

Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES

As of December 31, 2011 and 2010

THE ACTORS' FUND OF AMERICA

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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 consolidated statements of financial position of The Actors' Fund of America and Subsidiaries ("The Actors Fund") as of December 31, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of The Actors Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 consolidated 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Actors Fund as of December 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



New York, New York
September 27, 2012

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 1,618,987	\$ 1,244,345
Tenants' security deposits	211,010	-
Cash held on behalf of others (Note 2)	2,353,842	2,158,550
Deposits with bond trustee	-	101,861
Accounts and other receivables, less allowance for doubtful accounts of \$211,000 and \$136,000 in 2011 and 2010, respectively (Note 2)	1,584,482	1,514,389
Bequests, contributions and pledges receivable, net (Note 2)	5,465,009	3,031,685
Prepaid expenses and other assets (Notes 2 and 7)	582,980	685,807
Long-term investments (Note 3)	14,467,350	14,231,981
Program-related investments and notes, net (Note 4)	-	7,700,000
Annuity fund investments (Note 5)	2,435,674	2,530,388
Value of interest in split-interest agreements (Note 5)	4,370,708	4,684,850
Property and equipment, net (Note 6)	<u>21,305,433</u>	<u>14,048,133</u>
Total assets	<u>\$ 54,395,475</u>	<u>\$ 51,931,989</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,745,896	\$ 3,425,436
Cash held on behalf of others (Note 2)	2,353,842	2,158,550
Deferred revenue (Note 4)	108,941	1,420,647
Annuities payable (Notes 3 and 5)	3,600,286	3,484,010
Other liabilities	578,888	756,866
Bonds payable (Note 7)	6,232,038	6,498,928
Line of credit (Note 10)	1,500,000	-
Mortgages payable (Note 7)	231,215	-
Postretirement benefit obligations, net of plan assets of \$8,005,274 and \$8,024,227 in 2011 and 2010, respectively (Note 8)	<u>9,176,195</u>	<u>5,555,127</u>
Total liabilities	<u>27,527,301</u>	<u>23,299,564</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 11)		
Unrestricted	7,307,856	12,683,294
Temporarily restricted (Note 2)	4,328,046	4,769,502
Permanently restricted (Note 2)	<u>15,232,272</u>	<u>11,179,629</u>
Total net assets	<u>26,868,174</u>	<u>28,632,425</u>
Total liabilities and net assets	<u>\$ 54,395,475</u>	<u>\$ 51,931,989</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES
Consolidated Statement of Activities
For the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES				
Support and revenues:				
Contributions and private grants	\$ 5,028,227	\$ 330,845	\$ 100,000	\$ 5,459,072
BC/EFA grants (Note 9)	4,083,500	-	-	4,083,500
Special events	2,460,630	-	-	2,460,630
Special campaign	549,126	250,548	4,233,383	5,033,057
Government grants and contracts	2,298,794	-	-	2,298,794
Net patient services revenue (Note 2)	7,620,820	-	-	7,620,820
Net resident services revenue (Note 2)	1,807,543	-	-	1,807,543
Friedman Residence, LLC rental income	1,454,898	-	-	1,454,898
Bequests	914,100	-	25,000	939,100
Investment return designated for operations (Note 3)	540,229	-	-	540,229
Net assets released from restrictions (Note 2)	749,537	(749,537)	-	-
Total support and revenues	<u>27,507,404</u>	<u>(168,144)</u>	<u>4,358,383</u>	<u>31,697,643</u>
EXPENSES				
Program services:				
Social services	7,213,792	-	-	7,213,792
Employment and training	1,522,528	-	-	1,522,528
Health services	1,821,847	-	-	1,821,847
Housing	14,503,004	-	-	14,503,004
Total program services	<u>25,061,171</u>	<u>-</u>	<u>-</u>	<u>25,061,171</u>
Supporting services:				
General and administrative	1,076,938	-	-	1,076,938
Advancement	4,072,201	-	-	4,072,201
Total supporting services	<u>5,149,139</u>	<u>-</u>	<u>-</u>	<u>5,149,139</u>
Total expenses	<u>30,210,310</u>	<u>-</u>	<u>-</u>	<u>30,210,310</u>
Changes in net assets from operating activities	<u>(2,702,906)</u>	<u>(168,144)</u>	<u>4,358,383</u>	<u>1,487,333</u>
NONOPERATING ACTIVITIES				
Change in value of split-interest agreements	-	(223,728)	(305,740)	(529,468)
Realized and unrealized losses on investments (Note 3)	(266,716)	(49,584)	-	(316,300)
Pension expense, other than net periodic pension cost	(2,644,263)	-	-	(2,644,263)
Contribution received in acquisition of The Aurora (Note 1)	238,447	-	-	238,447
Total nonoperating activities	<u>(2,672,532)</u>	<u>(273,312)</u>	<u>(305,740)</u>	<u>(3,251,584)</u>
Changes in net assets	<u>(5,375,438)</u>	<u>(441,456)</u>	<u>4,052,643</u>	<u>(1,764,251)</u>
Net assets, beginning of the year	<u>12,683,294</u>	<u>4,769,502</u>	<u>11,179,629</u>	<u>28,632,425</u>
Net assets, end of the year	<u>\$ 7,307,856</u>	<u>\$ 4,328,046</u>	<u>\$ 15,232,272</u>	<u>\$ 26,868,174</u>

The accompanying notes are an integral part of this consolidated financial statement.

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES
Consolidated Statement of Activities
For the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES				
Support and revenues:				
Contributions and private grants	\$ 4,904,122	\$ 94,975	\$ 175,000	\$ 5,174,097
BC/EFA grants (Note 9)	3,801,000	40,000	-	3,841,000
Special events	1,867,108	-	-	1,867,108
Special campaign	810,190	915,505	-	1,725,695
Government grants and contracts	3,001,038	-	-	3,001,038
Net patient services revenue (Note 2)	7,553,776	-	-	7,553,776
Net resident services revenue (Note 2)	1,331,866	-	-	1,331,866
Bequests	2,409,725	-	-	2,409,725
Investment return designated for operations (Note 3)	572,833	-	-	572,833
Settlement of postretirement benefits	1,842,500	-	-	1,842,500
Net assets released from restrictions (Note 2)	667,600	(667,600)	-	-
Total support and revenues	<u>28,761,758</u>	<u>382,880</u>	<u>175,000</u>	<u>29,319,638</u>
EXPENSES				
Program services:				
Social services	6,975,672	-	-	6,975,672
Employment and training	1,485,749	-	-	1,485,749
Health services	1,974,730	-	-	1,974,730
Housing	13,657,519	-	-	13,657,519
Total program services	<u>24,093,670</u>	<u>-</u>	<u>-</u>	<u>24,093,670</u>
Supporting services:				
General and administrative	923,196	-	-	923,196
Advancement	3,656,198	-	-	3,656,198
Total supporting services	<u>4,579,394</u>	<u>-</u>	<u>-</u>	<u>4,579,394</u>
Total expenses	<u>28,673,064</u>	<u>-</u>	<u>-</u>	<u>28,673,064</u>
Changes in net assets from operating activities	<u>88,694</u>	<u>382,880</u>	<u>175,000</u>	<u>646,574</u>
NONOPERATING ACTIVITIES				
Change in value of split-interest agreements	-	(402,217)	243,463	(158,754)
Realized and unrealized gains on investments (Note 3)	455,340	597,738	-	1,053,078
Write-down of program-related notes (Note 4)	(3,100,000)	-	-	(3,100,000)
Redesignation of contribution revenue by donor	(26,000)	-	26,000	-
Pension expense, other than net periodic pension cost	(331,403)	-	-	(331,403)
Total nonoperating activities	<u>(3,002,063)</u>	<u>195,521</u>	<u>269,463</u>	<u>(2,537,079)</u>
Changes in net assets	<u>(2,913,369)</u>	<u>578,401</u>	<u>444,463</u>	<u>(1,890,505)</u>
Net assets, beginning of the year	<u>15,596,663</u>	<u>4,191,101</u>	<u>10,735,166</u>	<u>30,522,930</u>
Net assets, end of the year	<u>\$ 12,683,294</u>	<u>\$ 4,769,502</u>	<u>\$ 11,179,629</u>	<u>\$ 28,632,425</u>

The accompanying notes are an integral part of this consolidated financial statement.

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the year ended December 31, 2011

	Program Services	Supporting Services		Total
		General and Administrative	Advancement	
Program activities and financial assistance	\$ 4,825,343	\$ -	\$ -	\$ 4,825,343
Salaries	10,040,456	521,266	1,351,337	11,913,059
Payroll benefits and taxes	2,756,624	112,168	277,794	3,146,586
Retirement benefits	1,265,548	67,617	203,012	1,536,177
Fundraising and events	-	-	1,326,333	1,326,333
Communications and public relations	25,440	2,313	14,070	41,823
General office expense	1,466,563	77,709	395,595	1,939,867
Professional fees and outside services	860,285	164,958	135,331	1,160,574
Occupancy and facilities	2,037,148	101,151	325,152	2,463,451
Interest expense	303,400	16,023	-	319,423
Depreciation and amortization	1,480,364	13,733	43,577	1,537,674
	<u>\$ 25,061,171</u>	<u>\$ 1,076,938</u>	<u>\$ 4,072,201</u>	<u>\$ 30,210,310</u>

The accompanying notes are an integral part of this consolidated financial statement.

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the year ended December 31, 2010

	Program Services	Supporting Services		Total
		General and Administrative	Advancement	
Program activities and financial assistance	\$ 5,592,578	\$ -	\$ -	\$ 5,592,578
Salaries	9,059,119	434,132	1,153,322	10,646,573
Payroll benefits and taxes	2,482,806	75,205	239,942	2,797,953
Retirement benefits	1,119,425	90,757	176,858	1,387,040
Fundraising and events	-	-	1,231,253	1,231,253
Communications and public relations	31,144	2,831	16,725	50,700
General office expense	1,615,725	103,476	208,042	1,927,243
Professional fees and outside services	849,653	57,129	296,005	1,202,787
Occupancy and facilities	1,671,360	132,502	291,955	2,095,817
Interest expense	282,461	6,857	-	289,318
Depreciation and amortization	1,389,399	20,307	42,096	1,451,802
	<u>\$ 24,093,670</u>	<u>\$ 923,196</u>	<u>\$ 3,656,198</u>	<u>\$ 28,673,064</u>

The accompanying notes are an integral part of this consolidated financial statement.

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,764,251)	\$ (1,890,505)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,537,674	1,451,802
Change in discount on bequests, contributions and pledges receivable	236,642	113,777
Change in provision for doubtful accounts	46,000	(47,000)
Change in provision for uncollectible program-related investments and notes	73,618	73,618
Proceeds/accretion of income from program-related notes	(73,618)	(73,618)
Write-down of program-related notes	-	3,100,000
Curtailement of postretirement benefits	-	(1,466,945)
Net realized and unrealized losses (gains) on investments	321,567	(1,113,079)
Donated securities	(545,685)	(593,625)
Contributions restricted to annuity agreements and endowments	(157,214)	(252,268)
Loss on disposal of property and equipment	62,340	-
Changes in operating assets and liabilities:		
Tenants' security deposits	(1,107)	-
Accounts and other receivables	339,344	96,304
Bequests, contributions and pledges receivable	(2,669,966)	(1,536,133)
Annuity fund investments	94,714	(85,181)
Value of split-interest agreements	314,142	(248,544)
Prepaid expenses	136,243	(75,373)
Cash held on behalf of others	(195,292)	(531,235)
Accounts payable and accrued expenses	(5,118)	(493,211)
Deferred revenue	(1,318,208)	333,338
Annuities payable	116,276	59,978
Other liabilities	(127,655)	583,290
Postretirement benefit obligations	<u>3,621,068</u>	<u>618,110</u>
Net cash provided by (used in) operating activities	<u>41,514</u>	<u>(1,976,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and sales of investments	14,039,726	4,958,595
Purchase of investments	(14,050,977)	(3,546,865)
Acquisition of property and equipment	<u>(1,131,238)</u>	<u>(440,852)</u>
Net cash (used in) provided by investing activities	<u>(1,142,489)</u>	<u>970,878</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to annuity agreements and endowments	157,214	252,268
Proceeds from line of credit	1,500,000	-
Principal payments on capital lease obligations	(12,339)	(23,459)
Principal payments on bond payable	(266,890)	(255,835)
Principal payments on mortgages payable	(4,229)	-
Release of deposits with bond trustee	<u>101,861</u>	<u>163,072</u>
Net cash provided by financing activities	<u>1,475,617</u>	<u>136,046</u>
Net increase (decrease) in cash and cash equivalents	374,642	(869,576)
Cash and cash equivalents, beginning of year	<u>1,244,345</u>	<u>2,113,921</u>
Cash and cash equivalents, end of year	<u>\$ 1,618,987</u>	<u>\$ 1,244,345</u>
Supplemental disclosure of cash flow information:		
Equipment acquired under capital lease obligations	<u>\$ 36,840</u>	<u>\$ 62,078</u>
Cash paid for interest	<u>\$ 270,270</u>	<u>\$ 281,326</u>
Assets acquired pertaining to acquisition of Aurora Associates L.P.	<u>\$ 300,788</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

1. ORGANIZATION

The Actors' Fund of America ("The Actors Fund") was established in 1882 to provide assistance to performing arts and entertainment industry professionals in the United States of America. The Actors Fund provides various human services and operates a 124-bed nursing and assisted living facility in Englewood, New Jersey ("The Home"). The Actors Fund also provides affordable and supportive housing in New York City; 178 housing units in the Dorothy Ross Friedman Residence (formerly, The Aurora) as an owner operator and 217 housing units in Schermerhorn through its participation as co-general partner of Schermerhorn Housing Development Fund Corporation. In 2009, The Actors Fund Housing Development Corporation ("AFHDC"), a subsidiary of The Actors Fund, was incorporated in New York State to provide senior, supportive and/or affordable housing.

The Actors Fund Housing Development Corporation designated Friedman Residence, LLC, a New York limited liability company, of which AFHDC is the sole member, to serve as title holder of The Aurora (see Note 4) on March 23, 2011. In connection with the acquisition and in accordance with ASC 958-805, a valuation of the assets and liabilities of The Aurora was conducted. Accordingly, contribution revenue has been recognized in an amount equal to the difference between the carrying value of the assets acquired, as previously reported by The Aurora, and their fair value, net of liabilities assumed, also at fair value, and has been included on the accompanying 2011 consolidated statement of activities.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying consolidated financial statements of The Actors Fund, which include AFHDC and the Friedman Residence, LLC, have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Actors Fund has elected to present statements of functional expenses as part of its 2011 and 2010 consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Actors Fund is required to report information regarding its consolidated financial position and consolidated 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.

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 restricted 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 on the consolidated 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.

At December 31, 2011, temporarily restricted net assets of \$4,328,046 consist of \$268,803 of purpose restricted funds and \$4,059,243 restricted as to the passage of time. At December 31, 2010, temporarily

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restricted net assets of \$4,769,502 consist of \$165,592 of purpose restricted funds and \$4,603,910 restricted as to the passage of time. During the years ended December 31, 2011 and 2010, 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, 2011, permanently restricted net assets of \$15,232,272 consist of \$7,750,422 restricted to investment in endowment funds, \$3,237,032 of pledges receivable restricted to investment in endowment funds and \$4,244,818 of perpetual trusts established by several donors. At December 31, 2010, permanently restricted net assets of \$11,179,629 consist of \$6,629,072 restricted to investment in endowment funds and \$4,550,557 of perpetual trusts established by several donors. Investment income derived from perpetual trusts is used to provide support for operations and the changes in fair values of such trusts is reported in the permanently restricted category.

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 for present value on pledges receivable; the determination of postretirement benefits; the allocation of costs amongst program and supporting services activities; the fair values assigned to certain financial instruments; and the useful lives assigned to fixed assets. Actual results could differ from those estimates.

Bequests, Contributions and Pledges Receivable, Net

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 (credit adjusted), articulate with the collection period of the respective pledge and are not subsequently adjusted. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-stipulated restrictions, if any.

Bequests, contributions and pledges receivable consist of the following unconditional promises to give at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Amounts due in:		
Less than one year	\$ 1,843,048	\$ 1,690,345
One to five years	2,821,083	1,229,970
More than five years	<u>1,228,650</u>	<u>302,500</u>
	5,892,781	3,222,815
Less: unamortized discount (at discount rates ranging from 1.14% to 4.25%)	<u>(427,772)</u>	<u>(191,130)</u>
	<u>\$ 5,465,009</u>	<u>\$ 3,031,685</u>

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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.

Investments

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

Deposits with Bond Trustee

Deposits with bond trustee represent funds held by a trustee associated with The Actors Fund's bond payable. Such funds had been invested in short-term marketable government-backed securities and as of December 31, 2010 were classified within Level 1 of the fair value hierarchy (See below). During 2011, the remaining deposits were utilized for construction costs at The Home.

Cash and Cash Equivalents

The Actors Fund considers all highly liquid financial instruments, with original maturities of 90 days or less from the date of purchase, to be cash equivalents, except for certain cash equivalents which are part of The Actors Fund's long-term investment strategy and are included as part of investments.

Property and Equipment

Property and equipment are recorded at cost or fair 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

Conditional Asset Retirement Obligations

Under U.S. GAAP, The Actors Fund is required to recognize the costs associated with the eventual remediation and abatement of asbestos located within the construction of The Home. However, based on the results of a site-specific survey, performed by an independent environmental consultant, The Actors Fund concluded that the cost of remediation is immaterial to the accompanying consolidated financial statements and, accordingly, has not recognized a liability for this obligation as of December 31, 2011 and 2010.

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, 2011 and 2010, the allowance for doubtful accounts was \$182,000 and \$136,000, respectively. The allowance for doubtful accounts is estimated at 10% of accounts receivable after adjusting for a specific allowance

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

recorded for certain balances which have a strong likelihood of being uncollectible and Medicaid pending reserve balances. During 2011 and 2010, The Home received 51% and 49%, respectively, of its net revenue from Medicaid.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor 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.

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 on its consolidated financial statements since The Actors Fund has historically had these performances contributed and has never paid for such performances. As such, the criteria for recognition under U.S. GAAP has not been met. In addition, during 2011 and 2010, The Actors Fund received contributed medical services, with a fair value of approximately \$326,000 and \$465,000, respectively, which have been reflected as a component of contribution revenue and health services expense on the accompanying consolidated statements of activities.

Government and Private Grants and Contracts

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.

Special Events and Special Campaign

Revenues and expenses relative to special events and the special campaign are recognized upon occurrence of the respective event. The Actors Fund completed its 2010 special campaign to strengthen its program services; social services and emergency financial, health care and health insurance counseling, employment and training services and affordable, supportive and senior housing.

Tenants' Security Deposits

Tenants' security deposits relative to tenant and commercial units within The Friedman Residence, LLC's rental property are recorded when paid and are also included within accounts payable and accrued expenses on the accompanying consolidated financial statements.

Friedman Residence, LLC Rental Income

Tenant rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned.

Measure of Operations

The accompanying consolidated 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 3); change in the value of split-interest agreements; and other activities considered to be more of an unusual or nonrecurring nature.

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Functional Allocation of Expenses

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

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 on the accompanying consolidated 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. The Actors Fund received 51% and 53%, respectively, of its contributions, private grants and Broadway Cares/Equity Fights AIDS ("BC/EFA") grants revenues from organizations related to its Board of Trustees during the years ended December 31, 2011 and 2010. The Actors Fund believes that its credit risks are not significant.

Fair Value of Financial Instruments

The Actors Fund follows guidance for fair value measurements that defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP, for fair value measurements, The Actors Fund uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that 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 are available in active markets for identical assets or liabilities as of the measurement date. 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 market, which are either directly or indirectly observable as of the measurement date. The nature of these securities include 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.

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Level 3 - Securities that have little to no pricing observability as of the measurement date. 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.

The Actors Fund does not have any financial instruments classified within Level 2 at December 31, 2011 and 2010.

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 an 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 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 maturity of these financial instruments.

The fair values assigned to 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 bond payable approximates fair value because the bond bears interest at a rate that is not significantly different than current market rates for loans with similar maturities and credit qualities.

Cash Held on Behalf of Others – Unclaimed Coogan Trust

Cash held on behalf of others represents unclaimed funds entrusted to The Actors Fund collected from the entertainment employers for un-emancipated 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 respective minor reaches the age of maturity or becomes emancipated or to the estate of the respective beneficiaries. Cash held on behalf of beneficiaries is offset by a corresponding liability in the consolidated statement 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, 2011 and 2010 are classified within Level 1 within the fair value hierarchy.

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Reclassification

Certain prior period amounts have been reclassified in order to conform to the 2011 presentation. Such reclassification did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2010 consolidated financial statements.

Subsequent Events

The Actors Fund has evaluated events occurring after December 31, 2011 through September 27, 2012, which represents the date the consolidated financial statements were issued. The Actors Fund is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements other than as disclosed in Note 8.

3. LONG-TERM INVESTMENTS

Investments at December 31, 2011 and 2010 consist of the following:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 1,377,975	\$ 1,377,975	\$ 483,176	\$ 483,176
Common stocks	1,479,215	1,384,279	4,910,932	4,003,284
Mutual funds	8,196,883	8,194,704	4,905,390	4,844,286
Corporate bonds	2,060,913	1,888,539	1,325,468	1,249,555
Government bonds	1,352,364	1,248,184	2,607,015	2,568,747
	<u>\$ 14,467,350</u>	<u>\$ 14,093,681</u>	<u>\$ 14,231,981</u>	<u>\$ 13,149,048</u>

The Actors Fund's investments are classified under Level 1 within the fair value hierarchy as of December 31, 2011 and 2010.

Included in the investment balances above is \$3,540,264 for 2011 and \$3,360,798 for 2010 pertaining to charitable remainder unitrusts in which the Actors Fund is the trustee of and is responsible for making annuity payments to specified life tenant beneficiaries. The liability as of December 31, 2011 and 2010 is \$2,045,641 and \$2,007,125, respectively, and has been reflected as part of annuities payable on the accompanying consolidated statements of financial position.

Investments are allocated amongst the net asset categories as follows:

	2011	2010
Unrestricted	\$ 3,176,319	\$ 4,236,507
Temporarily restricted	3,540,609	3,366,402
Permanently restricted	<u>7,750,422</u>	<u>6,629,072</u>
	<u>\$ 14,467,350</u>	<u>\$ 14,231,981</u>

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Permanently restricted endowment funds, excluding perpetual trusts, at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Percy Williams	\$ 3,254,762	\$ 3,254,762
Lillian Booth	1,000,000	1,000,000
Dorothy Ross Friedman	996,350	-
Edwin Forrest	772,250	772,250
Noel Murphy	566,691	566,691
John Drew Fund	320,117	320,117
Waldman Living Room Funds	301,001	201,001
Joseph Callaway	281,461	281,461
May V. Smith	112,500	112,500
Rosetta Brown	92,290	92,290
Willard Swire Scholarship Fund	28,000	28,000
Charles Hollerith	25,000	-
	<u>\$ 7,750,422</u>	<u>\$ 6,629,072</u>

The Board of Trustees of The Actors Fund has adopted an investment spending policy which permits the use of 5% annually of the average investment portfolio's fair value.

The following schedule summarizes investment gains (losses) and their classification on the accompanying consolidated statements of activities. For the years ended December 31, 2011 and 2010, realized and unrealized gains (losses) pertaining to gift annuity and pooled income funds, totaled \$(72,619) and \$126,117, respectively, and are included in the following chart.

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Dividends and interest (net of expenses of \$175,342 and \$161,876 in 2011 and 2010, respectively)	\$ 545,496	\$ 512,832
Net realized gains	151,566	210,249
Net unrealized (losses) gains	<u>(473,133)</u>	<u>902,830</u>
Total investment return	223,929	1,625,911
Investment return designated for current operations	<u>(540,229)</u>	<u>(572,833)</u>
Investment (deficit) return, net of amounts designated for current operations	<u>\$ (316,300)</u>	<u>\$ 1,053,078</u>

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4. PROGRAM-RELATED INVESTMENTS AND NOTES, NET

Aurora Associates, L.P.

On July 12, 1995, Aurora Associates, L.P. (the "Partnership"), the General Partner of which was an affiliate of The Actors Fund, acquired the Aurora building located in the general entertainment community of Manhattan, at 475 West 57th Street, New York City. The limited partners of the Partnership were a group of unrelated entities. The terms of the Partnership Agreement provided, 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 were not responsible for the debt of the Partnership. The financial statements of the Partnership were not included within the accompanying 2010 consolidated financial statements of The Actors Fund as the criteria for consolidation under U.S. GAAP, "Control of Partnerships and Similar Entities," had not been met.

The Aurora (now The Dorothy Ross Friedman Residence, see below), 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.

On July 12, 1995, Aurora Associates, L.P. issued four notes payable 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 was made from the available cash flows of the Aurora. These nonrecourse notes were 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 Actors Fund's consolidated statements of financial position. Deferred revenue was initially recognized in an amount equal to \$7,500,000, consisting of the Junior Actors Note, the Senior Actors Note and the Social Services Note and was being amortized over a term which approximates the maturity period of the related notes. It was concluded in prior years that the Partnership's cash flows were insufficient to provide for the payment of principal and interest under the notes, however, at the end of the initial 15 year compliance period, in 2010, the accumulated amount due The Actors Fund was believed to approximate the fair value of the Aurora.

The Actors Fund had the option and right of first refusal to acquire the Aurora after the initial 15-year compliance period which ended December 31, 2010.

Friedman Residence, LLC

On March 23, 2011, The Actors Fund exercised its legal option and assigned its rights to The Actors Fund Housing Development Corporation, a subsidiary of The Actors Fund. The Actors Fund Housing Development Corporation, through its single member LLC, The Friedman Residence, LLC, acquired the Aurora rental property in exchange for \$63,345 in cash and the assumption of the Aurora Associates, L.P.'s mortgage indebtedness. Also at this time, the name of the building was renamed to The Dorothy Ross Friedman Residence, to recognize the legacy of a significant donor who provided funding to establish an endowment and to provide support for betterments to the building. In addition, general assignment, commercial unit lease and residential unit leases assignment were assumed by The Friedman Residence, LLC. Accordingly, The Friedman Residence LLC recorded the four notes and interest payable to The

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Actors Fund and such amounts have been eliminated in the accompanying 2011 consolidated financial statements and only the net property value is presented.

As of December 31, 2011, since the program-related notes were collateralized by the Aurora and the carrying value of the program-related notes exceeded the fair value of the Aurora, following receipt of an independent qualified appraiser's report, which contemplated continued use of the Aurora as low-income housing, pursuant to the Regulatory Agreement between Aurora Associates, LP and the New York State Division of Housing and Community Renewal, a write-down of the carrying value of the program-related notes was recorded in fiscal 2009, in the amount of \$3,366,931, to bring the carrying value of the notes to be equal to the fair value of the Aurora and the related remaining unamortized deferred revenue balance was de-recognized. Additionally, a determination was made to no longer accrue interest on the outstanding notes.

The appraised value of the Aurora contemplated two portions of the building: the first was the second floor condominium unit with an appraised value of \$1.8 million and the second was the residential and commercial units, which had an appraised value of \$9 million. During fiscal 2010, two matters came to light that necessitated a re-assessment of the carrying value of the program related notes as reflected on the 2009 consolidated statement of financial position. First, The Actors Fund determined that the condominium unit of the Aurora was capitalized in 1995 and has been depreciated since. Secondly, inherent with the independent appraisal of the Aurora, was an error in the application of a critical assumption in the valuation model resulting in an overstatement of the appraised value of the residential portion of the building by \$1.3 million. Accordingly, during fiscal 2010, the Aurora program related notes were further written-down by \$3.1 million. The fiscal 2010 write-down has been presented, similar to the fiscal 2009 write-down, in the nonoperating section of the accompanying 2010 consolidated statement of activities. After careful consideration of many factors, both quantitative and qualitative, The Actors Fund opted to record the additional write-off in its 2010 consolidated financial statements, rather than restating its 2009 consolidated financial statements as overall, the impact of the impairment was not deemed to be material.

The Dorothy Ross Friedman Residence continue to operate as commercial and rental property and has an appraised value of \$7,700,000 which is owned by the Friedman Residence, LLC and the second floor condominium unit with an appraised value of \$1,800,000 which is owned by The Actors Fund.

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 and interest 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.

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 total outstanding loan balance and accrued interest receivable at December 31, 2011 and 2010 totaled \$3,217,521 and \$3,143,903, respectively.

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5. 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 at December 31, 2011 and 2010 totaled \$2,435,674 and \$2,530,388, respectively, and have been classified as Level 1 investments. Liabilities pertaining to the annuity fund agreements totaled \$1,554,645 and \$1,476,885 as of December 31, 2011 and 2010, respectively. The gift annuity fund liabilities are based on discount rates ranging between 2.0% and 8.2%, consistent with mortality tables provided by the Internal Revenue Service, and the pooled income fund liabilities have a discount rate of 1.6%.

The Actors Fund is also the beneficiary of other split-interest agreements, which it is not the trustee of, and, therefore, have been classified as Level 3 within the fair value hierarchy, and consist of the following at December 31, 2011 and 2010:

	Charitable Remainder Trusts	Perpetual Trusts	Total
Balance as of December 31, 2010	\$ 134,293	\$ 4,550,557	\$ 4,684,850
Unrealized losses	(8,403)	(305,739)	(314,142)
Balance as of December 31, 2011	<u>\$ 125,890</u>	<u>\$ 4,244,818</u>	<u>\$ 4,370,708</u>
Balance as of December 31, 2009	\$ 129,212	\$ 4,307,095	\$ 4,436,307
Unrealized gains	5,081	243,462	248,543
Balance as of December 31, 2010	<u>\$ 134,293</u>	<u>\$ 4,550,557</u>	<u>\$ 4,684,850</u>

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at December 31, 2011 and 2010 consists of the following:

	2011	2010
Buildings and leasehold improvements	\$ 26,901,095	\$ 23,622,136
Furniture, fixtures and equipment	4,655,365	4,730,781
Less: accumulated depreciation and amortization	<u>(14,680,342)</u>	<u>(14,825,150)</u>
	16,876,118	13,527,767
Land	3,600,000	100,000
Construction in progress	829,315	420,366
Property and equipment, net	<u>\$ 21,305,433</u>	<u>\$ 14,048,133</u>

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Depreciation expense for the years ended December 31, 2011 and 2010 totaled \$1,511,598 and \$1,425,376, respectively. The Actors Fund disposed of assets of \$1,718,746 during the year ended December 31, 2011 and recorded a loss of \$62,340 pertaining to these asset disposals. The Actors Fund disposed of fully depreciated assets totaling \$894,182 during the year ended December 31, 2010. Construction in progress at December 31, 2011 and 2010 consists principally of costs incurred to complete the Nursing and Assisted Living facility expansion and in 2011, the Friedman residence capital improvements.

The Actors Fund owns approximately 2,400 burial plots in New York and Pennsylvania for which no value has been assigned to on the accompanying financial statements. The value of these burial plots is not material to The Actors Fund's consolidated financial statements.

7. BONDS PAYABLE AND MORTGAGES PAYABLE

Bond 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 "Bond") to provide funding for the expansion and renovation of The Home. 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 Bond from NJEDA and the proceeds of the sale were loaned 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 consolidated 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.

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During fiscal 2011, The Actors Fund drew on its available line of credit in excess of \$500,000 and provided notice to TD Bank.

In connection with the bond issuance, The Actors Fund incurred financing costs of \$380,217, which are being amortized over the maturity period of the bond, twenty years. Deferred financing costs of \$275,548 and \$301,624 as of December 31, 2011 and 2010, respectively, are included in prepaid expenses and other assets on the accompanying consolidated statements of financial position.

Maturities of the bonds payable at December 31, 2011 are as follows:

2012	\$ 277,682
2013	290,423
2014	302,973
2015	316,066
2016	329,126
Thereafter	<u>4,715,768</u>
	<u>\$ 6,232,038</u>

Total interest expense associated with the Bonds for the years ended December 31, 2011 and 2010 totaled \$269,310 and \$280,405, respectively.

Mortgages Payable

On March 23, 2011, The Actors Fund assumed a 30-year loan agreement with the City of New York, Department of Housing Preservation and Development ("HPD") dated June 30, 1995, in the amount of \$50,000. The note bears interest at 1% per annum and is payable annually from available cash flows, as defined. Principal and interest are due June 30, 2025 and amounts outstanding as of December 31, 2011 total \$58,000. The loan is nonrecourse and is secured by a mortgage in the same amount encumbering real property and investments thereon (The Dorothy Ross Friedman Residence) and an assignment of the rents, income and other benefits.

On March 23, 2011, The Actors Fund assumed an additional 30-year loan agreement with the City of New York HPD, dated May 30, 2005, in an amount up to \$200,853, which is outstanding at December 31, 2011. The note is non-interest bearing and is payable on the Maturity Date, defined as 30 years after the date of Substantial Completion of the Improvements, as defined in the Building Loan Contract. In addition, if after the 25th anniversary of the Substantial Completion Date certain conditions are met, the unpaid principal balance shall be reduced and deemed paid in 5 equal annual decrements of 20% on each of the 26th through 30th anniversaries of the Substantial Completion Date. The loan is nonrecourse and is secured by a mortgage in the same amount encumbering the property and improvements thereon (The Dorothy Ross Friedman Residence).

8. RETIREMENT BENEFITS

The Actors Fund has provided a noncontributory defined benefit pension plan for eligible employees. In order to be eligible for coverage, employees must attain age 21 and complete one year of service. On February 23, 2012, The Actors Fund's Board of Trustees froze the pension plan. As of April 15, 2012, the Plan ceased further benefit accruals for all active participants and is closed to new participants. The accrued benefits for active participants are based only on credited service accumulated through April 15, 2012 and compensation received through April 15, 2012.

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The Actors Fund also sponsored a postretirement plan for certain employees which provides health insurance benefits. Participants became eligible after attainment of age 65 and completion of fifteen years of service. Benefits were 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 offered prescription benefits to Medicare eligible participants which were considered "actuarially equivalent" to Medicare Part D benefits. The Actors Fund applied for the federal subsidy allowed under the Act to employers which provides "actuarially equivalent" Medicare Part D prescription benefits. Any subsidy received by The Actors Fund defrayed the cost of the plan's prescription benefits. During 2010, after analysis of impacted employees and relevant cost savings to The Actors Fund, the Human Resources Committee of the Board of Trustees terminated the postretirement plan. Therefore, as of December 31, 2011 and 2010, there is no accrued liability for postretirement benefits.

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

The following summarizes the funded status of the plans and associated costs as of and for the years ended December 31, 2011 and 2010:

	2011		2010	
	Pension Plan	Post- Retirement Plan	Pension Plan	Post- Retirement Plan
Reconciliation of benefit obligation:				
Accumulated benefit obligation at January 1st	\$ 13,579,354	\$ -	\$ 11,900,174	\$ 1,527,700
Service cost	950,809	-	803,349	118,690
Interest cost	759,391	-	692,432	101,120
Actuarial loss	2,146,395	-	430,525	283,748
Benefits paid	(254,480)	-	(247,126)	(60,755)
Accumulated benefit obligation at December 31st	<u>\$ 17,181,469</u>	<u>\$ -</u>	<u>\$ 13,579,354</u>	<u>\$ 1,970,503</u>
Projected benefit obligation	\$ (17,181,469)	\$ -	\$ (13,579,354)	\$ -
Fair value of plan assets	8,005,274	-	8,024,227	-
Funded status	<u>\$ (9,176,195)</u>	<u>\$ -</u>	<u>\$ (5,555,127)</u>	<u>\$ -</u>
Amounts recognized on the consolidated statements of financial position consist of:				
Accrued benefit cost	\$ (2,998,600)	\$ -	\$ (2,021,296)	\$ -
Unrestricted net assets	(6,177,595)	-	(3,533,831)	-
Total accrued benefit liability	<u>\$ (9,176,195)</u>	<u>\$ -</u>	<u>\$ (5,555,127)</u>	<u>\$ -</u>
Service cost	\$ 950,809	\$ -	\$ 803,349	\$ 118,690
Interest cost	759,391	-	692,432	101,120
Actual return on plan assets	(658,790)	-	(574,142)	-
Amortization of prior service cost	26,076	-	36,709	(105,728)
Amortization of loss	199,817	-	198,183	24,833
Net periodic pension cost	<u>\$ 1,277,303</u>	<u>\$ -</u>	<u>\$ 1,156,531</u>	<u>\$ 138,915</u>
Curtailment impact	-	-	-	(1,981,415)
Net periodic pension cost (benefit)	<u>\$ 1,277,303</u>	<u>\$ -</u>	<u>\$ 1,156,531</u>	<u>\$ (1,842,500)</u>

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The estimated net loss, transition asset obligation and prior service cost for the pension plan that will be amortized from unrestricted net assets into net periodic benefit cost in the next fiscal year total \$435,115, \$0, and \$23,320, respectively.

Amounts recognized in unrestricted net assets as of December 31, 2011 and 2010 consist of the following:

	2011		2010	
	Pension Plan	Post-Retirement Plan	Pension Plan	Post-Retirement Plan
Prior service cost (credit)	\$ (79,142)	\$ -	\$ (105,218)	\$ 105,728
Cost recognized due to curtailment	-	-	-	573,589
Curtailment gain	-	-	-	(562,677)
Actuarial (gain) loss	(6,098,453)	-	(3,428,613)	258,915
Amounts recognized in unrestricted net assets	<u>\$ (6,177,595)</u>	<u>\$ -</u>	<u>\$ (3,533,831)</u>	<u>\$ 375,555</u>

At December 31, 2011, the accrued benefit liability for pension benefits of \$9,176,195 consists of \$6,333,481 accrued for the General Fund and \$2,842,714 accrued for The Home. At December 31, 2010, the accrued benefit liability for pension benefits of \$5,555,127 consists of \$3,815,166 accrued for the General Fund and \$1,739,961 accrued for The Home.

The weighted-average assumptions used to determine benefit obligations at December 31, 2011 and 2010 are as follows:

	2011		2010	
	Pension Plan	Post-Retirement Plan	Pension Plan	Post-Retirement Plan
Discount rate	4.80 %	N/A	5.68 %	5.68 %
Rate of compensation increase	3.75 %	N/A	3.75 %	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2011 and 2010 are as follows:

	2011		2010	
	Pension Plan	Post-Retirement Plan	Pension Plan	Post-Retirement Plan
Discount rate	5.68 %	N/A	6.00 %	6.00 %
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

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The assumed health care cost trend rates for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Health care cost trend rate assumed for the next year:		
Pre-Medicare eligible	N/A	N/A
Medicare eligible	N/A	7.30 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	5.60 %
Year that the rate reaches the ultimate trend rate	N/A	2038

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

	<u>2011</u>		<u>2010</u>	
	<u>Pension Plan</u>	<u>Post- Retirement Plan</u>	<u>Pension Plan</u>	<u>Post- Retirement Plan</u>
Benefit costs	\$ 1,277,303	\$ -	\$ 1,156,531	\$ 138,915
Employer contribution	300,000	-	433,513	60,755
Benefits paid	(254,480)	-	(247,126)	(60,755)

Benefits paid for the pension plan include approximately \$78,000 and \$76,000 of investment management fees in 2011 and 2010, respectively.

The Actors Fund's pension plan weighted-average asset allocations at December 31, 2011 and 2010 are as follows:

<u>Asset Category</u>	<u>Allocation of Plan Assets at December 31, 2011</u>	<u>Allocation of Plan Assets at December 31, 2010</u>
Common stocks	52.40 %	62.70 %
Fixed income securities	37.80 %	34.07 %
Cash and cash equivalents	9.80 %	3.23 %
Total	<u>100.00 %</u>	<u>100.00 %</u>

The investments of the pension plan as of December 31, 2011 and 2010 are classified as Level 1 within the fair value hierarchy.

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

Year Ending December 31,	Pension Benefits
2012	\$ 365,058
2013	444,254
2014	478,343
2015	664,020
2016	790,618
Years 2017 – 2021	4,838,081

Deferred Compensation Arrangements

The Actors Fund provides variable universal life insurance policies to qualified executives to supplement its retirement plan. Distributions under these arrangements totaled \$79,283 and \$78,607 for the years ended December 31, 2011 and 2010, respectively.

401(k) Profit Sharing Plan

The Actors Fund sponsors a defined contribution plan covering all eligible employees. The Plan permits elective deferrals pursuant to Internal Revenue Code Section 401(k), up to the maximum amount by law of pretax annual compensation, as defined in the Plan. The Actors Fund makes discretionary matching contributions on participant deferrals and for the year ended December 31, 2011 and 2010. The Actors Fund makes discretionary matching contributions on participant deferrals. For the year ended December 31, 2011 and 2010, The Actors Fund made a discretionary matching contribution equal to 50% of employee contributions up to 3% of employee compensation. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Total contributions to the plan by The Actors Fund during 2011 and 2010 totaled \$188,000 and \$179,000, respectively.

9. HUMAN SERVICES CONTRIBUTIONS

Broadway Cares/Equity Fights AIDS, Inc. ("BC/EFA") currently provides grants to The Actors Fund to be used for program services. For the years ended December 31, 2011 and 2010, total contributions received were \$4,083,500 and \$3,841,000, respectively.

10. COMMITMENTS AND CONTINGENCIES

Laws and Regulations

The healthcare 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 healthcare 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 healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs as well as imposition of significant fines and penalties, and significant repayments for patient services previously reimbursed. The Actors Fund believes it is in compliance with

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all laws and regulations and that the result of any future government review would not have a material impact on The Actors Fund's consolidated financial position, changes in net assets or cash flows.

Lease Obligations

The Actors Fund has entered into operating lease agreements for office space located in New York City, Chicago and Los Angeles, and equipment leases, with lease terms expiring at various dates through 2019. These lease agreements have renewal clauses which range from three to five years, exercisable at the option of The Actors Fund. All office space leases have rent escalation clauses that are based upon anticipated increases in real estate taxes, building expenses and utility charges.

Rental expense for the years ended December 31, 2011 and 2010 totaled \$1,436,389 and \$1,388,042, respectively. The deferred rent liability included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position totals \$507,869 and \$506,806 as of December 31, 2011 and 2010, respectively.

Included in furniture, fixtures and equipment within property and equipment on the accompanying consolidated statements of financial position is equipment acquired under capital lease arrangements with a cost of \$117,395 and \$149,737 at December 31, 2011 and 2010, respectively, with accumulated amortization of \$37,921 and \$32,800 at December 31, 2011 and 2010, respectively. Principal payments for the years ended December 31, 2011 and 2010 under all capital leases totaled \$12,339 and \$23,459, respectively. Amounts outstanding under these capital leases are included in other liabilities on the accompanying consolidated statements of financial position at December 31, 2011 and 2010 and total \$89,085 and \$108,862, respectively. At December 31, 2011, future minimal annual payments due under both operating and capital leases are as follows:

	Operating	Capital	
	Leases	Leases	Total
Year Ending December 31,	<u> </u>	<u> </u>	<u> </u>
2012	\$ 1,229,801	\$ 58,673	\$ 1,288,474
2013	1,213,464	58,673	1,272,137
2014	1,229,678	39,298	1,268,976
2015	966,379	11,455	977,834
2016	397,169	5,265	402,434
2017 - 2020	1,136,556	-	1,136,556
	<u>\$ 6,173,047</u>	<u>\$ 173,364</u>	<u>\$ 6,346,411</u>

Interest expense for the years ended December 31, 2011 and 2010, totaled \$21,492 and \$3,640, respectively.

Line of Credit

At December 31, 2011 and 2010, The Actors Fund had a credit facility for \$4 million with HSBC bank with \$1,500,000 and \$0 in outstanding borrowings, respectively. Such credit facility is collateralized by The Actors Fund's long-term investments and The Actors Fund pays interest of LIBOR plus .30% which, at December 31, 2011 was 1.01625%.

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Income Taxes

In July 2006, new guidance was issued in the area of "Accounting for Uncertainty in Income Taxes." The new standard clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. Management does not believe that The Actors Fund has any uncertain tax positions. The Actors Fund has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. The tax years ending 2009, 2010 and 2011 remain open to audit for both federal and state purposes.

11. PERMANENTLY RESTRICTED NET ASSETS

The Actors Fund adopted the provisions of "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." This standard provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), passed by the State of New York in September 2010, and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

The Actors Fund has interpreted New York State UPMIFA ("NYPMIFA") as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, The Actors Fund 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, the (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund.

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 such amounts are appropriated for expenditure by The Actors Fund in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, The Actors Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions; the possible effects of inflation and deflation; other resources of the organization; and the investment policy of the organization.

The Actors Fund has a policy of appropriating for distribution each year a Board of Trustees approved spending rate of its endowment fund's average fair value over five years. In establishing this policy, The Actors Fund considered the long-term expected return on its endowment. Accordingly, over the long term, The Actors Fund expects the current spending policy to grow at a pace at least equal to inflation. This is consistent with The Actors Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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The Actors Fund has adopted investment 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. Endowment assets include those assets of donor-restricted funds that The Actors Fund must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk. To satisfy its long-term objectives, The Actors Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Actors Fund targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The following table presents the composition of The Actors Fund's donor-restricted endowment fund, which consists of permanently restricted net assets and excludes perpetual trusts and pledges receivables in which The Actors Fund is not the trustee of, as of December 31, 2011 and 2010 and the changes in the endowment fund for the years then ended. The Actors Fund does not have a board-designated endowment fund as of December 31, 2011 and 2010.

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (351,003)	\$ 3,083	\$ 6,629,072	\$ 6,281,152
New endowments	-	-	1,121,350	1,121,350
Investment return:				
Investment income	167,991	345	-	168,336
Total investment return	167,991	345	1,121,350	1,289,686
Appropriation of investment return for expenditure	(328,371)	(3,083)	-	(331,454)
Endowment net assets, end of year	<u>\$ (511,383)</u>	<u>\$ 345</u>	<u>\$ 7,750,422</u>	<u>\$ 7,239,384</u>
	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (669,333)	\$ -	\$ 6,428,071	\$ 5,758,738
New endowments	-	-	201,001	201,001
Investment return:				
Investment income	641,034	3,083	-	644,117
Total investment return	641,034	3,083	201,001	845,118
Appropriation of investment return for expenditure	(322,704)	-	-	(322,704)
Endowment net assets, end of year	<u>\$ (351,003)</u>	<u>\$ 3,083</u>	<u>\$ 6,629,072</u>	<u>\$ 6,281,152</u>