

# The National Hemophilia Foundation

**Financial Statements**  
Year Ended June 30, 2005

# The National Hemophilia Foundation

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## Independent Auditors' Report

The Board of Directors  
The National Hemophilia Foundation  
New York, New York

We have audited the accompanying statement of financial position of The National Hemophilia Foundation (the "Foundation") as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Foundation'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 audit provides 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 National Hemophilia Foundation as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Information for the year ended June 30, 2004 is presented for comparative purposes only and was extracted from the financial statements of the Foundation for that year, dated August 18, 2004.

*BDO Seidman, LLP*

August 26, 2005

# The National Hemophilia Foundation

## Statement of Financial Position (with comparative totals for 2004)

<i>June 30,</i>	2005	2004
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents (Notes 2 and 12)	\$ 2,368,942	\$ 3,258,250
Investments at fair value (Notes 2 and 3)	5,100,429	5,150,750
Government grants receivable	720,312	362,775
Pledges receivable less allowance for uncollectible accounts of \$254,758 in 2005 and \$214,542 in 2004 (Notes 2 and 4)	789,012	1,228,218
Grants and other receivables, less uncollectible accounts of \$188,993 in 2005 and \$32,383 in 2004	841,731	1,286,472
Prepaid expenses and other assets	196,635	294,509
<b>Total current assets</b>	<b>10,017,061</b>	<b>11,580,974</b>
<b>Noncurrent assets:</b>		
Grants and other receivables	324,702	315,569
Pledges receivable less 5% discount (Note 4)	463,213	946,027
Fixed assets, net (Notes 2 and 5)	263,562	399,963
<b>Total noncurrent assets</b>	<b>1,051,477</b>	<b>1,661,559</b>
	<b>\$11,068,538</b>	<b>\$13,242,533</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 552,483	\$ 442,360
Accrued expenses	326,693	518,751
Accrued payroll and accrued vacation	166,647	257,476
Grants payable	1,544,482	1,943,910
Deferred revenue	718,885	954,463
<b>Total current liabilities</b>	<b>3,309,190</b>	<b>4,116,960</b>
<b>Noncurrent liabilities:</b>		
Grants payable	977,843	1,416,192
<b>Total liabilities</b>	<b>4,287,033</b>	<b>5,533,152</b>
<b>Commitments and contingencies (Notes 8 and 9)</b>		
<b>Net assets:</b>		
Unrestricted	1,522,053	2,280,056
Temporarily restricted (Note 6)	5,259,447	5,429,325
<b>Total net assets</b>	<b>6,781,500</b>	<b>7,709,381</b>
	<b>\$11,068,538</b>	<b>\$13,242,533</b>

See accompanying notes to financial statements.

# The National Hemophilia Foundation

## Statement of Activities (with comparative totals for 2004)

Year ended June 30,

	Unrestricted	Temporarily restricted	Total	
			2005	2004
<b>Public support:</b>				
Government grants (Note 10)	\$3,034,893	\$ -	\$3,034,893	\$ 2,605,016
Contributions, grants and bequests	365,319	1,175,493	1,540,812	1,554,872
Revenues generated from affiliated chapters	-	144,835	144,835	120,092
Special event revenue	346,419	-	346,419	456,850
Contributions from Combined Federal Campaign Meetings	31,688	-	31,688	29,073
Investment income	1,644,437	-	1,644,437	1,878,252
Realized and unrealized gains from investments	179,136	-	179,136	145,860
Membership	70,395	-	70,395	145,031
Publication income	66,025	-	66,025	78,845
Educational/medical literature	24,024	-	24,024	31,318
Other income	874,104	-	874,104	1,029,988
Net assets released from restrictions (Note 7)	238,646	-	238,646	364,269
<b>Total public support</b>	<b>1,490,206</b>	<b>(1,490,206)</b>	<b>-</b>	<b>-</b>
<b>Expenses:</b>				
Program services:				
Research (Note 2(h))	8,365,292	-	8,365,292	8,439,466
Health education and training	1,542,551	-	1,542,551	1,664,902
Community services	3,592,713	-	3,592,713	3,204,877
<b>Total program services</b>	<b>2,068,774</b>	<b>-</b>	<b>2,068,774</b>	<b>2,005,471</b>
Supporting services:				
Management and general	7,204,038	-	7,204,038	6,875,250
Fundraising	577,509	-	577,509	535,101
<b>Total supporting services</b>	<b>1,344,941</b>	<b>-</b>	<b>1,344,941</b>	<b>1,277,229</b>
<b>Total expenses</b>	<b>1,922,450</b>	<b>-</b>	<b>1,922,450</b>	<b>1,812,330</b>
<b>Change in net assets from operations</b>	<b>9,126,488</b>	<b>(169,878)</b>	<b>(931,074)</b>	<b>(248,114)</b>
<b>Change in net assets from nonoperations:</b>				
Grant revenue capital equipment	3,193	-	3,193	20,198
<b>Change in net assets</b>	<b>(758,003)</b>	<b>(169,878)</b>	<b>(927,881)</b>	<b>(227,916)</b>
<b>Net assets, beginning of year</b>	<b>2,280,056</b>	<b>5,429,325</b>	<b>7,709,381</b>	<b>7,937,297</b>
<b>Net assets, end of year</b>	<b>\$1,522,053</b>	<b>\$5,259,447</b>	<b>\$6,781,500</b>	<b>\$7,709,381</b>

See accompanying notes to financial statements.

# The National Hemophilia Foundation

## Statement of Functional Expense (with comparative totals for 2004)

Year ended June 30.

	Program services				Support services			Total	
	Research	Health education and training	Community services	Total	Management and general	Fundraising	Total	2005	2004
<b>Salaries and related expenses:</b>									
Salaries	\$ 340,503	\$ 709,462	\$ 731,717	\$1,781,682	\$357,034	\$ 516,837	\$ 873,871	\$2,655,553	\$2,486,524
Employee benefits (Note 9)	59,879	124,762	128,675	313,316	62,785	90,888	153,673	466,989	392,442
Payroll taxes	26,924	56,099	57,859	140,882	28,232	40,867	69,099	209,981	204,627
<b>Total salaries and related expenses</b>	<b>427,306</b>	<b>890,323</b>	<b>918,251</b>	<b>2,235,880</b>	<b>448,051</b>	<b>648,592</b>	<b>1,096,643</b>	<b>3,332,523</b>	<b>3,083,593</b>
<b>Other expenses:</b>									
Subcontracts - NIAID (Note 2(h))								-	12,218
Supplies	557	22,729	46,069	69,355	3,680	3,819	7,499	76,854	92,128
Stationery and printing	3,300	570,123	39,484	612,907	5,724	48,276	54,000	666,907	659,420
Telephone	1,739	16,376	40,574	58,689	3,983	6,398	10,381	69,070	65,902
Rent (Note 8)	18,778	123,669	75,982	218,429	44,055	37,907	81,962	300,391	265,740
Insurance		9,874	23,287	33,161	3,780	6,112	9,892	43,053	30,768
Equipment rental and maintenance	947	72,552	146,006	219,505	17,513	25,427	42,940	262,445	374,672
Travel, conferences, conventions	57,324	1,016,933	211,967	1,286,224	5,236	34,687	39,923	1,326,147	1,126,227
Accounting and auditing	1,120	23,039	10,457	34,616	4,033	5,657	9,690	44,306	34,330
Consulting and professional fees	6,042	270,718	439,795	716,555	6,215	106,060	112,275	828,830	744,111
Membership dues	3,165	7,078	8,231	18,474	3,255	14,328	17,583	36,057	41,452
Awards and grants	949,443	218,575		1,168,018				1,168,018	1,468,611
Postage and shipping	4,652	69,897	36,963	111,512	3,623	11,426	15,049	126,561	134,618
Employment recruiting	2,569	5,745	6,680	14,994	2,642	3,384	6,026	21,020	121,037
Bad debts	40,215	158,277		198,492		8,333	8,333	206,825	3,013
Special events						339,196	339,196	339,196	192,185
Depreciation and amortization	23,333	55,377	60,682	139,392	24,001	30,742	54,743	194,135	185,303
Miscellaneous	2,061	61,428	4,346		1,718	14,597	16,315	84,150	52,252
<b>Total expenses</b>	<b>\$1,542,551</b>	<b>\$3,592,713</b>	<b>\$2,068,774</b>	<b>\$7,204,038</b>	<b>\$577,509</b>	<b>\$1,344,941</b>	<b>\$1,922,450</b>	<b>\$9,126,488</b>	<b>\$8,687,580</b>

See accompanying notes to financial statement.

# The National Hemophilia Foundation

## Statement of Cash Flows (with comparative totals for 2004)

<i>Year ended June 30,</i>	2005	2004
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (927,881)	\$ (227,916)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	206,825	-
Depreciation and amortization	194,135	185,303
Realized and unrealized gain from investments	(70,395)	(145,031)
Loss on disposal of equipment	-	12,412
Decrease (increase) in assets:		
Government grants receivable	(367,537)	17,567
Pledges receivable	881,805	870,054
Trade and other receivables	289,297	764,116
Prepaid expenses and other assets	87,575	(37,633)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,010,536)	(111,515)
Deferred revenue	(235,578)	72,914
<b>Net cash (used in) provided by operating activities</b>	<b>(952,290)</b>	<b>1,400,271</b>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(57,734)	(100,807)
Purchases of investments	(1,741,645)	(1,855,289)
Proceeds from sale of investments	1,862,361	1,901,219
<b>Net cash provided by (used in) investing activities</b>	<b>62,982</b>	<b>(54,877)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(889,308)</b>	<b>1,345,394</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,258,250</b>	<b>1,912,856</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,368,942</b>	<b>\$ 3,258,250</b>

*See accompanying notes to financial statements.*

# The National Hemophilia Foundation

## Notes to Financial Statements

- 1. Organization and Purpose**

The National Hemophilia Foundation (the “Foundation” or “NHF”) was incorporated in the State of New York on June 15, 1948.

The Foundation is dedicated to finding better treatments and cures for bleeding and clotting disorders and to prevent the complications of these disorders through education, advocacy and research.

The Foundation and other independent organizations (member chapters) actively collaborate in furthering the Foundation’s mission throughout the United States. These financial statements represent only the financial position and activities of the National Hemophilia Foundation and do not include the accounts of the member chapters.
  
- 2. Summary of Significant Accounting Policies**

  - (a) Basis of Presentation*

The financial statements of the Foundation are prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.
  - (b) Financial Statement Presentation*

The classification of an organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.



# The National Hemophilia Foundation

## Notes to Financial Statements

These classes are defined as follows:

- (i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.
- (ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Contributions and Grants Receivable*

Contributions and grants, including unconditional promises to give that are expected to be collected within one year, are recognized as revenues in the period earned and are either classified as temporarily restricted or unrestricted. Conditional contributions, including conditional promises to give, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. An allowance for uncollectible accounts is recorded by management for reimbursable expenses either in dispute with the funding agency or deemed uncollectible.

# The National Hemophilia Foundation

## Notes to Financial Statements

**(d) *Cash and Cash Equivalents***

The Foundation considers money market accounts, certificates of deposit and all highly liquid debt securities purchased with original maturities of three months or less to be cash and cash equivalents.

**(e) *Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

**(f) *Fixed Assets***

Fixed assets are recorded at cost or, if donated, at their fair value at the date of the gift. Fixed assets are depreciated using the straight-line method over the estimated useful life of the assets ranging from five to seven years. Leasehold improvements are amortized over the shorter of the life of the lease or their useful lives.

The Foundation capitalizes fixed asset purchases greater than \$1,000 with an estimated useful life greater than one year.

**(g) *Membership Dues***

Under the terms of the Foundation's bylaw provisions, local nonprofit organizations concerned with inherited bleeding disorders are offered the opportunity to become NHF chapter members, entitled to all the rights and privileges designated in Article III of such bylaws. Each chapter member is required to pay an annual fee determined by the Board of Directors, which is presently either \$750 or \$1,500 based on the chapter member's annual budget. Individuals may also become non-voting members by paying an annual fee ranging from \$25 to \$100, based on their status as either consumers or providers. This amount is determined by the Board of Directors.

# The National Hemophilia Foundation

## Notes to Financial Statements

**(h) *Subcontracts and Chapter Support Funding***

Subcontracts and chapter support funding represent chapter outreach grants and treatment center monies designated for research. These subcontracts are funded through the Federal government and other agencies and are administered by the Foundation.

**(i) *Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**(j) *Income Taxes***

The Foundation is a nonprofit voluntary health organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified by the IRS as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2005.

**(k) *Comparative Financial Information***

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived. With respect to statement of activities, prior year information is not presented by net asset class. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than by functional category.

# The National Hemophilia Foundation

## Notes to Financial Statements

**(l) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(m) Reclassifications**

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation. The reclassifications had no impact on change in net assets.

**3. Investments at Fair Value**

The cost and respective fair values of investments are as follows

<i>June 30, 2005</i>	Fair value	Cost
Equity securities	\$4,030,600	\$3,906,537
Certificates of deposit	1,069,829	1,069,829
	<b>\$5,100,429</b>	<b>\$4,976,366</b>

The fair value of the investments detailed above is determined by reference to market quotations at June 30, 2005. The investments are managed by professional investment advisors and managers.

# The National Hemophilia Foundation

## Notes to Financial Statements

4. **Pledges Receivable** At June 30, 2005 the net present value of pledges receivable is \$1,252,225. Net present value was calculated using a discounted rate equal to the estimated earnings rate of the Foundation's cash and cash equivalents. The estimated earnings rate of the Foundation's cash and cash equivalents was calculated to be approximately 5.00%.

Net present value of contributions receivable, net of a reserve for uncollectible commitments, at June 30, 2005 is summarized below:

<i>June 30, 2005</i>	
Amount due in:	
Less than one year	\$1,020,133
One to five years	486,850
	1,506,983
Reserve for uncollectible commitments	(231,121)
Discount at 5.00%	(23,637)
Net present value of contributions receivable at June 30, 2005	\$1,252,225

5. **Fixed Assets**

The Foundation's fixed assets consist of the following:

<i>June 30, 2005</i>	
Furniture, fixtures and equipment	\$ 179,409
Computers	984,775
Leasehold improvements	150,982
	1,315,166
Less: Accumulated depreciation and amortization	(1,051,604)
	\$ 263,562

# The National Hemophilia Foundation

## Notes to Financial Statements

6. **Temporarily Restricted Net Assets** Temporarily restricted net assets represent contributions received and certain income related to the following:

Research	\$ 554,182
Soozie Courter	103,699
Capital Campaign	362,993
Capital Campaign II	3,746,356
Health Education and Training	10,386
Scholarship Fund	5,115
Clinical Fellowship	224,270
Dale Smith	252,446
	<u>\$5,259,447</u>

7. **Net Assets Released from Restrictions** Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

Capital Campaign	\$ 280,370
Capital Campaign II	31,114
Research	128,506
Women's Campaign	465,083
Scholarship Fund	1,000
Clinical Fellowship	584,133
	<u>\$1,490,206</u>

# The National Hemophilia Foundation

## Notes to Financial Statements

- 8. Commitments** The Foundation leases office space under operating leases. At June 30, 2005, future minimum rental payments under these operating leases, exclusive of the effect of the office lease escalation clause, are approximated as follows:

<i>Year ended June 30,</i>	
2006	\$261,000
2007	269,000
	<u>\$530,000</u>

- 9. Pension Plan** The Foundation has a defined contribution plan organized under Section 403(b) of the Internal Revenue Code administered by TIAA-CREF Individual and Institutional Services, Inc. covering substantially all of its employees. The Foundation makes contributions for each participant in the amount of a stated percentage of annual compensation based on the number of years such participant is in the employ of the Foundation. Employees may contribute to the plan subject to the maximum annual contribution limit prescribed by the Employee Retirement Income Security Act of 1974 guidelines.

For the year ended June 30, 2005, benefit plan expense was \$153,385.

- 10. Revenue Concentrations** During the year ended June 30, 2005, the Foundation earned 37% of its revenue from the Center for Disease Control which is a division of the Federal Government's Department of Health and Human Services.

- 11. Concentration of Credit Risk** The financial instruments that potentially subject the Foundation concentration of credit risk, consist primarily of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal Depository Insurance Coverage ("FDIC") limit.