Less accumulated depreciation	<u>(166,845)</u>	<u>(234,421)</u>
Furniture and equipment	<u>\$ 37,171</u>	<u>\$ 53,648</u>

Depreciation expense was \$21,701 and \$22,817 in 2010 and 2009, respectively.

NOTE 5 - RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009 were \$269,280 and \$317,427, respectively. Permanently restricted net assets were \$6,531,958 and \$6,464,290 at December 31, 2010 and 2009, 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.

This space left blank intentionally.

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

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 2010 and 2009, the Foundation made contributions of \$0 and \$200,800 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.

Pension plan obligations and funded status at December 31:

	<u>2010</u>	<u>2009</u>
Projected benefit obligation	\$ 1,115,580	\$ 997,841
Fair value of plan assets	<u>985,186</u>	<u>923,034</u>
Funded status	<u>\$ (130,394)</u>	<u>\$ (74,807)</u>
Accumulated benefit obligation	\$ 1,115,580	\$ 997,841
Employer contributions	-	200,800
Participant contributions	-	-
Benefits paid	41,169	27,334

This space left blank intentionally.

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

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

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

	<u>2010</u>	<u>2009</u>
Pension liability	\$ 130,394	\$ 74,807

Amounts recognized in the Statements of Activities at December 31:

	<u>2010</u>	<u>2009</u>
Net loss (gain)	\$ 53,832	\$ (132,039)
Amortization of prior service cost (credit) and net loss	-	(1,388)
Amortization of recognition of net gain	(23,224)	(33,350)
Net periodic benefit cost	24,979	109,334
Total amounts stated in the Statements of Activities	<u>\$ 55,587</u>	<u>\$ (57,443)</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	5.32%	5.90%
Rate of compensation increase	N/A	4.00%

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

Discount rate	5.90%	6.25%
Expected return on plan assets	7.25%	7.25%

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 year ended December 31, 2010, and 20% equity, 65% corporate debt and 15% other for the year ended December 31, 2009.

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

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

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

	December 31, 2010			
	Quoted prices in active markets for identical assets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
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	-
Other	92,574	107,328	-	199,902
Total	\$ 590,155	\$ 330,205	\$ 64,826	\$ 985,186

	December 31, 2009			
	Quoted prices in active markets for identical assets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Equity securities	\$ 184,495	\$ 230,766	\$ -	\$ 415,261
Debt securities	239,983	-	-	239,983
Cash and cash equivalents	-	19,714	-	19,714
Real estate	-	-	57,098	57,098
Other	88,964	102,014	-	190,978
Total	\$ 513,442	\$ 352,494	\$ 57,098	\$ 923,034

The Foundation expects to contribute \$65,000 to the pension plan in 2011. No plan assets are expected to be returned to the Foundation during 2011.

The following benefits are expected to be paid:

Expected benefit payments beginning December 31, 2010:

2011	\$ 48,442
2012	58,386
2013	79,686
2014	83,984
2015	86,418
2016-2020	433,534

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

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 2010 are shown on page 11:

	<u>2010</u>	<u>2009</u>
Funded status	\$ (60,704)	\$ (70,503)

NOTE 7 - 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. Employees are eligible to receive employer matching contributions after one year of service. The minimum employee contribution is 1%, and the maximum is 6% of the employee's base compensation. The employees are partially vested after three years of service and fully vested after five years of service with respect to the employer's contributions. The employee is immediately vested with respect to the employee's contributions. The Foundation's contributions to this plan were \$31,815 and \$41,427 during the years ended December 31, 2010 and 2009, respectively. Plan assets were \$979,593 and \$807,740 at December 31, 2010 and 2009, respectively.

This space left blank intentionally.

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<u>Balance January 1:</u>	\$ 317,427	\$ 117,224
<u>Contributions:</u>		
iRap & US Rap	254,920	495,153
Driver Education (DE) Evaluations	95,327	223,333
University of Waterloo	10,525	-
Edwin S. Soforenko Fund	2,200	2,200
Network for Good	288	-
Charles M. Hayes Safety Patrol Program	-	20,000
Project expense released from restrictions	<u>(411,407)</u>	<u>(540,483)</u>
Total temporarily restricted net assets	<u>\$ 269,280</u>	<u>\$ 317,427</u>

NOTE 9- ENDOWMENT FUNDS

During 2009, the Foundation adopted FASB Staff Position (FSP) Financial Accounting Standards (FAS) No. 117-1, *Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the Uniform Prudent Managements of Institutional Funds Act*, issued by the Financial Accounting Standards Board (FASB). This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Managements of Institutional Funds Act of 2006 (UPMIFA). The FSP also improves disclosures of amounts in organization's endowed funds (both donor-restricted endowment funds and board-designated endowment funds).

The Foundation's donor-restricted endowments, which are shown as permanently restricted net assets in the accompanying statements of financial position, were established by the donors for research and public education programs. The endowment funds are required to be invested in perpetuity and the earnings from the funds may be used for the purpose intended by the donor.

As required by U.S. GAAP, net assets associated with endowments funds, including funds designated by the Board of Trustees to function as endowments, 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, 2010 and 2009

NOTE 9- ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the 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, 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 are made in accordance with the direction of the applicable donor. 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 UPMIFA. 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

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 of approximately 8%.

AAA FOUNDATION FOR TRAFFIC SAFETY
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2010 and 2009

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 0-5% cash equivalents, 15-25% fixed income 60-80% equities, and. The allocation shall be re-adjusted annually to maintain a consistent balance. The Treasurer and the Director of Finance, in consultation with the President, shall make asset allocation decisions.

Spending Policy

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

This space left blank intentionally.

SUPPLEMENTARY INFORMATION

AAA FOUNDATION FOR TRAFFIC SAFETY
Schedules of Program Services
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Research:		
DE evaluation phase II	\$ 264,129	\$ 313,274
iRAP phase I	254,919	357,113
Distraction campaign messaging	135,532	-
Safety culture index	102,570	129,938
Learner stage of GDL	101,785	30,000
Roadwise rx	89,992	51,240
Road assessment program	81,567	177,278
Eval noteworthy initiatives	77,000	-
Psych foundations of SC	74,565	67,840
General research	66,684	26,404
Changes in teen crashes	17,435	65,612
Driving skills validation	10,800	34,749
Canadian database (LPP)	7,206	-
Public surveys - staff	12	9
Defining traffic SC	-	30,146
License policies & practices	-	10,000
Evaluation of New Jersey GDL	-	3,000
Video updates	-	1,406
Meds and older drivers	-	6,884
Posit science royalty & education	-	15,000
Sub-total	<u>1,284,196</u>	<u>1,319,893</u>
Allocation of general and administrative expenses	<u>491,407</u>	<u>468,471</u>
Total	<u>\$ 1,775,603</u>	<u>\$ 1,788,364</u>
Public education:		
Project Outreach	\$ 184,157	\$ 168,829
Public Education & Giveaways	61,534	46,238
General Outreach	50,103	32,891
Contribution Expense	<u>8,842</u>	<u>15,510</u>
Sub-total	<u>304,636</u>	<u>263,468</u>
Allocation of general and administrative expenses	<u>504,090</u>	<u>532,416</u>
Total	<u>\$ 808,726</u>	<u>\$ 795,884</u>
Product Sales:		
Videos	<u>\$ 96,410</u>	<u>\$ 91,064</u>
Allocation of general and administrative expenses	<u>76,999</u>	<u>63,028</u>
Total	<u>\$ 173,409</u>	<u>\$ 154,092</u>

AAA FOUNDATION FOR TRAFFIC SAFETY
Schedules of Supporting Services
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
General and administrative:		
Salaries	\$ 696,928	\$ 738,669
Office rent	217,600	196,600
Employee fringe benefits	168,270	183,370
Accounting	55,490	58,145
Payroll taxes	51,641	56,276
Pension and post retirement expense	46,688	(54,100)
Travel & meetings - staff	24,476	28,546
Depreciation	21,701	22,817
Travel & meetings - committee	21,294	16,943
Consultant fees	19,500	-
Auditing	15,800	19,400
Travel & meetings - board	13,887	2,930
Telephone	13,385	14,584
Stationery & office supplies	12,158	5,936
Postage & delivery	5,811	8,381
Dues & subscriptions	4,425	4,830
Legal services	4,082	28,151
Training	3,230	2,319
Auto operating expenses	2,745	3,680
Equipment - repairs & maintenance	710	1,361
Local taxes	609	326
Computer supplies & services	214	378
Sub-total	<u>1,400,644</u>	<u>1,339,542</u>
Allocation of general and administrative expenses	<u>(1,137,008)</u>	<u>(1,171,076)</u>
Total	<u>\$ 263,636</u>	<u>\$ 168,466</u>
Fundraising:		
Fundraising	\$ 41,515	\$ 51,386
Charitable Golf Outing	<u>5,012</u>	<u>-</u>
Sub-total	<u>46,527</u>	<u>51,386</u>
Allocation of general and administrative expenses	<u>64,512</u>	<u>107,161</u>
Total	<u>\$ 111,039</u>	<u>\$ 158,547</u>