

The National Hemophilia Foundation

Financial Statements
Year Ended June 30, 2006



BDO Seidman, LLP
Accountants and Consultants

The National Hemophilia Foundation

Financial Statements
Year Ended June 30, 2006

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, 2006, 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, 2006, 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, 2005 is presented for comparative purposes only and was extracted from the financial statements of the Foundation for that year, dated August 26, 2005.

BDO Seidman, LLP

August 31, 2006

The National Hemophilia Foundation

Statement of Financial Position (with comparative totals for 2005)

<i>June 30,</i>	2006	2005
Assets		
Current assets:		
Cash and cash equivalents (Notes 2 and 11)	\$ 4,207,581	\$ 2,368,942
Investments at fair value (Notes 2 and 3)	4,375,404	5,100,429
Government grants receivable	416,916	720,312
Pledges receivable less allowance for uncollectible accounts of \$450,000 in 2006 and \$254,758 in 2005 (Notes 2 and 4)	90,000	789,012
Grants and other receivables, less uncollectible accounts of \$203,259 in 2006 and \$188,993 in 2005	1,094,028	841,731
Prepaid expenses and other assets	118,811	196,635
Total current assets	10,302,740	10,017,061
Noncurrent assets:		
Grants receivable	1,000,000	324,702
Pledges receivable less 5% discount (Note 4)	150,000	463,213
Fixed assets, net (Notes 2 and 5)	110,264	263,562
Total noncurrent assets	1,260,264	1,051,477
	\$11,563,004	\$11,068,538
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 372,140	\$ 552,483
Accrued expenses	478,438	326,693
Accrued payroll and accrued vacation	163,769	166,647
Grants payable	1,085,646	1,544,482
Deferred revenue	1,031,581	718,885
Total current liabilities	3,131,574	3,309,190
Noncurrent liabilities:		
Grants payable	357,075	977,848
Total liabilities	3,488,649	4,287,038
Commitments and contingencies (Notes 8 and 9)		
Net assets:		
Unrestricted	1,581,063	1,522,053
Temporarily restricted (Note 6)	6,493,292	5,259,447
Total net assets	8,074,355	6,781,500
	\$11,563,004	\$11,068,538

See accompanying notes to financial statements.

The National Hemophilia Foundation

Statement of Activities (with comparative totals for 2005)

Year ended June 30,

	Unrestricted	Temporarily restricted	Total	
			2006	2005
Public support and revenue:				
Special event revenue	\$ 838,807	\$ -	\$ 838,807	\$ 346,419
Less: Direct costs	(701,948)	-	(701,948)	(339,196)
	136,859	-	136,859	7,223
Government grants	3,030,568	-	3,030,568	3,038,086
Contributions, grants and bequests	714,324	2,109,553	2,823,877	1,540,812
Revenues generated from affiliated chapters	-	104,946	104,946	144,835
Contributions from Combined Federal Campaign	32,630	-	32,630	31,688
Educational seminars and programs	1,800,978	-	1,800,978	1,644,437
Investment income	265,015	-	265,015	179,136
Realized and unrealized gains on investments	9,047	-	9,047	70,395
Membership	80,155	-	80,155	66,025
Publication Income	31,104	-	31,104	24,024
Educational/Medical literature	1,028,867	-	1,028,867	874,104
In-Kind	58,931	-	58,931	-
Other Income	109,889	-	109,889	238,646
Net assets released from restrictions	980,654	(980,654)	-	-
Total public support and revenue	8,279,021	1,233,845	9,512,866	7,859,411
Expenses:				
Program services:				
Health education and training	4,075,887	-	4,075,887	3,592,713
Community services	1,683,418	-	1,683,418	2,068,774
Research	1,226,068	-	1,226,068	1,542,552
Total program services	6,985,373	-	6,985,373	7,204,039
Supporting services:				
Management and general	749,670	-	749,670	577,509
Fundraising	484,968	-	484,968	1,005,744
Total supporting services	1,234,638	-	1,234,638	1,583,253
Total expenses	8,220,011	-	8,220,011	8,787,292
Change in net assets	59,010	1,233,845	1,292,855	(927,881)
Net assets, beginning of year	1,522,053	5,259,447	6,781,500	7,709,381
Net assets, end of year	\$1,581,063	\$6,493,292	\$8,074,355	\$6,781,500

See accompanying notes to financial statements.

The National Hemophilia Foundation

Statement of Cash Flows (with comparative totals for 2005)

<i>Year ended June 30,</i>	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 1,292,855	\$ (927,881)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	350,000	206,825
Depreciation and amortization	153,298	194,135
Realized and unrealized gain from investments	(9,047)	(70,395)
Increase (decrease) in assets:		
Government grants receivable	303,396	(368,703)
Pledges receivable	560,000	578,218
Grants and other receivables	(252,297)	444,741
Prepaid expenses and other assets	77,824	97,874
Grants receivable - long term	(675,298)	(164,577)
Pledge receivable - long term	102,225	303,587
Increase (decrease) in liabilities:		
Accounts payable	(180,343)	110,123
Accrued expenses	151,745	(192,058)
Accrued payroll and vacation	(2,878)	(90,829)
Grants payable - short term	(458,836)	(399,428)
Deferred revenue	312,696	(235,578)
Grants payable - long term	(620,773)	(438,344)
Net cash provided by (used in) operating activities	1,104,567	(952,290)
Cash flows from investing activities:		
Additions to fixed assets	-	(57,734)
Purchases of investments	(407,086)	(1,741,645)
Proceeds from sale of investments	1,141,158	1,862,361
Net cash provided by investing activities	734,072	62,982
Net increase (decrease) in cash and cash equivalents	1,838,639	(889,308)
Cash and cash equivalents, beginning of year	2,368,942	3,258,250
Cash and cash equivalents, end of year	\$ 4,207,581	\$ 2,368,942

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 \$3,000 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 tax payable for the year ended June 30, 2006.

(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, 2006</i>	Fair value	Cost
Equity securities	\$4,081,574	\$3,967,442
Certificates of deposit	293,830	293,830
	<u>\$4,375,404</u>	<u>\$4,261,272</u>

The fair value of the investments detailed above is determined by reference to market quotations at June 30, 2006. The investments are managed by professional investment advisors and managers.

The National Hemophilia Foundation

Notes to Financial Statements

4. **Pledges Receivable** At June 30, 2006 the net present value of pledges receivable is \$240,000. 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, 2006 is summarized below:

<i>June 30, 2006</i>	
Amount due in:	
Less than one year	\$ 440,000
One to five years	250,000
	<hr/> 690,000
Reserve for uncollectible commitments	(438,095)
Discount at 5.00%	(11,905)
	<hr/>
Net present value of contributions receivable at June 30, 2006	\$ 240,000

5. **Fixed Assets**

The Foundation's fixed assets consist of the following:

<i>June 30, 2006</i>	
Furniture, fixtures and equipment	\$ 179,409
Computers	984,775
Leasehold improvements	150,982
	<hr/> 1,315,166
Less: Accumulated depreciation and amortization	(1,204,902)
	<hr/>
	\$ 110,264

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	\$ 706,150
Soozie Courter	103,699
Capital Campaigns I and II	3,927,254
Health Education and Training	10,386
Scholarship Fund	5,084
Clinical Fellowship	1,474,246
Dale Smith	252,446
Katrina Relief Fund	14,027
	<hr/>
	\$6,493,292

7. Net Assets Released from Restrictions

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

Katrina Relief Fund	\$ 18,597
Capital Campaigns I and II	394,583
Research	3,621
Scholarship Fund	1,031
Clinical Fellowship	562,822
	<hr/>
	\$980,654

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Notes to Financial Statements

8. **Commitments** The Foundation leases office space under operating leases. At June 30, 2006, 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>	
2007	\$258,000
2008	199,000
	<u>\$457,000</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, 2006, benefit plan expense was \$173,099.

10. **Revenue Concentrations** During the year ended June 30, 2006, the Foundation earned 32% 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.