



**The National Hemophilia
Foundation**



Financial Statements
Year Ended June 30, 2007

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, 2007, 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, 2007, 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, 2006 is presented for comparative purposes only and was extracted from the financial statements of the Foundation for that year, dated August 31, 2006.

BDO Seidman, LLP

September 4, 2007

The National Hemophilia Foundation

Statement of Financial Position (with comparative totals for 2006)

<i>June 30,</i>	2007	2006
Assets		
Current assets:		
Cash and cash equivalents (Notes 2 and 10)	\$2,331,839	\$ 4,207,581
Investments at fair value (Notes 2 and 3)	5,756,188	4,375,404
Government grants receivable	346,607	416,916
Pledges receivable less allowance for uncollectible accounts of \$-0- in 2007 and \$450,000 in 2006	-	90,000
Grants and other receivables, less uncollectible accounts of \$94,380 in 2007 and \$203,259 in 2006	1,016,241	1,094,028
Prepaid expenses and other assets	138,832	118,811
Total current assets	9,589,707	10,302,740
Noncurrent assets:		
Grants receivable	375,000	1,000,000
Pledges receivable less 5% discount	-	150,000
Fixed assets, net (Notes 2 and 4)	32,107	110,264
Total noncurrent assets	407,107	1,260,264
	\$9,996,814	\$11,563,004
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 470,681	\$ 372,140
Accrued expenses	281,490	478,438
Accrued payroll and accrued vacation	217,725	163,769
Grants payable	112,148	1,085,646
Deferred revenue	1,184,655	1,031,581
Total current liabilities	2,266,699	3,131,574
Noncurrent liabilities:		
Grants payable	-	357,075
Total liabilities	2,266,699	3,488,649
Commitments and contingencies (Notes 7 and 8)		
Net assets:		
Unrestricted	1,804,765	1,581,063
Temporarily restricted (Note 5)	5,925,350	6,493,292
Total net assets	7,730,115	8,074,355
	\$9,996,814	\$11,563,004

See accompanying notes to financial statements.

The National Hemophilia Foundation

Statement of Activities (with comparative totals for 2006)

Year ended June 30,

	Unrestricted	Temporarily restricted	Total	
			2007	2006
Public support and revenue:				
Special event revenue	\$ 579,826	\$ -	\$ 579,826	\$ 838,807
Less: Direct costs	(465,446)	-	(465,446)	(701,948)
	114,380	-	114,380	136,859
Government grants	2,305,877	-	2,305,877	3,030,568
Contributions and grants	1,199,026	305,277	1,504,303	2,823,877
Legacies and bequests	197,592	8,225	205,817	-
Revenues generated from affiliated chapters	-	38,851	38,851	104,946
Contributions from Combined Federal Campaign	29,556	-	29,556	32,630
Educational seminars and programs	1,861,644	-	1,861,644	1,800,978
Investment income	283,579	-	283,579	265,015
Realized gains (losses) on investments	270,404	-	270,404	34,185
Unrealized gains (losses) on investments	84,119	-	84,119	(25,138)
Membership	58,468	-	58,468	80,155
Publication Income	26,372	-	26,372	31,104
Educational/Medical literature	1,216,245	-	1,216,245	1,028,867
In-Kind	30,633	-	30,633	58,931
Other Income	54,394	-	54,394	109,889
Net assets released from restrictions	920,295	(920,295)	-	-
Total public support and revenue	8,652,584	(567,942)	8,084,642	9,512,866
Expenses:				
Program services:				
Health education and training	3,882,488	-	3,882,488	4,075,887
Community services	2,125,584	-	2,125,584	1,683,418
Research	1,157,103	-	1,157,103	1,226,068
Total program services	7,165,175	-	7,165,175	6,985,373
Supporting services:				
Management and general	770,484	-	770,484	749,670
Fundraising	493,223	-	493,223	484,968
Total supporting services	1,263,707	-	1,263,707	1,234,638
Total expenses	8,428,882	-	8,428,882	8,220,011
Change in net assets	223,702	(567,942)	(344,240)	1,292,855
Net assets, beginning of year	1,581,063	6,493,292	8,074,355	6,781,500
Net assets, end of year	\$1,804,765	\$5,925,350	\$7,730,115	\$8,074,355

See accompanying notes to financial statements.

The National Hemophilia Foundation

Statement of Functional Expenses (with comparative totals for 2006)

Year ended June 30,

	Program services			Total	Support services			Total	
	Health education and training	Community services	Research		Management and general	Fundraising	Total	2007	2006
Salaries and related expenses:									
Salaries	\$1,549,126	\$ 623,349	\$ 125,951	\$2,298,426	\$ 522,456	\$ 225,846	\$ 748,302	\$3,046,728	\$2,603,786
Employee benefits and payroll taxes	322,427	103,265	27,701	453,393	35,897	44,002	79,899	533,292	528,760
Pension expense (Note 8)	124,168	31,062	4,901	160,131	13,874	21,405	35,279	195,410	173,097
Total salaries and related expenses	1,995,721	757,676	158,553	2,911,950	572,227	291,253	863,480	3,775,430	3,305,643
Other expenses:									
Supplies	53,157	11,770	2,717	67,644	10,414	11,182	21,596	89,240	63,310
Stationery and printing	168,134	169,152	10,706	347,992	5,320	9,413	14,733	362,725	502,371
Telephone	34,444	7,844	2,257	44,545	10,621	4,097	14,718	59,263	60,725
Rent and utilities (Note 7)	182,069	43,662	11,746	237,477	87,215	17,326	104,541	342,018	285,562
Insurance	13,751	3,968	1,464	19,183	8,008	1,835	9,843	29,026	29,777
Equipment rental and maintenance	149,082	53,940	11,197	214,219	31,979	12,993	44,972	259,191	299,050
Travel, conferences, conventions	701,585	226,829	133,988	1,062,402	9,513	44,150	53,663	1,116,065	1,490,747
Accounting and auditing	5,926	33,337	625	39,888	654	577	1,231	41,119	32,287
Consulting and professional fees	123,613	727,018	700	851,331	3,378	72,186	75,564	926,895	636,226
Membership dues	17,638	7,196	1,191	26,025	7,303	16,301	23,604	49,629	40,236
Awards and grants	300,684	12,060	814,990	1,127,734	-	-	-	1,127,734	760,717
Postage and shipping	68,099	26,650	3,264	98,013	2,398	5,555	7,953	105,966	121,819
Employment recruiting	426	639	29	1,094	176	1,445	1,621	2,715	3,445
Bad debts	-	-	-	-	-	-	-	-	350,000
Depreciation and amortization	41,555	16,588	2,807	60,950	17,207	-	17,207	78,157	153,298
In-kind expenses	3,470	23,792	238	27,500	954	2,179	3,133	30,633	58,931
Banking and investment fees	13,771	2,443	413	16,627	2,534	-	2,534	19,161	25,867
Miscellaneous	9,363	1,020	218	10,601	583	2,731	3,314	13,915	13,915
Total expenses	\$3,882,488	\$2,125,584	\$1,157,103	\$7,165,175	\$770,484	\$493,223	\$1,263,707	\$8,428,882	\$8,220,011

See accompanying notes to financial statements.

The National Hemophilia Foundation

Statement of Cash Flows (with comparative totals for 2006)

<i>Year ended June 30,</i>	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (344,240)	\$ 1,292,855
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense		350,000
Depreciation and amortization	78,156	153,298
Realized (gains) losses from investments	(270,404)	(34,185)
Unrealized (gains) losses from investments	(84,119)	25,138
Government grants receivable	70,309	303,396
Pledges receivable	90,000	560,000
Grants and other receivables	77,787	(252,297)
Prepaid expenses and other assets	(20,021)	77,824
Grants receivable - long term	625,000	(675,298)
Pledge receivable - long term	150,000	102,225
Increase (decrease) in liabilities:		
Accounts payable	98,541	(180,343)
Accrued expenses	(196,948)	151,745
Accrued payroll and vacation	53,956	(2,878)
Grants payable - short term	(973,498)	(458,836)
Deferred revenue	153,074	312,696
Grants payable - long term	(357,075)	(620,773)
Net cash (used in) provided by operating activities	(849,482)	1,104,567
Cash flows from investing activities:		
Purchases of investments	(3,553,516)	(407,086)
Proceeds from sale of investments	2,527,256	1,141,158
Net cash (used in) provided by investing activities	(1,026,260)	734,072
Net (decrease) increase in cash and cash equivalents	(1,875,742)	1,838,639
Cash and cash equivalents, beginning of year	4,207,581	2,368,942
Cash and cash equivalents, end of year	\$ 2,331,839	\$ 4,207,581

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, 2007.

(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, 2007</i>	Fair value	Cost
Equity securities	\$5,756,188	\$5,640,453

The fair value of the investments detailed above is determined by reference to market quotations at June 30, 2007. The investments are managed by professional investment advisors and managers.

The National Hemophilia Foundation

Notes to Financial Statements

4. Fixed Assets

The Foundation's fixed assets consist of the following:

June 30, 2007

Furniture, fixtures and equipment	\$ 179,409
Computers	984,775
Leasehold improvements	150,982
	<u>1,315,166</u>
Less: Accumulated depreciation and amortization	<u>1,283,059</u>
	<u>\$ 32,107</u>

5. Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions received and certain income related to the following:

Research	\$ 761,985
Soozie Courter	103,699
Capital Campaigns I and II	3,394,170
Health Education and Training	10,386
Scholarship Fund	6,060
Clinical Fellowship	1,386,412
Dale Smith	252,446
Katrina Relief Fund	1,967
Planned Giving	8,225
	<u>\$5,925,350</u>

The National Hemophilia Foundation

Notes to Financial Statements

6. 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	\$ 12,060
Capital Campaigns I and II	820,378
Scholarship Fund	23
Clinical Fellowship	87,834
	<u>\$920,295</u>

7. Commitments

The Foundation leases office space under operating leases. Rent expense for the year ended June 30, 2007 was \$317,313. At June 30, 2007, future minimum rental payments under these operating leases, inclusive of the effect of the office lease escalation clause, are as follows:

<i>Year ended June 30,</i>	
2008	\$ 318,530
2009	352,625
2010	363,204
2011	374,100
2012	385,323
Thereafter	1,119,110
	<u>\$2,912,892</u>

The Board of Directors of the Foundation notified the Chief Executive Officer ("CEO") that on August 1, 2007 the Board decided not to renew the CEO's Employment Agreement due to expire on January 14, 2008.

A Separation Agreement and Release was executed by the Board and the CEO dated September 14, 2007. The expected cost of this severance agreement, including salary and benefits, is estimated to approximate \$120,000.

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Notes to Financial Statements

- 8. 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, 2007, benefit plan expense was \$195,410.
- 9. Revenue Concentrations** During the year ended June 30, 2007, the Foundation earned 29% of its revenue from the Center for Disease Control which is a division of the Federal Government's Department of Health and Human Services.
- 10. 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.