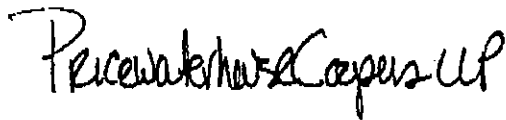


American Diabetes Association
Consolidated Financial Statements
As of December 31, 2006
and Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors
American Diabetes Association

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities, functional expenses and cash flows present fairly, in all material respects, the consolidated financial position of the American Diabetes Association, the American Diabetes Association Research Foundation, Inc., the American Diabetes Association Property Title Holding Corporation and Shaping America's Health – Association for Weight Management and Obesity Prevention (consolidated, the Association) at December 31, 2006, and the changes in their net assets and their cash flows for the eighteen month period then ended, in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



June 30, 2007

AMERICAN DIABETES ASSOCIATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2006

(in thousands of dollars)

ASSETS

Cash and cash equivalents	\$ 13,725
Investments	48,990
Accounts receivable, net	5,271
Inventory and supplies, net	3,757
Prepaid expenses and other assets	3,959
Contributions receivable, net	34,046
Fixed assets, net	<u>10,085</u>
Total assets	<u><u>\$ 119,833</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 17,080
Line of credit	9,000
Research grants payable	9,781
Deferred revenues	<u>14,102</u>
Total liabilities	<u>49,963</u>
Unrestricted net assets	27,651
Temporarily restricted net assets	36,422
Permanently restricted net assets	<u>5,797</u>
Total net assets	<u>69,870</u>
Total liabilities and net assets	<u><u>\$ 119,833</u></u>

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

AMERICAN DIABETES ASSOCIATION
CONSOLIDATED STATEMENT OF ACTIVITIES
for the eighteen month period ended December 31, 2006

(in thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2006 Total</u>
Revenues and gains:				
Contributions - direct:				
Donations	\$ 96,509	39,823	-	136,332
Special events	70,401	4,432	-	74,833
Less: Costs of direct benefits to donors	(10,605)	-	-	(10,605)
Bequests	23,911	11,510	-	35,421
Contributions indirectly received from federated and nonfederated organizations	12,516	190	-	12,706
Grants from government agencies	375	-	-	375
Total contributions	<u>193,107</u>	<u>55,955</u>	<u>-</u>	<u>249,062</u>
Fees from exchange transactions:				
Subscription & other income from periodicals	39,121	-	-	39,121
Sales of materials	12,094	-	-	12,094
Program service fees	13,226	-	-	13,226
Investment income	6,148	533	131	6,812
Miscellaneous revenues	1,564	-	-	1,564
Total fees from exchange transactions	<u>72,153</u>	<u>533</u>	<u>131</u>	<u>72,817</u>
Net assets released from restrictions	<u>52,178</u>	<u>(52,178)</u>	<u>-</u>	<u>-</u>
Total revenues and gains	<u>317,438</u>	<u>4,310</u>	<u>131</u>	<u>321,879</u>
Expenses:				
Program activities:				
Research	83,329	-	-	83,329
Information	94,144	-	-	94,144
Advocacy and public awareness	77,337	-	-	77,337
Total program activities	<u>254,810</u>	<u>-</u>	<u>-</u>	<u>254,810</u>
Supporting services:				
Management and general	12,047	-	-	12,047
Fundraising	70,807	-	-	70,807
Total supporting services	<u>82,854</u>	<u>-</u>	<u>-</u>	<u>82,854</u>
Total expenses	<u>337,664</u>	<u>-</u>	<u>-</u>	<u>337,664</u>
Change in operating net assets	(20,226)	4,310	131	(15,785)
Net assets, beginning of year	<u>47,877</u>	<u>32,112</u>	<u>5,666</u>	<u>85,655</u>
Net assets, end of year	<u>\$ 27,651</u>	<u>36,422</u>	<u>5,797</u>	<u>69,870</u>

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

**AMERICAN DIABETES ASSOCIATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

for the eighteen month period ended December 31, 2006

(in thousands of dollars)

	Program Activities			Supporting Services		2006 Total
	Research	Information and public awareness	Advocacy and general	Management and general	Fundraising	
Grants	\$ 67,303	603	130	-	-	68,036
Employee costs	3,627	29,878	29,925	3,045	25,304	91,779
Professional fees	2,182	13,023	11,097	2,452	7,494	36,248
Supplies	90	4,784	1,140	138	945	7,097
Telecommunications	194	1,553	1,603	147	1,359	4,856
Postage and shipping	960	7,772	6,197	277	10,302	25,508
Occupancy cost	617	6,784	3,200	1,193	2,637	14,431
Equipment rental and maintenance	160	1,208	1,203	159	1,017	3,747
Printing and publications	3,708	18,082	11,743	364	15,102	48,999
Travel	183	1,572	2,059	186	1,521	5,521
Conferences and meetings	3,774	2,791	4,494	344	1,242	12,645
Data processing	94	1,146	1,039	176	1,173	3,628
Depreciation and amortization	57	1,697	1,244	2,093	566	5,657
Miscellaneous	380	3,251	2,263	1,473	2,145	9,512
Total expenses	\$ 83,329	94,144	77,337	12,047	70,807	337,664
Costs of direct benefits to donors						10,605
Total expenses and costs of direct benefits to donors						\$ 348,269

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

AMERICAN DIABETES ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the eighteen month period ended December 31, 2006
(in thousands of dollars)

	2006
Cash flows from operating activities:	
Change in net assets	\$ (15,785)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	5,657
Net unrealized and realized gain loss on investments	(1,859)
Gain on sale or disposal of assets	(9)
Provision for doubtful contributions and accounts receivable	3,385
Adjustments for changes in operating assets and liabilities:	
Decrease in accounts receivable	1,491
Increase in inventory and supplies	(66)
Increase in prepaid expenses and other assets	(792)
Increase in contributions receivable	(7,555)
Increase in accounts payable and accrued liabilities	6,616
Decrease in research grants payable	(3,172)
Increase in deferred revenues	1,879
Net cash used in operating activities	(10,210)
Cash flows from investing activities:	
Purchases of investments	(84,849)
Sales or maturities of investments	91,333
Proceeds from sale of assets	505
Purchase of fixed assets	(4,278)
Net cash provided by investing activities	2,711
Cash flows from financing activities:	
Payments on capital lease agreements	(951)
Net decrease in cash and cash equivalents	(8,450)
Cash and cash equivalents, beginning of year	22,175
Cash and cash equivalents, end of year	\$ 13,725

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

