

THE NATIONAL HEMOPHILIA FOUNDATION

**FINANCIAL REPORT
DECEMBER 31, 2011**



THE NATIONAL HEMOPHILIA FOUNDATION

DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The National Hemophilia Foundation (the "Foundation") as of December 31, 2011 and 2010 and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Foundation's 2010 financial statements and in our report dated August 11, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 audits provide 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 Foundation as of December 31, 2011 and 2010, and the changes in its net assets, its cash flows and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wiss & Company

WISS & COMPANY, LLP

Livingston, New Jersey
June 5, 2012

THE NATIONAL HEMOPHILIA FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011

(WITH SUMMARIZED COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

| ASSETS | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>2011</u> | <u>2010</u> |
|---|---------------------|----------------------------------|----------------------------------|----------------------|----------------------|
| | | | | | |
| Cash and cash equivalents | \$ 3,586,266 | \$ 3,338,177 | \$ - | \$ 6,924,443 | \$ 4,110,566 |
| Investments at fair value | 2,698,908 | 895,358 | - | 3,594,266 | 3,718,990 |
| Government grants receivable | 115,985 | - | - | 115,985 | 215,783 |
| Grants and other receivables, less allowance for uncollectible accounts of \$-0- in 2011 and 2010 | 643,451 | - | - | 643,451 | 531,490 |
| Pledge receivables, less allowance for uncollectible accounts of \$-0- in 2011 and 2010 | - | 115,001 | - | 115,001 | 120,000 |
| Prepaid expenses and other assets | <u>63,837</u> | <u>-</u> | <u>-</u> | <u>63,837</u> | <u>47,844</u> |
| Total Current Assets | <u>7,108,447</u> | <u>4,348,536</u> | <u>-</u> | <u>11,456,983</u> | <u>8,744,673</u> |
| NONCURRENT ASSETS: | | | | | |
| Pledge receivables, less allowance for uncollectible accounts of \$-0- in 2011 and 2010 | - | 58,111 | - | 58,111 | 167,662 |
| Investments at fair value | - | 1,215,026 | 250,000 | 1,465,026 | 1,288,663 |
| Security deposit | 52,638 | - | - | 52,638 | 52,638 |
| Fixed assets, net | <u>28,229</u> | <u>-</u> | <u>-</u> | <u>28,229</u> | <u>37,573</u> |
| Total Noncurrent Assets | <u>80,867</u> | <u>1,273,137</u> | <u>250,000</u> | <u>1,604,004</u> | <u>1,546,536</u> |
| | <u>\$ 7,189,314</u> | <u>\$ 5,621,673</u> | <u>\$ 250,000</u> | <u>\$ 13,060,987</u> | <u>\$ 10,291,209</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | \$ 532,056 | \$ - | \$ - | \$ 532,056 | \$ 589,813 |
| Accrued expenses | 732,013 | - | - | 732,013 | 1,066,985 |
| Accrued payroll and vacation | 278,455 | - | - | 278,455 | 333,101 |
| Deferred rent payable | 68,057 | - | - | 68,057 | 64,603 |
| Deferred support and revenue | <u>905,693</u> | <u>3,338,178</u> | <u>-</u> | <u>4,243,871</u> | <u>2,628,685</u> |
| Total Current Liabilities | <u>2,516,274</u> | <u>3,338,178</u> | <u>-</u> | <u>5,854,452</u> | <u>4,683,187</u> |
| COMMITMENTS | | | | | |
| NET ASSETS: | | | | | |
| Unrestricted | 4,457,694 | - | - | 4,457,694 | 2,953,140 |
| Unrestricted - board designated | 215,346 | - | - | 215,346 | 128,425 |
| Temporarily restricted | - | 2,283,495 | - | 2,283,495 | 2,276,457 |
| Permanently restricted | <u>-</u> | <u>-</u> | <u>250,000</u> | <u>250,000</u> | <u>250,000</u> |
| Total Net Assets | <u>4,673,040</u> | <u>2,283,495</u> | <u>250,000</u> | <u>7,206,535</u> | <u>5,608,022</u> |
| | <u>\$ 7,189,314</u> | <u>\$ 5,621,673</u> | <u>\$ 250,000</u> | <u>\$ 13,060,987</u> | <u>\$ 10,291,209</u> |

See accompanying notes to financial statements.

THE NATIONAL HEMOPHILIA FOUNDATION

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>2011 Total</u> | <u>2010 Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| SUPPORT AND REVENUE: | | | | | |
| Special events revenue | \$ 1,140,908 | \$ - | \$ - | 1,140,908 | \$ 667,547 |
| Less: direct costs | <u>(492,024)</u> | <u>-</u> | <u>-</u> | <u>(492,024)</u> | <u>(282,778)</u> |
| | 648,884 | - | - | 648,884 | 384,769 |
| Government grants | 916,861 | - | - | 916,861 | 1,156,455 |
| Contributions and grants | 5,440,764 | 572,267 | - | 6,013,031 | 4,771,280 |
| Revenues generated from affiliated chapters | 67,037 | 18,400 | - | 85,437 | 481,831 |
| Contributions from combined federal campaign | 29,741 | - | - | 29,741 | 29,677 |
| Educational seminars and programs | 2,976,296 | - | - | 2,976,296 | 2,739,762 |
| Investment income | 157,760 | - | - | 157,760 | 162,097 |
| Realized gains (losses) on investments | 67,163 | - | - | 67,163 | (51,332) |
| Unrealized gains (losses) on investments | (108,575) | 2,111 | - | (106,464) | 213,361 |
| Publication income | 6,067 | - | - | 6,067 | 20,632 |
| Educational/medical literature | 1,228,889 | - | - | 1,228,889 | 1,104,450 |
| In-Kind | 2,742 | - | - | 2,742 | 1,762 |
| Other income | 24,682 | - | - | 24,682 | 11,398 |
| Net assets released from restrictions | <u>585,740</u> | <u>(585,740)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Support and Revenue | <u>12,044,051</u> | <u>7,038</u> | <u>-</u> | <u>12,051,089</u> | <u>11,026,142</u> |
| EXPENSES: | | | | | |
| Program services: | | | | | |
| Health education and training | 4,864,024 | - | - | 4,864,024 | 4,465,285 |
| Community services | 1,663,251 | - | - | 1,663,251 | 1,683,904 |
| Chapter services | 1,781,547 | - | - | 1,781,547 | 1,295,288 |
| Research | 969,970 | - | - | 969,970 | 1,107,300 |
| Total Program Services | <u>9,278,792</u> | <u>-</u> | <u>-</u> | <u>9,278,792</u> | <u>8,551,777</u> |
| Supporting services: | | | | | |
| Management and general | 1,165,114 | - | - | 1,165,114 | 1,051,808 |
| Fundraising | 434,335 | - | - | 434,335 | 443,312 |
| Total Supporting Services | <u>1,599,449</u> | <u>-</u> | <u>-</u> | <u>1,599,449</u> | <u>1,495,120</u> |
| Total Expenses | <u>10,878,241</u> | <u>-</u> | <u>-</u> | <u>10,878,241</u> | <u>10,046,897</u> |
| CHANGE IN NET ASSETS | 1,165,810 | 7,038 | - | 1,172,848 | 979,245 |
| NET ASSETS, BEGINNING OF YEAR | 3,081,565 | 2,276,457 | 250,000 | 5,608,022 | 4,628,777 |
| OTHER CHANGES: | | | | | |
| NET ASSETS GRANTED UPON DISSOLUTION | | | | | |
| OF CHAPTERS (Note 2) | <u>425,665</u> | <u>-</u> | <u>-</u> | <u>425,665</u> | <u>-</u> |
| NET ASSETS, END OF YEAR | <u>\$ 4,673,040</u> | <u>\$ 2,283,495</u> | <u>\$ 250,000</u> | <u>\$ 7,206,535</u> | <u>\$ 5,608,022</u> |

See accompanying notes to financial statements.

THE NATIONAL HEMOPHILIA FOUNDATION

STATEMENTS OF CASH FLOWS

| | <u>Year Ended December 31,</u> | |
|---|--------------------------------|--------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 1,172,848 | \$ 979,245 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Cash transferred to the Foundation upon dissolution of chapters (see Note 2) | 495,886 | - |
| Depreciation and amortization | 9,344 | 3,622 |
| Realized (gains) losses from investments | (67,163) | 51,332 |
| Unrealized (gains) losses from investments | 106,464 | (213,361) |
| Deferred rent payable | 3,454 | 14,512 |
| (Increase) decrease in assets: | | |
| Government grants receivable | 99,798 | (60,658) |
| Grants and other receivables | (101,048) | 76,977 |
| Pledge receivables | 114,550 | (287,662) |
| Prepaid expenses and other assets | (12,654) | 19,076 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (57,757) | (267,858) |
| Accrued expenses | (390,029) | 313,474 |
| Accrued payroll and vacation | (54,646) | 22,550 |
| Deferred support and revenue | 1,585,770 | 1,036,419 |
| Net Cash Provided by Operating Activities | 2,904,817 | 1,687,668 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of fixed assets | - | (24,320) |
| Purchase of investments | (1,122,100) | (1,914,833) |
| Proceeds from sale of investments | 1,031,160 | 1,756,160 |
| Net Cash Utilized by Investing Activities | (90,940) | (182,993) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,813,877 | 1,504,675 |
| CASH AND EQUIVALENTS, BEGINNING OF YEAR | 4,110,566 | 2,605,891 |
| CASH AND EQUIVALENTS, END OF YEAR | \$ 6,924,443 | \$ 4,110,566 |
| Supplemental non-cash investing activity: | | |
| Net assets granted upon dissolution of chapters (Note 2) | \$ 425,665 | \$ - |

See accompanying notes to financial statements.

THE NATIONAL HEMOPHILIA FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2011

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

| | Year Ended December 31 | | | | | | | | | |
|---------------------------------------|----------------------------------|-----------------------|---------------------|---------------------|--------------------|---------------------------|-------------------|---------------------|----------------------|----------------------|
| | Program Services | | | | Support Services | | | | 2011 | 2010 |
| | Health Education and Training | Community Services | Chapter Services | Research | Total | Management and General | Fundraising | Total | Total Expenses | Total Expenses |
| SALARIES AND RELATED EXPENSES: | | | | | | | | | | |
| Salaries | \$ 1,374,523 | \$ 591,130 | \$ 699,403 | \$ 256,161 | \$2,921,217 | \$ 571,800 | \$ 216,179 | \$ 787,979 | \$ 3,709,196 | \$ 3,104,594 |
| Employee benefits and payroll taxes | 347,366 | 121,346 | 183,356 | 48,990 | 701,058 | 40,379 | 41,355 | 81,734 | 782,792 | 665,444 |
| Pension expense | 90,247 | 46,116 | 30,203 | 23,629 | 190,195 | 12,309 | 14,639 | 26,948 | 217,143 | 183,788 |
| Total Salaries and Related Expenses | <u>1,812,136</u> | <u>758,592</u> | <u>912,962</u> | <u>328,780</u> | <u>3,812,470</u> | <u>624,488</u> | <u>272,173</u> | <u>896,661</u> | <u>4,709,131</u> | <u>3,953,826</u> |
| OTHER EXPENSES: | | | | | | | | | | |
| Supplies | 48,678 | 2,703 | 47,656 | 4,197 | 103,234 | 12,787 | 12,414 | 25,201 | 128,435 | 77,884 |
| Printing | 155,350 | 375,696 | 4,417 | 2,980 | 538,443 | 2,384 | 11,427 | 13,811 | 552,254 | 565,943 |
| Telephone | 40,782 | 9,952 | 21,979 | 3,015 | 75,728 | 2,957 | 4,095 | 7,052 | 82,780 | 67,097 |
| Occupancy | 147,459 | 76,035 | 117,943 | 34,599 | 376,036 | 38,863 | 30,814 | 69,677 | 445,713 | 437,916 |
| Insurance | - | - | - | - | - | 33,580 | - | 33,580 | 33,580 | 29,618 |
| Equipment rental and maintenance | 260,489 | 57,266 | 68,731 | 26,513 | 412,999 | 34,472 | 21,121 | 55,593 | 468,592 | 528,333 |
| Travel, conferences, conventions | 1,779,208 | 124,680 | 334,198 | 88,037 | 2,326,123 | 44,284 | 17,540 | 61,824 | 2,387,947 | 2,073,249 |
| Accounting and auditing | - | - | - | - | - | 67,335 | 827 | 68,162 | 68,162 | 58,289 |
| Consulting and professional fees | 467,992 | 193,125 | 59,229 | 10,334 | 730,680 | 101,545 | 9,054 | 110,599 | 841,279 | 982,287 |
| Legal fees | - | 15,223 | 101,329 | - | 116,552 | 104,676 | - | 104,676 | 221,228 | 215,409 |
| Membership dues | 550 | 21,668 | 1,734 | - | 23,952 | 32,789 | 36,815 | 69,604 | 93,556 | 49,325 |
| Awards and grants | 88,064 | - | 100,648 | 469,184 | 657,896 | - | - | - | 657,896 | 850,483 |
| Postage and shipping | 58,128 | 25,144 | 5,637 | 815 | 89,724 | 913 | 5,683 | 6,596 | 96,320 | 107,472 |
| Employment recruiting | - | - | - | - | - | 13,638 | 9,410 | 23,048 | 23,048 | 1,559 |
| Depreciation and amortization | 3,515 | 1,512 | 1,648 | 655 | 7,330 | 1,461 | 553 | 2,014 | 9,344 | 3,622 |
| In-kind expenses | 1,673 | - | - | - | 1,673 | 1,069 | - | 1,069 | 2,742 | 1,762 |
| Banking and investment fees | - | 1,655 | 745 | 861 | 3,261 | 46,844 | 2,409 | 49,253 | 52,514 | 38,358 |
| Miscellaneous | - | - | 2,691 | - | 2,691 | 1,029 | - | 1,029 | 3,720 | 4,465 |
| Total Expenses - 2011 | <u>\$ 4,864,024</u> | <u>\$ 1,663,251</u> | <u>\$ 1,781,547</u> | <u>\$ 969,970</u> | <u>\$9,278,792</u> | <u>\$1,165,114</u> | <u>\$ 434,335</u> | <u>\$ 1,599,449</u> | <u>\$ 10,878,241</u> | |
| Total Expenses - 2010 | <u>\$ 4,465,285</u> | <u>\$ 1,683,904</u> | <u>\$ 1,295,288</u> | <u>\$ 1,107,300</u> | <u>\$8,551,777</u> | <u>\$1,051,808</u> | <u>\$ 443,312</u> | <u>1,495,120</u> | | <u>\$ 10,046,897</u> |

See accompanying notes to financial statements.

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies:

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

The Foundation's mission 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.

Basis of Presentation - The financial statements of the Foundation are prepared on the accrual basis of accounting.

Financial Statement Presentation - The Foundation conforms to Statement of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, "Financial Statements for Not-for-Profit Organizations. Under FASB ASC Topic 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Foundation is also in conformity with FASB ASC Topic 958-605 "Accounting for Contributions Received and Contributions Made". In conformity with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The classes are defined as follows:

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.

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.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Estimates and Uncertainties - 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.

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):

Contributions and Grants Receivables - Contributions and grants, including unconditional promises to give that are expected to be collected within one year, are recognized as support in the period received and are either classified as temporarily restricted or unrestricted. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. 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, if necessary, for reimbursable expenses either in dispute with the funding agency or deemed uncollectible. As of December 31, 2011 and 2010, the Foundation's conditional promise to give amounted to \$1,700,000 and \$3,107,132, for the purpose of funding its Clinical Fellowship Program and to support its Campaign for the Future initiative.

Cash and Cash Equivalents and Credit Risk - The Foundation considers money market accounts to be cash and cash equivalents. Cash in bank deposit accounts, at times, may exceed federally insured limits (FDIC). The Foundation maintains an account with a brokerage firm. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash and money market funds) by the Security Investor Protection Corporation. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash equivalents.

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.

Fair Value of Financial Instruments - Cash and equivalents, government grants receivable, grants and other receivables, accounts payable, accrued expenses, accrued payroll and vacation and deferred support and revenue are reflected in the financial statements at carrying values which approximate fair value because of their short-term maturities. Pledges are discounted to their present value using a risk free interest rate which does not represent fair value. It is not practicable to determine the fair value of the pledges.

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 \$5,000 with an estimated useful life greater than one year.

Deferred Support and Revenue - The Foundation records restricted grant/contract support as a deferred support and revenue until it is expended for the purpose of the grant or contract.

Deferred Rent Payable - The Foundation has an operating lease which contains predetermined increases in the rentals payable during the term of the lease. For these leases, the aggregate rental expense over the lease term is recognized on a straight-line basis over the lease term. The difference between the expense charged to operations in any period and the amount payable under the lease during that period is recorded as deferred rent payable on the Foundation's statement of financial position, which will reverse over the lease term.

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):

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.

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 and has made no provision for Federal or State income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of section 509(a) of the Internal Revenue Code. Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax (UBIT). The Foundation has activities subject to UBIT in the years ended and has filed Form 990T. All significant tax positions have been considered by management and it has been determined that all tax positions would be sustained upon examination by taxing authorities. The Foundation is required to file form 990 (Return of Organization Exempt from Income Tax), which is subject to examination by the IRS up to three years from the extended due date of the tax return. The forms 990 for 2008 through 2010 are open to examination by the IRS as of December 31, 2011.

Comparative Information - The Statements of Financial Position, Statements of Activities and Statements of Functional Expenses include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements as of and for the year ended December 31, 2010, from which the summarized information was derived.

Subsequent Events - Management has reviewed and evaluated all events and transactions from December 31, 2011 through June 5, 2012, the date that the financial statements were available for issuance. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the statement of financial position date have been recognized in the accompanying financial statements.

Note 2 - Net Assets Granted upon Dissolution of Chapters:

On June 23, 2011, the New York State approved the Agreement and Plan of Merger of the following hemophilia-oriented not for profit organizations with and into The National Hemophilia Foundation. Each organization chose to merge with the Foundation in order to expand services to their local communities, with the support of resources from the Foundation national office. Consequently, the net assets of these organizations were transferred to the Foundation on July 1, 2011 as follows:

| | Cash | Non-cash assets (A) | Total Assets | Liabilities (B) | Net Assets Transferred |
|--|-------------------|------------------------|-------------------|------------------|---------------------------|
| Central Ohio Hemophilia Foundation | \$ 107,327 | \$ 10,844 | \$ 118,171 | \$ 54,200 | \$ 63,971 |
| Hemophilia Foundation of Idaho, Inc. | 35,574 | - | 35,574 | - | 35,574 |
| Hemophilia Foundation of Nevada | 16,902 | 1,992 | 18,894 | - | 18,894 |
| Hemophilia Society of Colorado | 87,911 | - | 87,911 | - | 87,911 |
| Nebraska Chapter of the National Hemophilia Foundation | 248,172 | 1,416 | 249,588 | 30,274 | 219,314 |
| Total | <u>\$ 495,886</u> | <u>\$ 14,252</u> | <u>\$ 510,138</u> | <u>\$ 84,474</u> | <u>\$ 425,665</u> |

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Net Assets Granted upon Dissolution of Chapters: (continued)

(A) - comprised of accounts receivable, prepaid insurance and fixed assets

(B) - comprised of deferred revenue, accounts payable and accrued expenses

Note 3 - Investments at Fair Value:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures FASB ASC 820, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Common Stocks and Other Assets: Valued at the closing price reported on the New York Stock Exchange.
- Corporate Bonds: Valued based upon the activity in similar corporate bonds.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments at Fair Value (continued):

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2011 and 2010:

| | <i>Assets at Fair Value as of December 31, 2011</i> | | | |
|------------------------------------|---|------------------|----------------|------------------|
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| Corporate Bonds | | | | |
| AAA | \$ - | \$ 207,184 | \$ - | \$ 207,184 |
| AA | - | 827,418 | - | 827,418 |
| A | - | 1,679,736 | - | 1,679,736 |
| A/AA | - | 625,316 | - | 625,316 |
| Common Stocks | | | | - |
| Energy | 171,534 | - | - | 171,534 |
| Consumer Discretionary | 37,401 | - | - | 37,401 |
| Industrial | 95,957 | - | - | 95,957 |
| Consumer Staples | 57,970 | - | - | 57,970 |
| Healthcare | 104,168 | - | - | 104,168 |
| Financials | 63,592 | - | - | 63,592 |
| Technology | 77,818 | - | - | 77,818 |
| Telecommunications | 36,288 | - | - | 36,288 |
| Mutual Funds | | | | - |
| Bonds | 1,936 | - | - | 1,936 |
| Exchange Traded Equity Funds (ETF) | | | | - |
| Large-Cap Equity Sector | 32,790 | - | - | 32,790 |
| Mid-Cap Equity Sector | 406,552 | - | - | 406,552 |
| Small Cap Equity Sector | 389,711 | - | - | 389,711 |
| Non-U.S. Equity Securities | 243,921 | - | - | 243,921 |
| Total | \$ 1,719,638 | \$ 3,339,654 | \$ - | \$ 5,059,292 |

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments at Fair Value (continued):

| | <i>Assets at Fair Value as of December 31, 2010</i> | | | |
|------------------------------------|---|------------------|----------------|------------------|
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| Corporate Bonds | | | | |
| AAA | \$ - | \$ 194,959 | \$ - | \$ 194,959 |
| AA | - | 1,231,296 | - | 1,231,296 |
| A | - | 1,047,724 | - | 1,047,724 |
| A/AA | - | 833,482 | - | 833,482 |
| Common Stocks | | | | |
| Energy | 99,138 | - | - | 99,138 |
| Materials | 47,459 | - | - | 47,459 |
| Industrial | 25,890 | - | - | 25,890 |
| Consumer Staples | 96,104 | - | - | 96,104 |
| Healthcare | 178,180 | - | - | 178,180 |
| Technology | 95,868 | - | - | 95,868 |
| Telecommunications | 35,255 | - | - | 35,255 |
| Mutual Funds | | | | |
| Bonds | 3,294 | - | - | 3,294 |
| Exchange Traded Equity Funds (ETF) | | | | |
| Mid-Cap Equity Sector | 419,456 | - | - | 419,456 |
| Small Cap Equity Sector | 409,560 | - | - | 409,560 |
| Non-U.S. Equity Securities | 289,988 | - | - | 289,988 |
| Total | \$ 1,700,192 | \$ 3,307,461 | \$ - | \$ 5,007,653 |

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments at Fair Value (continued):

Investments - The following is summary of investments at fair value and cost at December 31, 2011 and 2010:

| | As of December 31, 2011 | | | |
|------------------------------|-------------------------|------------------------------|-------------------------------|---------------------|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Corporate Bonds | \$ 3,271,917 | \$ 70,077 | \$ 2,340 | \$ 3,339,654 |
| Common Stocks | 602,532 | 79,445 | 37,249 | 644,728 |
| Mutual Funds | 1,936 | - | - | 1,936 |
| Exchange Traded Equity Funds | 1,011,842 | 132,426 | 71,294 | 1,072,974 |
| | <u>\$ 4,888,227</u> | <u>\$ 281,948</u> | <u>\$ 110,883</u> | <u>\$ 5,059,292</u> |

| | As of December 31, 2010 | | | |
|------------------------------|-------------------------|------------------------------|-------------------------------|---------------------|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Corporate Bonds | \$ 3,259,230 | \$ 67,585 | \$ 19,354 | \$ 3,307,461 |
| Common Stocks | 545,982 | 71,271 | 39,359 | 577,894 |
| Mutual Funds | 3,294 | - | - | 3,294 |
| Exchange Traded Equity Funds | 924,255 | 206,954 | 12,205 | 1,119,004 |
| | <u>\$ 4,732,761</u> | <u>\$ 345,810</u> | <u>\$ 70,918</u> | <u>\$ 5,007,653</u> |

| | Fair Value | |
|------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Unrestricted | \$ 2,698,908 | \$ 2,768,858 |
| Temporarily restricted | 2,110,384 | 1,988,795 |
| Permanently restricted | 250,000 | 250,000 |
| | <u>\$ 5,059,292</u> | <u>\$ 5,007,653</u> |

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 4 - Pledge Receivables:

Pledge receivables have been discounted over the payment period using a discount rate of 3.25%. Pledge receivables are restricted for research and are due as follows:

| | As of December 31, | |
|---------------------------------------|--------------------|------------|
| | 2011 | 2010 |
| Up to one year | \$ 115,001 | \$ 120,000 |
| One to five years | 60,000 | 175,000 |
| | 175,001 | 295,000 |
| Less: discount to present value | 1,889 | 7,338 |
| | 173,112 | 287,662 |
| Less: allowance for doubtful accounts | - | - |
| | \$ 173,112 | \$ 287,662 |
| To summarize: | | |
| Current | \$ 115,001 | \$ 120,000 |
| Long-term | 58,111 | 167,662 |
| | \$ 173,112 | \$ 287,662 |

Note 5 - Fixed Assets:

The Foundation's fixed assets consist of the following:

| | As of December 31, | |
|--|--------------------|------------|
| | 2011 | 2010 |
| Furniture, fixtures and equipment | \$ 187,759 | \$ 187,759 |
| Computers | 996,922 | 996,922 |
| Leasehold improvements | 175,302 | 175,302 |
| | 1,359,983 | 1,359,983 |
| Less: Accumulated depreciation and amortization | 1,331,754 | 1,322,410 |
| | \$ 28,229 | \$ 37,573 |

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 6 - Temporarily Restricted Net Assets:

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

| | As of December 31, | |
|------------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Research | \$ 1,081,803 | \$ 1,260,893 |
| Soozie Courter Memorial Fund | 57,465 | 67,465 |
| Scholarship Fund | 7,603 | 8,633 |
| Clinical Fellowship | 1,111,591 | 916,544 |
| Dale Smith Endowment Fund | 21,335 | 18,750 |
| Katrina Relief Fund | 877 | 877 |
| Planned Giving | 2,821 | 3,295 |
| | <u>\$ 2,283,495</u> | <u>\$ 2,276,457</u> |

Note 7 - Net Assets Released from Restrictions:

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

| | 2011 | 2010 |
|------------------------------|-------------------|-------------------|
| Research | \$ 262,625 | \$ 409,638 |
| Soozie Courter Memorial Fund | 10,000 | 9,000 |
| Scholarship Fund | 1,030 | 1,010 |
| Clinical Fellowship | 312,085 | 387,745 |
| | <u>\$ 585,740</u> | <u>\$ 807,393</u> |

Note 8 - Permanently Restricted Net Assets (Endowment Funds):

The Foundation maintains a donor-restricted fund whose purpose is to provide long term support for its qualifying fellowship and training programs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 8 - Permanently Restricted Net Assets (Endowment Funds): (continued)

Interpretation of Relevant Law

The Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) original gift of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the institution and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the institution;
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; and
- (8) The investment policy of the institution

Investment Objectives

The Foundation has adopted an investment policy that primarily emphasizes the preservation of the capital and secondarily maximizes the total return. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the Foundation. In establishing the investment objectives of the Foundation, the investment advisory committee has taken into account the time horizon available for investment, the nature of the Foundation's cash flows and liabilities, and other factors that affect the Foundation's risk tolerance.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Foundation will ensure appropriate diversification to marketable equity securities. There shall be no Securities and Exchange Commission unregistered securities, private placement, venture capital, or direct investments in real or personal property. Approved investments include among others equity securities and fixed income securities.

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 8 - Permanently Restricted Net Assets (Endowment Funds) (continued):

Spending Policy

The Foundation has decided to accumulate investment income until it is sufficient to be given as a research award. This amount totaling \$21,335 and \$18,750 as of December 31, 2011 and 2010 is recorded as temporary restricted assets until the board approves the award of the research grant.

Endowment Net Asset Composition by Type of Fund as of December 31, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 21,335</u> | <u>\$ 250,000</u> | <u>\$ 271,335</u> |

Changes in Endowment Net Assets for the year Ended December 31, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, December 31, 2010 | \$ - | \$ 18,750 | \$ 250,000 | \$ 268,750 |
| Investment income | <u>-</u> | <u>2,585</u> | <u>-</u> | <u>2,585</u> |
| Endowment net assets, December 31, 2011 | <u>\$ -</u> | <u>\$ 21,335</u> | <u>\$ 250,000</u> | <u>\$ 271,335</u> |

Endowment Net Asset Composition by Type of Fund as of December 31, 2010

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 18,750</u> | <u>\$ 250,000</u> | <u>\$ 268,750</u> |

Changes in Endowment Net Assets for the year Ended December 31, 2010

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, December 31, 2009 | \$ - | \$ 11,250 | \$ 250,000 | \$ 261,250 |
| Investment income | <u>-</u> | <u>7,500</u> | <u>-</u> | <u>7,500</u> |
| Endowment net assets, December 31, 2010 | <u>\$ -</u> | <u>\$ 18,750</u> | <u>\$ 250,000</u> | <u>\$ 268,750</u> |

THE NATIONAL HEMOPHILIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 9 - Commitments:

The Foundation leases office space under operating leases. Rent expense included under occupancy for the years ended December 31, 2011 and 2010 was \$378,691 and \$385,522, respectively. At December 31, 2011, future minimum rental payments under these operating leases, inclusive of the effect of the office lease escalation clause, are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|---------------------|
| 2012 | \$ 404,800 |
| 2013 | 410,231 |
| 2014 | 418,175 |
| 2015 | 106,880 |
| 2016 | <u>2,200</u> |
| | <u>\$ 1,342,286</u> |

Note 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 also may contribute to another 403(b) plan subject to the maximum annual contribution limit prescribed by the Employee Retirement Income Security Act of 1974 guidelines.

For the years ended December 31, 2011 and 2010, benefit plan expense was \$224,178 and \$191,878, respectively.

Note 11 - Settlement:

There was a settlement recorded in 2011 for \$162,000 and this amount has been properly reflected as an expense in the financial statements.