

# **The National Hemophilia Foundation**

**Financial Statements**  
Year Ended June 30, 2004



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Year Ended June 30, 2004

# 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, 2004, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2004, 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, 2003 is presented for comparative purposes only and was extracted from the financial statements of the Foundation for that year, dated September 10, 2003.

*BDO Seidman, LLP*

August 18, 2004

# The National Hemophilia Foundation

## Statement of Financial Position (with comparative totals for 2003)

<i>June 30,</i>	2004	2003
<b>Assets</b>		
Cash and cash equivalents (Notes 2 and 13)	\$ 3,258,250	\$ 1,912,856
Investments at fair value (Notes 2 and 3)	5,150,750	5,051,649
Government grants receivable, less allowance for uncollectible accounts of \$-0- in 2004 and \$50,000 in 2003	362,775	380,342
Pledge receivable less allowance for uncollectible accounts of \$111,345 in 2004 and 2003 (Notes 2 and 4)	2,174,245	3,044,299
Trade and other receivables, less uncollectible accounts of \$32,383 in 2004 and \$54,970 in 2003	1,612,340	2,376,456
Prepaid expenses and other assets	284,210	246,577
Fixed assets, net (Notes 2 and 5)	399,963	496,871
	<b>\$13,242,533</b>	<b>\$13,509,050</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 4,578,689	\$ 4,522,454
Deferred revenue	954,463	881,549
Other liabilities (Note 12)	-	167,750
<b>Total liabilities</b>	<b>5,533,152</b>	<b>5,571,753</b>
<b>Commitments and contingencies (Notes 9, 10 and 12)</b>		
<b>Net assets:</b>		
Unrestricted – operating	2,259,858	2,800,940
Temporarily restricted (Note 7)	5,429,325	5,098,637
<b>Total operating net assets</b>	<b>7,689,183</b>	<b>7,899,577</b>
Unrestricted - nonoperating (Note 6)	20,198	37,720
<b>Total net assets</b>	<b>7,709,381</b>	<b>7,937,297</b>
	<b>\$13,242,533</b>	<b>\$13,509,050</b>

*See accompanying notes to financial statements.*

# The National Hemophilia Foundation

## Statement of Activities (with comparative totals for 2003)

Year ended June 30,

	Unrestricted	Temporarily restricted	Total	
			2004	2003
<b>Public support:</b>				
Government grants (Note 11)	\$2,605,016	\$ -	\$ 2,605,016	\$ 2,900,110
Contributions, grants and bequests	108,033	1,446,839	1,554,872	4,499,147
Revenues generated from affiliated chapters	2,700	117,392	120,092	160,524
Special event revenue	456,850	-	456,850	962,375
Contributions from Combined Federal Campaign Meetings	29,073	-	29,073	32,234
Investment income	1,422,425	455,827	1,878,252	1,975,160
Realized and unrealized gains from investments	144,835	1,025	145,860	169,333
Membership	145,031	-	145,031	59,660
Publication income	78,845	-	78,845	76,125
Donations of goods and services	31,318	-	31,318	36,850
Other income	-	-	-	-
Net assets released from restrictions (Note 8)	1,394,257	-	1,394,257	1,103,747
	1,690,395	(1,690,395)	-	-
<b>Total public support</b>	<b>8,108,778</b>	<b>330,688</b>	<b>8,439,466</b>	<b>11,975,265</b>
<b>Expenses:</b>				
Program services:				
Research (Note 2(h))	1,664,902	-	1,664,902	2,382,077
Health education and training	3,204,877	-	3,204,877	3,112,491
Community services	2,005,471	-	2,005,471	1,832,710
<b>Total program services</b>	<b>6,875,250</b>	<b>-</b>	<b>6,875,250</b>	<b>7,327,278</b>
Supporting services:				
Management and general	535,101	-	535,101	488,568
Fundraising	1,277,229	-	1,277,229	1,281,712
<b>Total supporting services</b>	<b>1,812,330</b>	<b>-</b>	<b>1,812,330</b>	<b>1,770,280</b>
<b>Total expenses</b>	<b>8,687,580</b>	<b>-</b>	<b>8,687,580</b>	<b>9,097,558</b>
<b>Change in net assets from operations</b>	<b>(578,802)</b>	<b>330,688</b>	<b>(248,114)</b>	<b>2,877,707</b>
<b>Change in net assets from nonoperations:</b>				
Grant revenue capital equipment	20,198	-	20,198	25,637
<b>Change in net assets</b>	<b>(558,604)</b>	<b>330,688</b>	<b>(227,916)</b>	<b>2,903,344</b>
<b>Net assets, beginning of year</b>	<b>2,838,660</b>	<b>5,098,637</b>	<b>7,937,297</b>	<b>5,033,953</b>
<b>Net assets, end of year</b>	<b>\$2,280,056</b>	<b>\$ 5,429,325</b>	<b>\$7,709,381</b>	<b>\$ 7,937,297</b>

See accompanying notes to financial statements.

# The National Hemophilia Foundation

## Statement of Functional Expenses (with comparative totals for 2003)

Year ended June 30,

	Program services				Support services			Total	
	Research	Health education and training	Community services	Total	Management and general	Fundraising	Total	2004	2003
<b>Salaries and related expenses:</b>									
Salaries	\$ 250,963	\$ 591,791	\$ 746,492	\$1,589,246	\$331,007	\$ 566,271	\$ 897,278	<b>\$2,486,524</b>	\$2,281,428
Employee benefits (Note 10)	39,609	93,401	117,817	250,827	52,242	89,373	141,615	<b>392,442</b>	356,952
Payroll taxes	20,653	48,701	61,432	130,786	27,240	46,601	73,841	<b>204,627</b>	183,476
<b>Total salaries and related expenses</b>	<b>311,225</b>	<b>733,893</b>	<b>925,741</b>	<b>1,970,859</b>	<b>410,489</b>	<b>702,245</b>	<b>1,112,734</b>	<b>3,083,593</b>	2,821,856
<b>Other expenses:</b>									
Subcontracts - NIAID (Note 2(h))	12,218	-	-	12,218	-	-	-	<b>12,218</b>	58,737
Supplies	5,241	42,829	35,829	83,899	2,913	5,316	8,229	<b>92,128</b>	76,368
Stationery and printing	19,974	534,229	58,800	613,003	1,050	45,367	46,417	<b>659,420</b>	898,652
Telephone	3,799	14,830	35,998	54,627	2,974	8,301	11,275	<b>65,902</b>	73,092
Rent (Note 9)	23,252	65,930	78,447	167,629	34,732	63,379	98,111	<b>265,740</b>	256,242
Insurance	2,692	7,634	9,083	19,409	4,021	7,338	11,359	<b>30,768</b>	27,963
Equipment rental and maintenance	8,089	213,012	119,441	340,542	12,082	22,048	34,130	<b>374,672</b>	330,768
Travel, conferences, conventions	6,264	892,033	191,185	1,089,482	4,500	32,245	36,745	<b>1,126,227</b>	1,232,942
Accounting and auditing	3,004	8,517	10,134	21,655	4,487	8,188	12,675	<b>34,330</b>	34,808
Consulting and professional fees	9,209	230,877	411,124	651,210	13,756	79,145	92,901	<b>744,111</b>	462,948
Membership dues	2,919	8,276	9,847	21,042	4,360	16,050	20,410	<b>41,452</b>	39,312
Awards and grants	1,223,913	244,698	-	1,468,611	-	-	-	<b>1,468,611</b>	2,022,991
Postage and shipping	7,557	85,712	25,857	119,126	1,652	13,840	15,492	<b>134,618</b>	138,888
Employment recruiting	10,591	30,029	35,730	76,350	15,820	28,867	44,687	<b>121,037</b>	39,269
Bad debts	-	-	-	-	-	3,013	3,013	<b>3,013</b>	3,136
Special events	-	-	-	-	-	192,185	192,185	<b>192,185</b>	322,619
Depreciation and amortization	14,447	61,160	48,739	124,346	21,579	39,378	60,957	<b>185,303</b>	189,155
Miscellaneous	508	31,218	9,516	41,242	686	10,324	11,010	<b>52,252</b>	67,812
<b>Total expenses</b>	<b>\$1,664,902</b>	<b>\$3,204,877</b>	<b>\$2,005,471</b>	<b>\$6,875,250</b>	<b>\$535,101</b>	<b>\$1,277,229</b>	<b>\$1,812,330</b>	<b>\$8,687,580</b>	\$9,097,558

See accompanying notes to financial statements.

# The National Hemophilia Foundation

## Statement of Cash Flows (with comparative totals for 2003)

<i>Year ended June 30,</i>	2004	2003
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (227,916)	\$ 2,903,344
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	185,303	189,155
Realized and unrealized gain from investments	(145,031)	(59,660)
Loss on disposal of equipment	12,412	-
Decrease (increase) in assets:		
Government grants receivable	17,567	(1,847)
Pledge receivable	870,054	(1,894,012)
Trade and other receivables	764,116	(627,755)
Prepaid expenses and other assets	(37,633)	1,983
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(111,515)	425,021
Deferred revenue	72,914	(147,680)
<b>Net cash provided by operating activities</b>	<b>1,400,271</b>	<b>788,549</b>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(100,807)	(57,397)
Purchases of investments	(1,855,289)	(2,205,302)
Proceeds from sale of investments	1,901,219	946,584
<b>Net cash used in investing activities</b>	<b>(54,877)</b>	<b>(1,316,115)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,345,394</b>	<b>(527,566)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,912,856</b>	<b>2,440,422</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,258,250</b>	<b>\$ 1,912,856</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 the cures of inherited bleeding disorders and the prevention and treatment of their complications through education, advocacy and research.

The Foundation has member chapters active in furthering the mission of the Foundation 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 Federal government 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, 2004.

(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, 2004</i>	Fair value	Cost
Equity securities	\$3,588,921	\$3,513,959
Certificates of deposit	1,561,829	1,561,829
	<u>\$5,150,750</u>	<u>\$5,075,788</u>

The fair value of the investments detailed above is determined by reference to market quotations at June 30, 2004. The investments are managed by professional investment advisors and managers.

**4. Pledge Receivable**

At June 30, 2004 the net present value of pledge receivable is \$2,174,245. 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%.

# The National Hemophilia Foundation

## Notes to Financial Statements

Net present value of contributions receivable, net of a reserve for uncollectible commitments, at June 30, 2004 is summarized below:

<i>June 30, 2004</i>	
Total contributions receivable at June 30, 2004	\$2,388,788
Reserve for uncollectible commitments	(111,345)
Contributions receivable, net of reserve for uncollectible commitments	2,277,443
Discount at 5.00%	(103,198)
Net present value of contributions receivable at June 30, 2004	\$2,174,245
Amounts due in:	
Less than one year	\$1,213,788
One to five years	1,175,000
	\$2,388,788

### 5. Fixed Assets

The Foundation's fixed assets consist of the following:

<i>June 30, 2004</i>	
Furniture, fixtures and equipment	\$ 175,387
Computers	931,231
Leasehold improvements	150,982
	1,257,600
Less: Accumulated depreciation and amortization	(857,637)
	\$ 399,963

Included in computers is software donated from Microsoft in the amount of \$85,637.

# The National Hemophilia Foundation

## Notes to Financial Statements

6. **Nonoperating Net Assets** Nonoperating net assets at June 30, 2004 represent grant revenue earned for the purchase of fixed assets in excess of their net book value. The nonoperating net assets will be reclassified to operating net assets as depreciation is incurred.

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

Research	\$ 569,113
Soozie Courter	103,699
Capital Campaign	643,362
Capital Campaign II	3,620,934
Health Education and Training	10,386
Scholarship Fund	5,115
Clinical Fellowship	224,270
Dale Smith	252,446
	<hr/>
	\$5,429,325

8. **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	\$ 210,000
Research	220,500
Women's Campaign	455,827
Scholarship Fund	1,000
Clinical Fellowship	803,068
	<hr/>
	\$1,690,395

# The National Hemophilia Foundation

## Notes to Financial Statements

- 9. Commitments** The Foundation leases office space under operating leases. At June 30, 2004, 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>	
2005	\$254,000
2006	261,000
2007	269,000
	<u>\$784,000</u>

- 10. 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, 2004, benefit plan expense was \$136,004.

- 11. Revenue Concentrations** During the year ended June 30, 2004, the Foundation earned 31% of its revenue from the Center for Disease Control which is a division of the Federal Government's Department of Health and Human Services.



# The National Hemophilia Foundation

## Notes to Financial Statements

**12. Litigation**

As the result of certain treatment recommendations issued by the Foundation in the early 1980's, the Foundation was named as a defendant in lawsuits in various state and Federal courts around the country alleging that the Foundation had liability to persons with hemophilia who contracted HIV or AIDS as a result of using certain blood clotting products.

As of fiscal year ended June 30, 2004, it is the understanding of management that all litigation against the Foundation has been dismissed.

**13. 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.