

FINANCIAL STATEMENTS TOGETHER WITH  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**THE ACTORS' FUND OF AMERICA**

As of December 31, 2008 and 2007

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of  
**The Actors' Fund of America:**

We have audited the accompanying statements of financial position of The Actors' Fund of America ("The Actors' Fund") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Actors' Fund'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 as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Actors' Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Actors' Fund as of December 31, 2008 and 2007, 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.

*GRANT THORNTON LLP*

New York, New York  
July 9, 2009

The Actors' Fund of America

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 2,601,928	\$ 4,200,020
Cash held on behalf of others (Note B)	1,450,962	751,165
Deposits with bond trustee	1,486,403	4,795,515
Accounts and other receivables, less allowance for doubtful accounts of \$230,000 and \$210,000 in 2008 and 2007, respectively (Note B)	1,493,765	1,404,494
Bequests, contributions and pledges receivable, net (Note B)	652,818	1,135,419
Prepaid expenses	361,755	285,096
Long-term investments (Note C)	13,033,957	13,777,865
Program-related investments and notes, net (Note D)	17,353,878	19,120,322
Annuity fund investments (Note E)	2,203,596	2,888,104
Value of interest in split-interest agreements (Note E)	4,031,149	5,433,774
Deferred financing costs	360,133	379,144
Property and equipment, net (Note F)	14,171,176	10,460,653
Total assets	<u>\$ 59,201,520</u>	<u>\$ 64,631,571</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,716,351	\$ 4,159,218
Cash held on behalf of others (Note B)	1,450,962	751,165
Deferred revenue (Note D)	3,421,977	3,364,953
Annuities payable (Notes C and E)	3,235,572	1,847,980
Other liabilities	604,373	486,439
Bonds payable (Note G)	7,000,000	7,000,000
Postretirement benefit obligations (Note H)	5,924,335	3,880,452
Total liabilities	<u>25,353,570</u>	<u>21,490,207</u>
Commitments and contingencies (Note J)		
Net assets:		
Unrestricted	20,904,649	28,964,555
Temporarily restricted (Note B)	2,845,075	2,718,387
Permanently restricted (Note B)	10,098,226	11,458,422
Total net assets	<u>33,847,950</u>	<u>43,141,364</u>
Total liabilities and net assets	<u>\$ 59,201,520</u>	<u>\$ 64,631,571</u>

The accompanying notes are an integral part of these statements.

The Actors' Fund of America

STATEMENT OF ACTIVITIES

For the year ended December 31, 2008

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General Fund	The Home	Total			
<b>Operating activities:</b>						
<b>Support and revenues:</b>						
Contributions	\$ 4,916,662	\$ 175,508	\$ 5,092,170	\$ 48,890	\$ -	\$ 5,141,060
Broadway Cares/Equity Fights AIDS grants (Note I)	3,675,000	-	3,675,000	-	-	3,675,000
Special events	2,382,290	-	2,382,290	-	-	2,382,290
Human services	1,029,630	-	1,029,630	-	-	1,029,630
Housing	1,457,827	-	1,457,827	-	-	1,457,827
Net patient services revenue (Note B)	-	6,951,755	6,951,755	-	-	6,951,755
Net resident services revenue (Note B)	-	1,585,970	1,585,970	-	-	1,585,970
Bequests	3,785,865	-	3,785,865	-	-	3,785,865
Investment return designated for current operations (Note C)	394,642	147,514	542,156	-	-	542,156
Net assets released from restrictions (Note B)	153,657	150,103	303,760	(303,760)	-	-
<b>Total support and revenues</b>	<b>17,795,573</b>	<b>9,010,850</b>	<b>26,806,423</b>	<b>(254,870)</b>	<b>-</b>	<b>26,551,553</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Social services	7,977,164	-	7,977,164	-	-	7,977,164
Employment and training	1,348,586	-	1,348,586	-	-	1,348,586
Health services	1,784,130	-	1,784,130	-	-	1,784,130
Housing	2,045,979	9,476,050	11,522,029	-	-	11,522,029
<b>Total program services</b>	<b>13,155,859</b>	<b>9,476,050</b>	<b>22,631,909</b>	<b>-</b>	<b>-</b>	<b>22,631,909</b>
<b>Supporting services:</b>						
General and administrative	1,004,942	-	1,004,942	-	-	1,004,942
Special events	2,001,961	-	2,001,961	-	-	2,001,961
Fund-raising	1,833,643	-	1,833,643	-	-	1,833,643
<b>Total supporting services</b>	<b>4,840,546</b>	<b>-</b>	<b>4,840,546</b>	<b>-</b>	<b>-</b>	<b>4,840,546</b>
<b>Total expenses</b>	<b>17,996,405</b>	<b>9,476,050</b>	<b>27,472,455</b>	<b>-</b>	<b>-</b>	<b>27,472,455</b>
<b>Increase (decrease) in net assets from operating activities</b>	<b>(200,832)</b>	<b>(465,200)</b>	<b>(666,032)</b>	<b>(254,870)</b>	<b>-</b>	<b>(920,902)</b>
<b>Nonoperating activities:</b>						
New split-interest agreements	-	-	-	1,102,617	-	1,102,617
Change in value of split-interest agreements	5,848	-	5,848	(196,171)	(1,360,196)	(1,550,519)
Realized and unrealized losses on investments (Note C)	(3,063,355)	-	(3,063,355)	(524,888)	-	(3,588,243)
Derecognition of interest in Schermerhorn HDFC (Note D)	(2,450,000)	-	(2,450,000)	-	-	(2,450,000)
Aurora social service interest income (Note D)	240,000	-	240,000	-	-	240,000
Interest and amortization income (Note D)	806,890	-	806,890	-	-	806,890
Pension expense other than net periodic pension cost	(2,160,279)	(661,822)	(2,822,101)	-	-	(2,822,101)
Other	(111,156)	-	(111,156)	-	-	(111,156)
<b>Total nonoperating activities</b>	<b>(6,732,052)</b>	<b>(661,822)</b>	<b>(7,393,874)</b>	<b>381,558</b>	<b>(1,360,196)</b>	<b>(8,372,512)</b>
<b>Changes in net assets</b>	<b>(6,932,884)</b>	<b>(1,127,022)</b>	<b>(8,059,906)</b>	<b>126,688</b>	<b>(1,360,196)</b>	<b>(9,293,414)</b>
<b>Net assets, beginning of the year</b>	<b>22,272,643</b>	<b>6,691,912</b>	<b>28,964,555</b>	<b>2,718,387</b>	<b>11,458,422</b>	<b>43,141,364</b>
<b>Net assets, end of the year</b>	<b>\$ 15,339,759</b>	<b>\$ 5,564,890</b>	<b>\$ 20,904,649</b>	<b>\$ 2,845,075</b>	<b>\$ 10,098,226</b>	<b>\$ 33,847,950</b>

The accompanying notes are an integral part of this statement.

The Actors' Fund of America

STATEMENT OF ACTIVITIES

For the year ended December 31, 2007

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General Fund	The Home	Total			
<b>Operating activities:</b>						
<b>Support and revenues:</b>						
Contributions	\$ 5,043,090	\$ 385,726	\$ 5,428,816	\$ 159,408	\$ -	\$ 5,588,224
Broadway Cares/Equity Fights AIDS grants (Note I)	4,450,000	-	4,450,000	-	-	4,450,000
Special events	2,807,214	-	2,807,214	-	-	2,807,214
Human services	855,858	-	855,858	-	-	855,858
Other recovery	125,992	-	125,992	-	-	125,992
Aurora revenue	1,398,123	-	1,398,123	-	-	1,398,123
Net patient services revenue (Note B)	-	6,003,791	6,003,791	-	-	6,003,791
Net resident services revenue (Note B)	-	1,788,345	1,788,345	-	-	1,788,345
Bequests	1,602,122	456,194	2,058,316	-	-	2,058,316
Investment return designated for current operations (Note C)	345,170	158,926	504,096	-	-	504,096
Net assets released from restrictions (Note B)	819,423	718,743	1,538,166	(1,538,166)	-	-
<b>Total support and revenues</b>	<b>17,446,992</b>	<b>9,511,725</b>	<b>26,958,717</b>	<b>(1,378,758)</b>	<b>-</b>	<b>25,579,959</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Social services	6,546,698	-	6,546,698	-	-	6,546,698
Employment and training	1,276,242	-	1,276,242	-	-	1,276,242
Health services	1,554,459	-	1,554,459	-	-	1,554,459
Housing	1,952,257	8,265,550	10,217,807	-	-	10,217,807
<b>Total program services</b>	<b>11,329,656</b>	<b>8,265,550</b>	<b>19,595,206</b>	<b>-</b>	<b>-</b>	<b>19,595,206</b>
<b>Supporting services:</b>						
General and administrative	1,491,868	-	1,491,868	-	-	1,491,868
Special events	2,400,090	-	2,400,090	-	-	2,400,090
Fund-raising	2,246,075	-	2,246,075	-	-	2,246,075
<b>Total supporting services</b>	<b>6,138,033</b>	<b>-</b>	<b>6,138,033</b>	<b>-</b>	<b>-</b>	<b>6,138,033</b>
<b>Total expenses</b>	<b>17,467,689</b>	<b>8,265,550</b>	<b>25,733,239</b>	<b>-</b>	<b>-</b>	<b>25,733,239</b>
<b>(Decrease) increase in net assets from operating activities</b>	<b>(20,697)</b>	<b>1,246,175</b>	<b>1,225,478</b>	<b>(1,378,758)</b>	<b>-</b>	<b>(153,280)</b>
<b>Nonoperating activities:</b>						
New split-interest agreements	-	-	-	658,967	-	658,967
Change in value of split-interest agreements	6,052	-	6,052	(20,497)	(82,846)	(97,291)
Realized and unrealized gains on investments (Note C)	500,019	-	500,019	195,892	-	695,911
Aurora social service interest income (Note D)	240,000	-	240,000	-	-	240,000
Interest and amortization income (Note D)	811,276	-	811,276	-	-	811,276
Reversal of minimum pension liability	199,753	84,157	283,910	-	-	283,910
<b>Total nonoperating activities</b>	<b>1,757,100</b>	<b>84,157</b>	<b>1,841,257</b>	<b>834,362</b>	<b>(82,846)</b>	<b>2,592,773</b>
Changes in net assets before effect of adoption of FASB Statement No. 158	1,736,403	1,330,332	3,066,735	(544,396)	(82,846)	2,439,493
Effect of adoption of FASB Statement No. 158 (Note H)	(381,097)	(167,085)	(548,182)	-	-	(548,182)
<b>Changes in net assets</b>	<b>1,355,306</b>	<b>1,163,247</b>	<b>2,518,553</b>	<b>(544,396)</b>	<b>(82,846)</b>	<b>1,891,311</b>
<b>Net assets, beginning of the year</b>	<b>20,917,337</b>	<b>5,528,665</b>	<b>26,446,002</b>	<b>3,262,783</b>	<b>11,541,268</b>	<b>41,250,053</b>
<b>Net assets, end of the year</b>	<b>\$ 22,272,643</b>	<b>\$ 6,691,912</b>	<b>\$ 28,964,555</b>	<b>\$ 2,718,387</b>	<b>\$ 11,458,422</b>	<b>\$ 43,141,364</b>

The accompanying notes are an integral part of this statement.

The Actors' Fund of America

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2008

	Program Services				Supporting Services				Total	
	Social Services	Employment and Training	Health Services	Housing	Total	General and Administrative	Special Events	Fund-raising		
Events	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597,311	\$ -	\$ 597,311	\$ 597,311
Fund-raising	-	-	-	-	-	-	-	600,799	600,799	600,799
Communications and public relations	9,411	9,411	9,411	9,411	37,644	3,422	10,267	17,111	30,800	68,444
Salaries	2,123,276	671,220	623,293	5,020,667	8,438,456	560,994	733,743	685,151	1,979,888	10,418,344
Payroll benefits and taxes	564,537	154,556	141,525	1,558,392	2,419,010	124,484	149,395	159,510	433,389	2,852,399
Retirement benefits	199,574	64,661	53,181	308,757	626,173	40,521	57,915	50,663	149,099	775,272
General office expenses	317,051	109,021	112,663	873,896	1,412,631	83,531	146,000	109,082	338,613	1,751,244
Professional fees and outside services	258,253	103,422	122,613	169,736	654,024	71,051	129,732	57,473	258,256	912,280
Occupancy and facility	470,175	161,496	152,644	701,600	1,485,915	97,229	143,274	124,935	365,438	1,851,353
Depreciation and amortization	98,895	29,175	70,209	1,025,092	1,223,371	23,710	34,324	28,919	86,953	1,310,324
Program activities and financial assistance	3,935,992	45,624	498,591	1,854,478	6,334,685	-	-	-	-	6,334,685
	<u>\$ 7,977,164</u>	<u>\$ 1,348,586</u>	<u>\$ 1,784,130</u>	<u>\$ 11,522,029</u>	<u>\$ 22,631,909</u>	<u>\$ 1,004,942</u>	<u>\$ 2,001,961</u>	<u>\$ 1,833,643</u>	<u>\$ 4,840,546</u>	<u>\$ 27,472,455</u>

The accompanying notes are an integral part of this statement.

The Actors' Fund of America

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2007

	Program Services				Supporting Services				Total	
	Social Services	Employment and Training	Health Services	Housing	Total	General and Administrative	Special Events	Fund-raising		Total
Events	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,145,251	\$ -	\$ 1,145,251	\$ 1,145,251
Fund-raising	-	-	-	-	-	-	-	833,485	833,485	833,485
Communications and public relations	58,628	19,543	15,200	17,371	110,742	41,528	83,057	41,528	166,113	276,855
Salaries	2,112,731	618,324	505,430	4,426,438	7,662,923	724,296	647,727	719,340	2,091,363	9,754,286
Payroll benefits and taxes	562,539	143,990	114,635	1,330,966	2,152,130	154,675	149,922	147,603	452,200	2,604,330
Retirement benefits	212,329	70,042	55,337	338,486	676,194	60,656	54,526	65,252	180,434	856,628
General office expenses	339,519	109,901	101,844	838,304	1,389,568	132,784	109,542	173,300	415,626	1,805,194
Professional fees and outside services	354,631	116,864	113,909	172,654	758,058	238,380	79,143	119,209	436,732	1,194,790
Occupancy and facility	395,628	131,884	127,004	741,945	1,396,461	103,907	99,825	107,826	311,558	1,708,019
Depreciation and amortization	94,706	27,924	67,914	718,671	909,215	35,642	31,097	38,532	105,271	1,014,486
Program activities and financial assistance	2,415,987	37,770	453,186	1,632,972	4,539,915	-	-	-	-	4,539,915
	<u>\$ 6,546,698</u>	<u>\$ 1,276,242</u>	<u>\$ 1,554,459</u>	<u>\$ 10,217,807</u>	<u>\$ 19,595,206</u>	<u>\$ 1,491,868</u>	<u>\$ 2,400,090</u>	<u>\$ 2,246,075</u>	<u>\$ 6,138,033</u>	<u>\$ 25,733,239</u>

The accompanying notes are an integral part of this statement.

The Actors' Fund of America

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Changes in net assets	\$ (9,293,414)	\$ 1,891,311
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Effect of adoption of FASB Statement No. 158	-	548,182
Depreciation and amortization	1,291,313	1,014,486
Change in discount on bequests, contributions and pledges receivable	(54,739)	(9,740)
Provision for doubtful accounts	20,000	44,000
Provision for uncollectible program-related investments and notes	70,365	65,979
Derecognition in interest in Schermerhorn HDFC	2,450,000	-
Accretion of income on program-related notes	(753,921)	(695,979)
Amortization of deferred financing costs	19,011	-
Net realized and unrealized losses (gains) on investments	3,707,270	(671,673)
Contributions restricted to annuity agreements and endowments	684,508	(129,392)
Changes in operating assets and liabilities:		
Accounts and other receivables	(109,271)	(133,049)
Bequests, contributions and pledges receivable	537,340	(4,958)
Prepaid expenses	(76,659)	62,576
Annuity fund investments	684,508	(129,392)
Value of interest in split-interest agreements	1,402,625	119,599
Amounts held on behalf of others	(699,797)	65,498
Accounts payable and accrued expenses	(641,602)	89,220
Deferred rent	198,735	(70,386)
Deferred revenue	57,024	(580,129)
Annuities payable	1,387,592	186,350
Other liabilities	817,731	284,525
Postretirement benefit obligations	2,043,883	(265,683)
Net cash provided by operating activities	<u>3,742,502</u>	<u>1,681,345</u>
Cash flows from investing activities:		
Proceeds from maturity/sales of investments	5,493,297	10,196,517
Purchases of investments	(8,456,659)	(9,561,600)
Acquisition of property and equipment	(5,001,836)	(2,715,998)
Net cash used in investing activities	<u>(7,965,198)</u>	<u>(2,081,081)</u>
Cash flows from financing activities:		
Contributions restricted to annuity agreements and endowments	(684,508)	129,392
Proceeds from bond payable	-	7,000,000
Bond closing costs	-	(380,217)
Decrease (increase) in deposits with bond trustee	3,309,112	(4,795,515)
Net cash provided by financing activities	<u>2,624,604</u>	<u>1,953,660</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,598,092)</u>	<u>1,553,924</u>
Cash and cash equivalents, beginning of year	<u>4,200,020</u>	<u>2,646,096</u>
Cash and cash equivalents, end of year	<u>\$ 2,601,928</u>	<u>\$ 4,200,020</u>
Supplemental disclosure of cash flow information:		
Construction payables	\$ -	\$ 1,379,224
Cash paid for interest	\$ 289,348	\$ -

The accompanying notes are an integral part of these statements.

The Actors' Fund of America

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**NOTE A - ORGANIZATION**

The Actors' Fund of America ("The Actors' Fund") was established in 1882 to provide assistance to members of the entertainment industry in the United States of America. The Actors' Fund disburses aid through a financial assistance fund and provides various human services to entertainment professionals and also operates a 42-bed assisted living facility and a 77-bed nursing home in Englewood, New Jersey. The Actors' Fund also provides affordable housing for the elderly or disabled, working poor and persons with AIDS with established housing located in New York (the "Aurora") through its participation as general partner in Aurora Associates, L.P.

The Actors' Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is not a private foundation within Section 509(a) of the Code.

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

*1. Financial Statement Presentation*

The accompanying financial statements of The Actors' Fund have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of The Actors' Fund ("General Fund") and its operating unit, The Lillian Booth Actors' Home of The Actors' Fund of America ("The Home").

The Actors' Fund is required to report information regarding its financial position and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets represent net assets of The Actors' Fund that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*2. Donor-restricted Funds*

Temporarily restricted net assets represent gifts of cash and other assets received with donor stipulations that limit the use of the donated assets or are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

**NOTE B (continued)**

At December 31, 2008, temporarily restricted net assets of \$2,845,075 consisted of \$801,443 of purpose restricted funds and \$2,043,632 restricted by the passage of time. At December 31, 2007, temporarily restricted net assets of \$2,718,387 consisted of \$1,006,168 of purpose restricted funds and \$1,712,219 restricted by the passage of time. During the years ended December 31, 2008 and 2007, amounts released from restriction represent funds spent for the donor-stipulated purpose and/or the passage of time.

Permanently restricted net assets represent net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled by actions of The Actors' Fund and must be maintained in perpetuity. At December 31, 2008, permanently restricted net assets of \$10,098,226 consisted of \$6,428,071 restricted to investment in endowment funds and \$3,670,155 of perpetual trusts established by several donors. At December 31, 2007, permanently restricted net assets of \$11,458,422 consisted of \$6,428,071 restricted to investment in endowment funds and \$5,030,351 of perpetual trusts established by several donors. Investment income derived from perpetual trusts is used for operations.

3. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts; discounts to present value on bequest, contributions and pledges receivable; postretirement benefit obligations; the fair values assigned to financial instruments; and useful lives of fixed assets. Actual results could differ from those estimates.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

4. *Bequests, Contributions and Pledges Receivable*

Bequests and contributions, which include unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor stipulated restrictions, if any.

Bequests, contributions and pledges receivable consisted of the following unconditional promises to give at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Amounts due in:		
Less than one year	\$ 547,655	\$ 936,306
One to five years	119,000	265,189
More than five years	<u>7,500</u>	<u>10,000</u>
	674,155	1,211,495
Less: unamortized discount (at discount rates ranging between 3% and 5%)	<u>(21,337)</u>	<u>(76,076)</u>
	<u>\$ 652,818</u>	<u>\$ 1,135,419</u>

The Actors' Fund has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. The Actors' Fund's share of such bequests is recorded when The Actors' Fund has an irrevocable right to the bequest and the proceeds are measurable. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

5. *Investments*

Investments in marketable securities are carried at fair market value with realized and unrealized gains and losses reflected in the statement of activities. Donated investments are recorded at their fair market value at date of donation.

Effective January 1, 2008, The Actors' Fund adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

**NOTE B (continued)**

framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. SFAS No. 157 maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices available in active markets for identical assets or liabilities as of December 31, 2008. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of December 31, 2008. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of December 31, 2008. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the entity. The Actors' Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to The Actors' Funds' perceived risk of that instrument.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

6. *Valuation of Investments*

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or nontransferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate) amongst other similar interest. The Actors' Fund does not have any investments classified within Level 3.

7. *Deposits with Bond Trustee*

Deposits with bond trustee represent funds held by a trustee associated with The Actors' Fund's bonds payable. Such funds have been invested in short-term marketable government-backed securities and as of December 31, 2008 are classified under Level 1 within the fair value hierarchy of SFAS No. 157. These deposits will be utilized to fund the nursing and assisted living facility expansion or to satisfy certain debt service reserve requirements pursuant to the bond indenture agreement.

8. *Cash and Cash Equivalents*

The Actors' Fund considers all highly liquid financial instruments, primarily money market funds, with original maturities of 90 days or less from the date of purchase, to be cash equivalents. The Actors' Fund's cash equivalents as of December 31, 2008 are classified under Level 1 within the fair value hierarchy of SFAS No. 157.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

9. *Property and Equipment*

Property and equipment are recorded at cost or fair market value at the date of donation. The Actors' Fund capitalizes property and equipment costing more than \$2,500 and with useful lives greater than one year. Property and equipment, with the exception of land, are depreciated by the straight-line method, using the half-year convention, over the estimated lives of the respective assets, as follows:

Leasehold improvements	Lesser of lease term or economic life of betterment
Buildings and improvements	15 to 27.5 years
Furniture and fixtures	5 to 10 years
Equipment	5 to 7 years

10. *Conditional Asset Retirement Obligations*

The issuance of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," and its interpretation, FIN No. 47, "Accounting for Conditional Asset Retirement Obligations," required The Actors' Fund to recognize the cost associated with the eventual remediation and abatement of asbestos located within the construction of The Home. Based on the results of a site-specific survey, performed by an outside environmental consultant, The Actors' Fund concluded that the cost of remediation is immaterial to the accompanying financial statements and, accordingly, has not recognized a liability for this obligation as of December 31, 2008 and 2007.

11. *Net Patient and Resident Services Revenue*

Net patient and resident services revenue is reported based on the estimated net realizable amounts expected to be collected from residents, third-party payors and others for services rendered. At December 31, 2008 and 2007, the allowance for doubtful accounts was \$230,000 and \$210,000, respectively. The allowance for doubtful accounts is estimated at 10% of accounts receivable after adjusting for a specific allowance taken on highly uncollectible balances and Medicaid pending reserve balances. During 2008 and 2007, the Home received 41% and 44%, respectively, of its net revenue from Medicaid.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

**NOTE B (continued)**

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported as part of operations in the year of settlement. 2008 patient and resident services revenue is reflected net of a \$5,500 settlement for Medicaid services provided during fiscal year 2007.

*12. Contributed Services*

The Actors' Fund benefits from contributed services associated with special theatrical performances which occur on its behalf. The Actors' Fund does not recognize the value of these special performances in its financial statements since The Actors' Fund has historically had these performances contributed and has never paid for such performances and as such, the criteria for recognition under U.S. GAAP has not been met. In addition, during 2008 and 2007, The Actors' Fund received contributed medical services with a fair value of approximately \$282,000 and \$244,000, respectively, which have been reflected as a component of contribution revenue and health services expense in the accompanying statements of activities.

*13. Contracts and Grants*

The Actors' Fund receives grant and contract funding from various governmental agencies and private sources. The Actors' Fund recognizes revenue under these arrangements as related program costs are incurred during the respective grant or contract period.

*14. Special Events*

Revenues and expenses relative to special events are recognized upon occurrence of the respective event.

*15. Measure of Operations*

The accompanying statements of activities distinguish between operating and nonoperating activities. Operating activities principally include all revenues and expenses that are an integral part of The Actors' Fund's programs, special events, and social services activities. Nonoperating activities principally include investment return in excess of, or less than, the amount distributed under The Actors' Fund's spending policy (see Note C); endowment contributions; change in value of split-interest agreements; and other activities considered to be more of an unusual or nonrecurring nature.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

**NOTE B (continued)**

*16. Functional Allocation of Expenses*

The costs of providing The Actors' Fund's programs and services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

*17. Concentration of Credit Risk*

Cash, cash equivalents, and investments are exposed to various risks, such as interest rate, market, and credit. To minimize such risks, The Actors' Fund has a diversified investment portfolio managed by independent investment managers in a variety of asset classes. The Actors' Fund regularly evaluates its investments including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. The Actors' Fund maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Actors' Fund's cash accounts were placed with high credit quality financial institutions and, accordingly, The Actors' Fund does not expect nonperformance.

*18. Fair Value of Financial Instruments*

The carrying amounts of cash and cash equivalents, accounts receivable and other receivables, bequests, contributions and pledges receivable, prepaid expenses, deferred charges, and other assets, and accounts payable and accrued expenses and other liabilities approximate fair value due to the short-term maturity of these financial instruments.

The fair value of long-term investments and annuity fund investments are based on the quoted market values of the underlying securities.

The Actors' Fund estimates that the carrying value of its bonds payable approximate fair value because the bonds bear interest at rates that are not significantly different than current market rates for loans with similar maturities and credit qualities.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

19. Cash Held on Behalf of Others - Coogan Cash Accounts

Cash held on behalf of others represents unclaimed funds entrusted to The Actors' Fund collected from the entertainment employers for unemancipated minors rendering artistic or creative services pursuant to California state law. The establishment of such account is known as the "Coogan Cash Account" in the industry. The Actors' Fund has been designated as the trustee of the unclaimed funds collected and pays the funds to the stipulated beneficiaries or transfers the funds to their Coogan Cash Account once the minor reaches the age of maturity or becomes emancipated or to the estates of the respective beneficiaries. Cash held on behalf of beneficiaries is offset by a corresponding liability in the accompanying statements of financial position. Amounts held on behalf of others consist of funds invested principally in money market funds and fixed-income securities and as of December 31, 2008 are classified under Level 1 within the fair value hierarchy of SFAS No. 157.

20. Reclassifications

Certain prior year amounts have been reclassified to conform to the 2008 financial statement presentation.

NOTE C - LONG-TERM INVESTMENTS

Investments at December 31, 2008 and 2007 consisted of the following:

	2008		2007	
	Market	Cost	Market	Cost
Cash and cash equivalents	\$ 706,815	\$ 706,815	\$ 632,287	\$ 632,287
Common stocks	4,402,017	5,885,620	7,337,427	6,728,718
Preferred stocks	11,726	48,279	42,185	48,279
Mutual funds	5,191,619	5,350,382	1,816,905	1,757,389
Corporate bonds	611,761	645,458	612,025	618,636
Government bonds	2,110,019	2,013,808	3,337,036	3,236,689
	<u>\$ 13,033,957</u>	<u>\$ 14,650,362</u>	<u>\$ 13,777,865</u>	<u>\$ 13,021,998</u>

The Actors' Fund's investments are classified under Level 1 within the fair value hierarchy of SFAS No. 157 as of December 31, 2008.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE C (continued)

Included in the investment balances above is \$2,778,068 for 2008 and \$889,357 for 2007 pertaining to trusts in which the Actors' Fund is the trustee of and is responsible for making annuity payments to specified life tenant beneficiaries. The liabilities as of December 31, 2008 and 2007 are \$1,746,009 and \$326,437, respectively, and are reflected as part of annuities payable in the accompanying statements of financial position.

Investments are allocated amongst the net asset categories as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ 3,567,125	\$ 6,096,232
Temporarily restricted	3,038,761	1,253,562
Permanently restricted	<u>6,428,071</u>	<u>6,428,071</u>
	<u>\$ 13,033,957</u>	<u>\$ 13,777,865</u>

Permanently restricted endowment funds at December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
General Fund:		
Noel Murphy	\$ 566,691	\$ 566,691
Joseph Callaway	281,461	281,461
Percy Williams	3,254,762	3,254,762
Willard Swire Scholarship Fund	28,000	28,000
Rosetta Brown	92,290	92,290
John Drew Fund	320,117	320,117
The Home:		
Lillian Booth	1,000,000	1,000,000
Edwin Forrest	772,250	772,250
May V. Smith	<u>112,500</u>	<u>112,500</u>
	<u>\$ 6,428,071</u>	<u>\$ 6,428,071</u>

The trustees of The Actors' Fund have adopted an investment spending policy which permits the use of 5% annually of the average investment portfolio's fair value based on its total return over the previous 12 quarters.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE C (continued)

The following schedule summarizes investment (losses) gains and their classification in the accompanying statements of activities. For the years ended December 31, 2008 and 2007, included in realized and unrealized (losses) gains are approximately \$(43,406) and \$82,200, respectively, representing the change in asset value of the gift annuity and pooled income funds.

	December 31,	
	2008	2007
Dividends and interest (net of expenses of \$146,364 and \$129,793 in 2008 and 2007, respectively)	\$ 661,183	\$ 528,334
Net realized (losses) gains	(681,660)	725,363
Net unrealized losses	<u>(3,025,610)</u>	<u>(53,690)</u>
Total investment return	(3,046,087)	1,200,007
Investment (loss) return designated for current operations	<u>(542,156)</u>	<u>(504,096)</u>
Investment (loss) return, net of amounts designated for current operations	<u><u>\$(3,588,243)</u></u>	<u><u>\$ 695,911</u></u>

NOTE D - PROGRAM-RELATED INVESTMENTS AND NOTES, NET

1. *Aurora Associates, L.P.*

On July 12, 1995, Aurora Associates, L.P. (the "Partnership"), the General Partner of which is an affiliate of The Actors' Fund, acquired the Aurora building located in the general entertainment community of Manhattan, at 475 West 57<sup>th</sup> Street, New York City. The limited partners of the Partnership are a group of unrelated entities. The terms of the Partnership Agreement provide, among other things, that profits, losses and tax credits be allocated 99% to the Investor Limited Partners, .01% to the Special Limited Partner (Related Aurora Associates, Inc.) and .99% to the General Partner. The Special Limited Partner and the General Partner are not responsible for the debt of the Partnership.

The Aurora, a 30-story high-rise condominium, consists of shared rental units and one-bedroom apartments which provide 178 affordable housing units for the elderly or disabled, working poor and persons with AIDS. Since residents began moving into the building in February 1996, The Actors' Fund has been providing on-site social services to residents.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE D (continued)

On July 12, 1995, Aurora Associates, L.P. issued four note payables to The Actors' Fund consisting of a Junior Actors Note in the amount of \$3,500,000, a Developer Note in the amount of \$1,000,000, a Social Services Note in the amount of \$3,000,000 and a Senior Actors Note in the amount of \$1,000,000, aggregating \$8,500,000, with principal and accrued interest of 8% per annum with a 30-year maturity on the first two notes, and a 15-year maturity on the latter two notes. Interest payable on all of the aforementioned notes is made from the available cash flows of The Aurora. These nonrecourse notes are secured by a mortgage for the same amounts encumbering real property and improvements made to The Aurora and an assignment of rents, income and other benefits. Upon executing these four notes, the full \$8,500,000 was recorded as part of program-related investments and notes on the accompanying statements of financial position. Deferred revenue was initially recognized in an amount equal to \$7,500,000, consisting of the Junior Actors, the Developer and the Social Services Notes and is being amortized over a term which approximates the maturity period of the related notes. Deferred revenue related to The Aurora was \$2,826,515 and \$3,190,152 at December 31, 2008 and 2007, respectively. It is expected that the Partnership's cash flow will continue to be insufficient to make any payments under the notes, including accrued interest, and that at its maturity, in 2010, the accumulated amount due is expected to approximate the fair value of The Aurora. The Actors' Fund has the option and right of first refusal to acquire the property after the initial 15-year compliance period ends in 2010. Accrued interest on this note receivable was \$8,493,447 and \$7,813,447 at December 31, 2008 and 2007, respectively.

2. *Palm View Limited Partnership*

On April 15, 1997, The Actors' Fund agreed to lend \$2,500,000 to Palm View Limited Partnership ("Palm View L.P.") to finance affordable housing at 980 North Palm Avenue, West Hollywood, California (the "Palm View Facility"), consistent with its programmatic mission. Sponsored and developed by the West Hollywood City Housing Corporation, the Palm View Facility houses the clients of The Actors' Fund in the entertainment community who are suffering from AIDS. This note receivable will mature in 2027 and will accrue interest at 3% per annum through January 1, 2014, and 6.5% per annum thereafter. Any unpaid principal balance converts to an equity ownership interest in the Palm View property at the maturity date of the note. The underlying property has significant regulatory restrictions that do not expire until fiscal 2047. The implications of such restrictions are at present difficult to assess and have caused uncertainty in determining the amounts that will ultimately be realized by The Actors' Fund.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE D (continued)

Accordingly, given the fact that Palm View L.P.'s cash flow appears insufficient to satisfy required principal and interest payments as they become due and the uncertainty of assessing the impact of the regulatory restrictions attached to the property, the note, along with all accrued interest, has been fully reserved for. The following presents the total outstanding loan balance and accrued interest receivable at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Loan principal:		
Principal loan balance outstanding	\$ 2,453,940	\$ 2,453,940
Reserve	<u>(2,453,940)</u>	<u>(2,453,940)</u>
Net loan balance	<u>\$ -</u>	<u>\$ -</u>
Accrued interest:		
Accrued interest receivable	\$ 542,726	\$ 472,361
Reserve	<u>(542,726)</u>	<u>(472,361)</u>
Net accrued interest receivable	<u>\$ -</u>	<u>\$ -</u>

3. *Schermerhorn Housing Development Fund Corporation*

Schermerhorn Housing Development Fund Corporation ("Schermerhorn HDFC") is a not-for-profit entity formed under section 402 of the Not-for-Profit Corporation Law of the state of New York. Its purpose is to develop a 217-unit apartment building on Schermerhorn Street, Brooklyn, N.Y. to be used for supportive housing designed to house formerly homeless and low-income single adults from the performing arts and entertainment community. The members of Schermerhorn HDFC are Common Ground Community Housing Fund Corporation, Inc. (51%) and The Actors' Fund (49%).

The Actors' Fund will provide social services to all low income residents and the Center for Urban Community Services will provide social services to the formerly homeless, special needs residents of the house via contracts with the City of New York. In addition, The Actors' Fund has committed to provide funding to construct and equip a community room/theater located on the premises. The total cost of the community room/theater is expected to approximate \$1,150,000, most of which is contracted for with the New York City Department of Cultural Affairs and the Dormitory Authority for New York State. Construction is ongoing and is expected to be completed in 2009.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE D (continued)

The Actors' Fund's ratable share of the value of the contributed property received in 2006 was independently appraised at \$2,450,000 and was recognized as a component of nonoperating activities. However, during 2008, it was concluded that the land on which the apartment building was to be constructed on was situated in such a way that it required a substantial additional investment to ready it for construction as it transverses a subway line. Accordingly, the previously recognized contribution has been derecognized since the betterments exceed its appraised fair value at the time of receipt. The derecognition of The Actors' Fund's interest in Schermerhorn HDFC has been recognized as a charge within the nonoperating section of the statement of activities.

NOTE E - SPLIT-INTEREST AND ANNUITY FUND AGREEMENTS

The Actors' Fund has established an annuity fund which is invested in equity securities, money market funds and bonds. The income beneficiaries of the annuity fund receive annual distributions during their lives. The Actors' Fund receives the remaining principal upon death of the life beneficiaries. The assets of the annuity fund which consist principally of cash and cash equivalents, corporate bonds and government bonds at December 31, 2008 and 2007 totaled \$2,203,596 and \$2,888,104, respectively, and have been classified as Level 1 investments. Liabilities related to the split-interest and annuity fund agreements were \$3,235,572 and \$1,847,980 as of December 31, 2008 and 2007, respectively. Also included in these amounts are liabilities related to the pooled income fund of \$60,250 and \$87,825 as of December 31, 2008 and 2007, respectively. The gift annuity fund liabilities are based on discount rates ranging between 3.6% and 8.2%, consistent with mortality tables provided by the Internal Revenue Service, and the pooled income fund liabilities have a discount rate of 5.0%.

The Actors' Fund is also the beneficiary of other split-interest agreements which it is not the trustee of, with the exception of two charitable remainder trusts, as discussed in Note C. The Actors' Fund's interest in these split-interest agreements at December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Charitable remainder trusts	\$ 110,824	\$ 145,175
Perpetual trusts	3,670,154	5,030,351
Pooled income fund	<u>250,171</u>	<u>258,248</u>
Value of interest in split-interest agreements	<u>\$ 4,031,149</u>	<u>\$ 5,433,774</u>

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at December 31, 2008 and 2007 consisted of the following:

	<u>General Fund</u>	<u>The Home</u>	<u>Total</u>
<b><u>2008</u></b>			
Buildings and leasehold improvements	\$ 4,424,260	\$14,924,251	\$ 19,348,511
Furniture, fixtures and equipment	3,086,741	2,078,326	5,165,067
Less: accumulated depreciation and amortization	<u>(5,866,741)</u>	<u>(7,095,056)</u>	<u>(12,961,797)</u>
	1,644,260	9,907,521	11,551,781
Land	-	100,000	100,000
Construction in progress	<u>92,026</u>	<u>2,427,369</u>	<u>2,519,395</u>
Property and equipment, net	<u>\$ 1,736,286</u>	<u>\$12,434,890</u>	<u>\$ 14,171,176</u>
<b><u>2007</u></b>			
Buildings and leasehold improvements	\$ 4,354,714	\$ 8,583,425	\$ 12,938,139
Furniture, fixtures and equipment	4,098,784	1,724,189	5,822,973
Less: accumulated depreciation and amortization	<u>(6,512,314)</u>	<u>(6,360,457)</u>	<u>(12,872,771)</u>
	1,941,184	3,947,157	5,888,341
Land	-	100,000	100,000
Construction in progress	<u>46,631</u>	<u>4,425,681</u>	<u>4,472,312</u>
Property and equipment, net	<u>\$ 1,987,815</u>	<u>\$ 8,472,838</u>	<u>\$ 10,460,653</u>

Construction in progress at December 31, 2008 and 2007 consisted mainly of costs incurred related to the nursing and assisted living facility expansion.

The Actors' Fund owns approximately 2,400 burial plots in New York and Pennsylvania for which no value has been assigned to in the accompanying financial statements.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

**NOTE G - BONDS PAYABLE**

In December of 2007, The Actors' Fund issued through the New Jersey Economic Development Authority ("NJEDA") \$7,000,000 of Economic Development Bonds (The Actors' Fund of America Project) (the "Bonds") to provide funding for the nursing and assisted living facility expansion. Pursuant to a Bond Agreement dated December 11, 2007 (the "Bond Agreement"), among The Actors' Fund, NJEDA, and Commerce Bank, National Association ("Commerce"), now TD Bank, Commerce purchased the Bonds from NJEDA and the proceeds of the sale were lent by NJEDA to The Actors' Fund (the "Loan"). The term of the Loan is twenty (20) years, and during the initial ten (10) years of the term, interest accrues on the unpaid principal balance of the Loan at the rate of 4.18% per annum. For the period December 1, 2017 through December 11, 2027 a fixed rate will be used per annum equal to seventy percent (70%) of the then-in-effect Ten (10) Year United States Treasury Securities Index, as made available by the Federal Reserve Board plus two-hundred (200) basis points and set three (3) business days prior to December 1, 2017. The Actors' Fund's obligation to repay the Loan is secured by: (i) a Mortgage and Security Agreement covering the real property commonly known by the street address of 155-175 West Hudson Avenue, Englewood, New Jersey (the "Englewood Property") and certain fixtures and other personal property located thereon, (ii) an Assignment of Leases and Rents covering the Englewood Property, and (iii) a security interest in and to all funds deposited from time to time in the escrow fund established under the Bond Agreement.

In addition to customary operating covenants, the Bond Agreement includes the following financial covenants:

- (a) The Actors' Fund must maintain a Debt Service Coverage Ratio of at least 1.20 to 1.00. Compliance with this covenant is tested annually based upon The Actors' Fund's audited financial statements. "Debt Service Coverage Ratio" is defined as (i) the sum of net profit plus depreciation and amortization expense plus interest expense divided by (ii) the current portion of long term debt plus interest expense.
- (b) Without the prior consent of TD Bank, The Actors' Fund cannot incur additional indebtedness: (i) in excess of \$500,000, or (ii) for a term exceeding one year. In addition, The Actors' Fund is prohibited from guarantying additional indebtedness and from making loans and advances to third parties. Finally, The Actors' Fund must provide notice to TD Bank if advances under its existing line of credit facility with HSBC exceed, in the aggregate, \$500,000.

The Actors' Fund was in compliance with these covenants as of December 31, 2008.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE G (continued)

In connection with the issuance, The Actors' Fund incurred deferred financing cost of \$380,217, which will be amortized over the maturity period of the bond, twenty years.

Maturities of bonds payable at December 31, 2008 are as follows:

2009	\$	245,237
2010		255,835
2011		266,890
2012		277,682
2013		290,423
Thereafter		<u>5,663,933</u>
	\$	<u>7,000,000</u>

Total interest expense associated with the loan for the years ended December 31, 2008 and 2007 totaled \$322,672 and \$17,068, respectively, of which capitalized interest totaled \$245,098 for the year ended December 31, 2008, net of interest earnings of \$77,574 in 2008.

NOTE H - POSTRETIREMENT BENEFITS

The Actors' Fund provides a noncontributory defined benefit pension plan. In order to be eligible for coverage, employees must attain age 21 and complete one year of service.

The Actors' Fund also sponsors a postretirement plan for certain employees which provides health insurance benefits. Participants become eligible after attainment of age 65 and completion of fifteen years of service. Benefits are generally coordinated with Medicare. Effective January 1, 2006, the eligibility requirements for new participants were amended requiring the attainment of age 65 and completion of 15 years of service before becoming eligible to receive benefits. On December 7, 2003, Congress passed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). The Actors' Fund's postretirement health insurance plan offers prescription benefits to Medicare eligible participants which are considered "actuarially equivalent" to Medicare Part D benefits. The Actors' Fund has applied for the federal subsidy allowed under the Act to employers which provide "actuarially equivalent" Medicare Part D prescription benefits. Any subsidy received by The Actors' Fund will defray the cost of the plan's prescription benefits.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE H (continued)

The Actors' Fund uses a December 31 measurement date for purposes of calculating its pension and postretirement benefit plan obligations.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 ("SFAS No. 158"), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The new statement revised the previous reporting and certain required disclosures for pension and other postretirement plans. SFAS No. 158 required The Actors' Fund to recognize the funded status of its pension and postretirement benefit obligations in its statement of financial position at December 31, 2007.

The following table provides a summary of The Actors' Fund pension and postretirement benefit plans as of December 31, 2008 and 2007 and the effect of adoption of SFAS No. 158:

	Before Adoption of SFAS No. 158	SFAS No. 158 Adjustment	After Adoption of SFAS No. 158
Accrued benefit liability	<u>\$ 3,332,270</u>	<u>\$ 548,182</u>	<u>\$ 3,880,452</u>
Minimum pension liability	<u>\$ (283,910)</u>	<u>\$ (283,910)</u>	<u>\$ -</u>

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE H (continued)

The following summarizes the funded status of the plans and associated costs as of and for the years ended December 31, 2008 and 2007:

	2008		2007	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Reconciliation of benefit obligation:				
Accumulated benefit obligation at January 1	\$ 8,178,945	\$ 1,279,503	\$ 7,931,309	\$ 1,301,070
Service cost	610,717	90,292	626,205	81,040
Interest cost	542,917	85,791	467,345	74,831
Actuarial loss (gain)	1,039,138	190,304	(713,899)	(106,480)
Benefit payments to participants	(146,023)	(53,466)	(132,015)	(70,958)
Accumulated benefit obligation at December 31	<u>\$ 10,225,694</u>	<u>\$ 1,592,424</u>	<u>\$ 8,178,945</u>	<u>\$ 1,279,503</u>
Projected benefit obligation	\$ (10,225,694)	\$ (1,592,424)	\$ (8,178,945)	\$ (1,279,503)
Fair value of plan assets	<u>5,893,783</u>	<u>-</u>	<u>5,577,996</u>	<u>-</u>
Funded status	<u>\$ (4,331,911)</u>	<u>\$ (1,592,424)</u>	<u>\$ (2,600,949)</u>	<u>\$ (1,279,503)</u>
Amount recognized in the statements of financial position consist of:				
Accrued benefit cost	\$ (668,101)	\$ (1,880,936)	\$ (1,444,973)	\$ (1,887,259)
Accumulated change	(3,663,810)	288,512	-	-
Change due to adoption of SFAS No. 158	-	-	(1,155,976)	607,756
Total accrued benefit liability	<u>\$ (4,331,911)</u>	<u>\$ (1,592,424)</u>	<u>(2,600,949)</u>	<u>\$ (1,279,503)</u>
Service cost	\$ 610,717	\$ 90,292	\$ 626,205	\$ 81,040
Interest cost	542,917	85,791	467,345	74,831
Expected return on plan assets	(502,747)	-	(406,229)	-
Amortization of prior service costs	42,792	(147,352)	42,792	(147,352)
Amortization of loss	<u>34,449</u>	<u>18,412</u>	<u>95,336</u>	<u>22,660</u>
Net periodic pension cost	<u>\$ 728,128</u>	<u>\$ 47,143</u>	<u>\$ 825,449</u>	<u>\$ 31,179</u>

The estimated net loss, transition obligation and prior service cost for the pension plan that will be amortized from accumulated change in unrestricted net assets into net periodic benefit cost over the next fiscal year are \$229,824, \$0 and \$39,970, respectively. The estimated net periodic benefit cost for the postretirement plan is \$115,000 which is based on the assumptions used below.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE H (continued)

Amounts recognized in accumulated change in unrestricted net assets consist as of and for the years ended December 31, 2008 and 2007:

	2008		2007	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Prior service (cost) / credit	\$ (181,897)	\$ 789,100	\$ (224,689)	\$ 936,452
Actuarial loss	<u>(3,481,913)</u>	<u>(500,588)</u>	<u>(931,287)</u>	<u>(328,696)</u>
Amounts recognized in accumulated change in unrestricted net assets	<u>\$ (3,663,810)</u>	<u>\$ 288,512</u>	<u>\$ (1,155,976)</u>	<u>\$ 607,756</u>

At December 31, 2008, the accrued benefit liability for pension benefits of \$4,331,911 consists of \$2,989,289 accrued for the General Fund and \$1,342,622 accrued for The Home. At December 31, 2007, the accrued benefit liability for pension benefits of \$2,600,949 consists of \$1,790,382 accrued for the General Fund and \$810,567 accrued for The Home. At December 31, 2008 and 2007, respectively, the accrued benefit liability for postretirement benefits of \$1,592,424 and \$1,279,503 is included as part of postretirement benefit obligations in the accompanying statements of financial position.

The weighted-average assumptions used to determine benefit obligations at December 31, 2008 and 2007 were as follows:

	2008		2007	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Discount rate	6.00%	6.00%	6.50%	6.50%
Rate of compensation increase	3.75%	N/A	3.75%	N/A

The Actors' Fund of America

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2008 and 2007

**NOTE H (continued)**

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2008 and 2007 were as follows:

	2008		2007	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Discount rate	6.5%	6.5%	5.90%	5.9%
Expected return on plan assets	8.00%	N/A	8.00%	N/A
Rate of compensation increase	3.75%	N/A	3.75%	N/A

The Actors' Fund expects to contribute approximate \$608,000 to its pension plan for the year ended December 31, 2009.

The assumed health care cost trend rates for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007
Health care cost trend rate assumed for the next year:		
Pre-Medicare eligible	N/A	8.50%
Medicare eligible	10.00%	10.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2018	2018

The net periodic pension and postretirement benefit costs included the following components:

	2008		2007	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
Benefit costs	\$ 728,128	\$ 47,143	\$ 825,449	\$ 31,179
Employer contribution	1,505,000	53,466	500,000	70,958
Benefits paid	(207,512)	(53,466)	(189,128)	(70,958)

Benefits paid for the pension plan include approximately \$61,000 and \$57,000 of investment management fees for 2008 and 2007, respectively.

The Actors' Fund of America

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2008 and 2007

**NOTE H (continued)**

The Actors' Fund's pension plan weighted-average asset allocations at December 31, 2008 and 2007 are as follows:

<u>Asset Category</u>	<u>Allocation of Plan Assets at December 31, 2008</u>	<u>Allocation of Plan Assets at December 31, 2007</u>
Common stocks	25.46%	55.72%
Fixed income securities	40.40%	35.20%
Cash and cash equivalents	<u>34.14%</u>	<u>9.08%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The investments of the pension plan as of December 31, 2008 are classified as Level 1 within the fair value hierarchy of SFAS No. 157.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

<u>Year Ending December 31,</u>	<u>Pension Benefits</u>	<u>Postretirement Benefits</u>
2009	\$ 241,851	\$ 46,592
2010	244,120	48,742
2011	256,418	50,552
2012	335,775	58,252
2013	412,933	66,583
Years 2014-2018	3,580,785	489,225

Since the postretirement benefit plan is unfunded, The Actors' Fund's contributions to the plan are anticipated to equal benefit payments to participants. Additionally, the projected benefit payments for postretirement benefits have been reduced by the Medicare Part D federal subsidy anticipated.

**NOTE I - HUMAN SERVICES CONTRIBUTIONS**

Broadway Cares/Equity Fights AIDS, Inc. currently provides grants to The Actors' Fund to be used for program services. For the years ended December 31, 2008 and 2007, total contributions received were \$3,675,000 and \$4,450,000, respectively.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE J - COMMITMENTS AND CONTINGENCIES

1. *Laws and Regulations*

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement laws and regulations, anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims and anti-referral statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs as well as imposition of significant fines and penalties, and significant repayments for patient services previously reimbursed. Management believes that The Actors' Fund is in compliance with all laws and regulations and that the result of any future government review would not have a material impact on The Actors' Fund's financial position, changes in net assets and cash flows.

2. *Lease Obligations*

The Actors' Fund has entered into operating lease agreements for office space located in New York City, Chicago and Los Angeles with lease terms expiring through 2019. These lease agreements have renewal clauses which range from three to five years, exercisable at the option of The Actors' Fund. All leases have rent escalation clauses that are based upon anticipated increases in real estate taxes, building expenses and utility charges. At December 31, 2008, future minimum annual rental payments under these lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Future Minimum Rental Payments</u>
2009	\$ 906,174
2010	846,148
2011	819,462
2012	820,914
2013	841,437
2014-2019	<u>1,446,958</u>
	<u>\$ 5,681,093</u>

Rental expense for the years ended December 31, 2008 and 2007 totaled \$1,121,238 and \$1,055,729, respectively.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE J (continued)

3. *Available Credit Facility*

At December 31, 2008, The Actors' Fund had a credit facility for \$4 million with HSBC bank with no outstanding borrowings. Such credit facility is collateralized by The Actors' Fund's long-term investments in the event of default.

4. *Nursing Home*

During 2006, The Actors' Fund began several construction projects at the nursing and assisted living facilities, including a 15-bed expansion of the existing facility, increasing sub-acute care, the creation of a state-of-the-art rehabilitation facility, renovations in the entrance lobby, hallways, community rooms, and library and an expansion of the outdoor recreational areas. The projects are estimated to cost \$10,800,000 and anticipated to be completed in 2009. Total project costs incurred through December 31, 2008 were \$9,073,920. During 2008, 10 nursing beds were completed and placed in operation, increasing the total capacity at the nursing facility to 77 beds.

5. *Uncertainty in Income Taxes*

On January 1, 2007, The Actors' Fund adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Incomes Taxes" ("FIN 48"). FIN 48 requires that a tax position be Recognized or derecognized based on a "more likely than not" threshold. This applies to positions Taken or expected to be taken in a tax return. The adoption of FIN 48 had no impact on The Actors' Fund's 2008 statement of financial position or statement of activities. The Actors' Fund does not believe its financial statements include any uncertain tax positions.

6. *Other*

During 2008, The Actors' Fund entered into an agreement with a consultant associated with its capital campaign. Future commitments under this contract are expected to be approximately \$280,000 and are expected to be satisfied in 2009.

The Actors' Fund of America

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

**NOTE K - PERMANENTLY RESTRICTED NET ASSETS**

In August 2008, the FASB issued FSP 117-1, "Endowments of Not-For-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" ("FSP 117-1").

A key component of FSP 117-1 is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. In addition, FSP 117-1 requires new disclosures about an organization's donor-restricted and board-designated endowment funds. For the year ended December 31, 2008, The Actors' Fund adopted the disclosure provisions only of FSP 117-1, as the state of New York has not yet enacted a version of the 2006 Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

The following presents information relative to The Actors' Fund's endowment which consists of permanently restricted net assets and excludes perpetual trusts in which The Actors' Fund is not the trustee of.

	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -	\$ 6,428,071
Interest and dividends from the endowment	262,589	
Appropriation of endowment income for expenditure	(262,589)	-
Realized and unrealized losses from the endowment charged to unrestricted net assets	<u>(1,568,497)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (1,568,497)</u>	<u>\$ 6,428,071</u>

The Actors' Fund uses a total return approach for its portfolio, as such, permanently restricted net assets are invested in the same securities as the overall portfolio as described in Note C.