



**NATIONAL PSORIASIS
FOUNDATION**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2012**



McDONALD JACOBS

Jake Jacobs, CPA

Susan J. Marks, CPA

Mark A. Clift, CPA

Karin S. Wandtke, CPA

Sang Ahn, CPA

*Jill Oswald
Principal*

*Dennis C. Johnson, CPA
of counsel*

*James R. McDonald, CPA
of counsel*

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
National Psoriasis Foundation
Portland, Oregon

We have audited the accompanying statement of financial position of National Psoriasis Foundation (the Foundation) (a nonprofit corporation) as of June 30, 2012, 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. The prior year summarized comparative information has been derived from the Foundation's 2011 financial statements which were audited by other auditors whose report dated October 31, 2011, expressed an unqualified opinion on those statements.

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 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 National Psoriasis Foundation as of June 30, 2012, 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.

McDonald Jacobs, P.C.

October 30, 2012

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2012
(With comparative totals for 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 995,915	\$ 2,141,289
Accounts receivable	172,777	213,850
Pledges receivable, net	548,214	819,457
Legacies and bequests receivable	420,400	290,000
Prepaid expenses	92,854	152,963
Inventory	25,290	20,186
Other assets	27,398	27,398
Investments	5,132,525	2,563,395
Property and equipment, net	38,078	48,346
 TOTAL ASSETS	 \$ 7,453,451	 \$ 6,276,884
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 153,109	\$ 312,587
Accrued payroll liabilities	55,382	41,697
Accrued vacation payable	139,800	122,502
Deferred revenue	19,370	24,093
 Total liabilities	 367,661	 500,879
Net assets:		
Unrestricted	5,223,157	4,285,183
Temporarily restricted	1,862,633	1,490,822
 Total net assets	 7,085,790	 5,776,005
 TOTAL LIABILITIES AND NET ASSETS	 \$ 7,453,451	 \$ 6,276,884

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012
(With comparative totals for 2011)

	2012			2011 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Special events	\$ 1,550,743	\$ 759,161	\$ 2,309,904	\$ 1,314,104
Direct costs of donor benefits	(274,887)	-	(274,887)	(94,243)
Net special events revenue	1,275,856	759,161	2,035,017	1,219,861
Individual contributions	1,082,580	238,233	1,320,813	1,399,124
Corporate contributions and sponsorships	2,556,087	2,575	2,558,662	2,830,108
Foundation contributions	28,500	-	28,500	38,500
Legacies and bequests	1,651,122	451,463	2,102,585	608,992
Magazine and website advertising	703,922	-	703,922	699,842
Sales and fees	130,437	-	130,437	160,113
Investment income	82,622	-	82,622	82,130
Net realized/unrealized gains	17,892	-	17,892	143,395
Other income	5,171	-	5,171	24,626
Net assets released from restrictions:				
Satisfaction of time restrictions	522,602	(522,602)	-	-
Satisfaction of program restrictions	557,019	(557,019)	-	-
Total support and revenue	8,613,810	371,811	8,985,621	7,206,691
Expenses:				
Public education	1,790,540	-	1,790,540	1,637,766
Patient services	784,166	-	784,166	806,358
Professional education	535,392	-	535,392	492,321
Advocacy and government relations	842,543	-	842,543	879,762
Research	2,208,929	-	2,208,929	1,769,755
Management and general	404,593	-	404,593	398,411
Fundraising	1,026,124	-	1,026,124	822,917
Special events	83,549	-	83,549	139,128
Total expenses	7,675,836	-	7,675,836	6,946,418
Change in net assets	937,974	371,811	1,309,785	260,273
Net assets:				
Beginning of year	4,285,183	1,490,822	5,776,005	5,515,732
End of year	\$ 5,223,157	\$ 1,862,633	\$ 7,085,790	\$ 5,776,005

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2012
(With comparative totals for 2011)

	Program Services										2011 Total
	Advocacy and					Management					
	Public Education	Patient Services	Professional Education	Government Relations	Research	Program Services	General	Fund- raising	Special Events	2012 Total	
Salaries	\$ 865,316	\$ 474,303	\$ 149,978	\$ 394,193	\$ 265,994	\$ 2,149,784	\$ 166,663	\$ 497,405	\$ -	\$ 2,813,852	\$ 2,448,126
Employee benefits	138,064	75,677	23,930	62,894	42,440	343,005	26,589	79,362	-	448,956	374,332
Payroll taxes	71,611	39,252	12,412	32,622	22,013	177,910	13,793	41,164	-	232,867	206,793
Occupancy	85,014	46,599	14,735	38,728	26,133	211,209	16,374	48,868	-	276,451	278,383
Telecommunications	20,108	9,048	1,100	6,286	2,037	38,579	3,210	15,665	2,006	59,460	52,122
Awards and grants	-	-	-	-	1,661,989	1,661,989	-	-	-	1,661,989	1,152,121
Conferences and meetings	49,766	1,140	124,259	10,819	2,535	188,519	35,402	3,991	153,467	381,379	334,549
Printing and publications	111,358	1,267	70,631	1,216	9,272	193,744	1,223	66,642	32,173	293,782	369,986
Postage and shipping	74,344	26	12,683	1,343	2,596	90,992	3,052	50,696	19,872	164,612	174,363
Travel	29,514	7,338	63,901	32,330	9,530	142,613	58,563	63,709	36,177	301,062	275,923
Professional and contracted services	206,793	92,357	49,477	220,436	148,702	717,765	50,030	75,606	46,702	890,103	971,791
Supplies	14,891	2,480	3,573	2,502	1,411	24,857	3,801	6,747	15,633	51,038	48,365
Equipment maintenance and repair	34,248	15,162	3,052	26,037	5,412	83,911	11,519	12,871	15,073	123,374	128,184
Event expenses	17,873	-	-	-	-	17,873	-	-	17,873	35,746	46,442
Dues and subscriptions	3,766	5,095	713	1,716	1,158	12,448	1,234	10,383	-	24,065	11,567
Staff education and training	2,289	1,430	397	1,043	704	5,863	366	1,316	-	7,545	8,108
Insurance	10,449	5,727	1,811	4,760	3,212	25,959	2,012	6,006	-	33,977	35,011
Reporting and filing fees	3,105	1,702	538	1,415	955	7,715	598	1,785	-	10,098	11,341
Bad debt	-	-	-	-	-	-	-	5,725	-	5,725	-
Bank fees	41,998	-	-	-	-	41,998	8,387	31,662	17,271	99,318	86,348
Depreciation	9,225	5,057	1,599	4,203	2,836	22,920	1,777	5,303	-	30,000	22,660
Miscellaneous	808	506	603	-	-	1,917	-	1,218	2,189	5,324	4,146
	1,790,540	784,166	535,392	842,543	2,208,929	6,161,570	404,593	1,026,124	358,436	7,950,723	7,040,661
Less expenses deducted directly from revenues	-	-	-	-	-	-	-	-	(274,887)	(274,887)	(94,243)
Total expenses	\$ 1,790,540	\$ 784,166	\$ 535,392	\$ 842,543	\$ 2,208,929	\$ 6,161,570	\$ 404,593	\$ 1,026,124	\$ 83,549	\$ 7,675,836	\$ 6,946,418

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2012
(With comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash receipts:		
Contributions	\$ 4,006,053	\$ 4,108,405
Legacies and bequests	1,972,185	387,545
Special events - net	2,035,017	1,226,841
Sales, fees and registrations	130,437	160,113
Magazine and website advertising	740,272	656,747
Interest and dividends	82,622	82,130
Other	5,171	24,626
Total cash receipts	<u>8,971,757</u>	<u>6,646,407</u>
Cash disbursements:		
Payroll and related expenses	3,464,692	3,073,441
Other operating expenses	4,254,634	3,898,730
Total cash disbursements	<u>7,719,326</u>	<u>6,972,171</u>
Net cash provided by (used in) operating activities	<u>1,252,431</u>	<u>(325,764)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(19,732)	(3,995)
Proceeds from the sale of investments	1,397,310	100,000
Purchase of investments	(3,775,383)	(146,932)
Net cash used in investing activities	<u>(2,397,805)</u>	<u>(50,927)</u>
Net decrease in cash and cash equivalents	(1,145,374)	(376,691)
Cash and cash equivalents - beginning of year	<u>2,141,289</u>	<u>2,517,980</u>
Cash and cash equivalents - end of year	<u>\$ 995,915</u>	<u>\$ 2,141,289</u>

Continued

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2012
(With comparative totals for 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 1,309,785	\$ 260,273
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	30,000	22,660
Net realized/unrealized gain on investments	(17,892)	(143,395)
Contributed investments	(173,165)	(13,942)
(Increase) decrease in:		
Accounts, pledges and bequests receivable	181,916	(434,020)
Prepaid expenses and inventory	55,005	(51,717)
Increase (decrease) in:		
Accounts payable and accrued expenses	(128,495)	10,284
Deferred revenue	(4,723)	24,093
	\$ 1,252,431	\$ (325,764)
Net cash provided by (used in) operating activities		<i>Concluded</i>

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. THE ORGANIZATION

National Psoriasis Foundation (the Foundation), was founded in 1968 with the mission to find a cure for psoriasis and psoriatic arthritis, and to eliminate their devastating effects through research, advocacy, and education. Psoriasis has a devastating impact on the lives of individuals and their families. It is potentially physically disabling and emotionally devastating. It marks people as different and dictates that they learn to live in a society that can often be discriminatory and insensitive. Through education and advocacy, the Foundation promotes awareness and understanding, ensures access to treatment, and supports research that will lead to effective management and, ultimately, a cure. The Foundation is dedicated to educating, serving, and empowering people with psoriasis and psoriatic arthritis.

The Foundation's program services include:

Public Education - Programs which educate the public about the causes, treatments, and diagnosis of psoriasis and psoriatic arthritis, including patient education events, publications and the Foundation's website.

Patient Services - Patient services include the affiliated support groups, online health care provider directory, patient mentor program, and individual assistance.

Professional Education - Programs designed to improve the delivery of psoriasis care by health professionals, including Psoriasis Forum, training for health care professionals and exhibits at professional conventions.

Advocacy and Government Relations - Programs that support and promote patients access to care including insurance advocacy and government affairs.

Research - Programs include awards and grants made to institutions conducting psoriasis and psoriatic arthritis research in order to improve diagnosis and treatment, and eventually cure psoriasis, support of the Foundation's scientific meetings, BioBank and advocacy on research issues.

The Foundation's supporting services include:

Management and general activities provide the necessary developmental, organizational, and managerial support for the effective operation of programs.

Fundraising encompasses direct and indirect costs of solicitation of contributions.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Foundation and/or the passage of time.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial. Accounts are written off when determined to be uncollectible and management has exhausted all reasonable collection efforts.

Inventory

Inventory consists of publications and is valued at the lower of cost, determined on the first-in, first-out method, or market.

Investments

Investments are carried at fair value.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 10 years.

Deferred Revenue

Amounts received in advance of being earned, generally for magazine and website advertising, are recorded as deferred revenue.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Foundation is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Legacies and bequests are recorded as revenue at the time the Foundation has an established right to the bequest and the proceeds are measurable.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Expense Allocation

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

Income Tax Status

National Psoriasis Foundation is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state provisions. The Foundation is not a private foundation.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status, Continued

Revenue from certain advertising services provided by the Foundation has been classified by the Internal Revenue Service as unrelated business income. The Foundation files the appropriate tax returns for these activities and pays tax on any excess income from these activities. The Foundation's unrelated business activities did not result in taxable income for the years ended June 30, 2012 and 2011. Net operating loss carryforwards total approximately \$94,000. A deferred tax asset of approximately \$19,000, which is subject to an estimated valuation allowance, if any, is not reflected in these financial statements as management believes it would have an immaterial effect on the financial statements taken as a whole.

Accounting principles generally accepted in the United States of America prescribe a recognition threshold and measurement process for accounting for uncertain tax positions and provide guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe that the Foundation has any uncertain tax positions. The Foundation's information and income tax returns for years ended June 30, 2008 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Use of Estimates

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

Summarized Financial Information for 2011

The financial information as of June 30, 2011 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Foundation has evaluated all subsequent events through October 30, 2012, the date the financial statements were available to be issued.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

3. PLEDGES, LEGACIES AND BEQUESTS RECEIVABLE

Pledges receivable represent unconditional promises to give and are receivable as follows June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Within one year	\$ 309,197	\$ 646,353
Within two to five years	<u>273,178</u>	<u>207,265</u>
	582,375	853,618
Less allowance for uncollectible accounts	<u>34,161</u>	<u>34,161</u>
Pledges receivable, net	<u>\$ 548,214</u>	<u>\$ 819,457</u>

Legacies and bequests receivable at June 30, 2012 are expected to be received in one year.

4. INVESTMENTS

Investments consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Corporate bonds and bond funds	\$ 1,837,840	\$ 1,716,028
Equity mutual funds	582,679	625,203
Money market funds	<u>2,712,006</u>	<u>222,164</u>
Total investments	<u>\$ 5,132,525</u>	<u>\$ 2,563,395</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 535,902	\$ 596,740
Leasehold improvements	<u>12,898</u>	<u>12,898</u>
Total property and equipment	548,800	609,638
Less accumulated depreciation	<u>510,722</u>	<u>561,292</u>
Net property and equipment	<u>\$ 38,078</u>	<u>\$ 48,346</u>

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

6. LINE OF CREDIT

The Foundation has a \$250,000 line of credit agreement with U.S. Bank. Interest is payable at the bank's prime rate (3.25% at June 30, 2012). The line is unsecured and due on demand. There were no outstanding advances at June 30, 2012 and 2011.

7. LEASE COMMITMENTS

The Foundation leases office space for \$24,801 per month under an operating lease which expires December 31, 2013. The Foundation also leases equipment for a total of \$1,386 per month under operating lease agreements which expire in January and September 2015.

Rent expense for the above leases totaled approximately \$314,000 and \$289,000 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease commitments under operating leases are as follows:

Year ending June 30, 2013	\$ 314,200
2014	165,400
2015	<u>11,400</u>
	<u>\$ 491,000</u>

8. CONDITIONAL GRANTS PAYABLE

The Foundation awards multiyear translational grants which are conditional on meeting performance requirements. As of June 30, 2012, the Foundation has awarded conditional grants totaling \$600,000 which will be recorded as expense when the conditions have been met.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

9. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at June 30, 2012 and 2011:

	2012	2011
Undesignated (deficit)	\$ (248,176)	\$ 757,957
Board designated (Note 10)	5,433,255	3,478,880
Net property and equipment	38,078	48,346
Total unrestricted net assets	\$ 5,223,157	\$ 4,285,183

10. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30, 2012 and 2011:

	2012	2011
Board designated reserve	\$ 1,000,000	\$ 900,000
Board designated endowment	4,433,255	2,578,880
Total board designated net assets	\$ 5,433,255	\$ 3,478,880

It is the Foundation's policy to maintain a minimum financial reserve equal to three months of projected fixed operating expenses.

The Foundation's endowment consists solely of funds designated by the Board of Trustees to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Since the Foundation's endowment does not include any donor-restricted funds, the entire amount of its endowment has been classified as unrestricted.

The endowment is invested in accordance with the Foundation's investment policy. Investments are placed in a diversified balanced portfolio consisting of equity securities, fixed income securities, and cash equivalents. The Foundation expects its portfolio to achieve returns comparable to nationally recognized market indices. In addition, the Foundation will conduct performance comparisons against nationally recognized balanced fund managers and market indices.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

10. BOARD DESIGNATED NET ASSETS, Continued

In accordance with the Board of Trustees' directive, endowment spending will be limited to 5 percent of fair value of the fund, as well as be subject to Board approval. During the years ended June 30, 2012 and 2011, the Board of Trustees elected to disburse \$90,000 and \$105,885, respectively, of the endowment funds for general operations.

Changes in the board designated endowment for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Balance at beginning of year	\$ 2,578,880	\$ 2,193,590
Additions	1,872,559	288,450
Interest and dividends	82,374	81,597
Investment fees	(28,450)	(22,267)
Net realized/unrealized gains	17,892	143,395
Expenditures	(90,000)	(105,885)
Balance at end of year	\$ 4,433,255	\$ 2,578,880

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2012 and 2011:

	2012	2011
Finding a Cure Campaign	\$ 202,241	\$ 521,017
General research	35,680	-
Lebwohl Fellowships	759,161	-
Fialkov diet	4,500	4,500
Halpin Award	4,157	4,157
Support groups	49,084	50,886
Legacies and bequests receivable	420,400	290,000
For use in future periods	387,660	620,262
Total temporarily restricted net assets	\$ 1,862,883	\$ 1,490,822

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

12. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan covering substantially all employees. The plan was established under Section 401(k) of the Internal Revenue Code. Employee contributions to the plan are in the form of salary deferrals and are immediately 100 percent vested. Employer contributions to the plan consist of an employer match. Under the employer matching contribution, the Foundation will match 100 percent of eligible employee salary deferrals, up to 5 percent of eligible compensation. All employer contributions to this plan are fully vested immediately. Employer contributions to the plan totaled \$114,143 and \$100,174 for the years ended June 30, 2012 and 2011, respectively.

13. JOINT COST ACTIVITY

The Foundation prepares publications through its website and hosts awareness walks which are all considered joint cost activities. Costs associated with the website and hosting awareness walks are allocated to program and fundraising activities for the years ended June 30, 2012 and 2011 as follows.

	2012	2011
Public education	\$ 135,798	\$ 120,895
Fundraising	74,447	75,752
Total joint cost activity	\$ 210,245	\$ 196,647

The amounts disclosed for 2011 were restated to conform to the methodologies applied in presenting the current year joint cost activity.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

14. CONCENTRATIONS AND CREDIT RISK

The Foundation maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, as well as noninterest bearing checking accounts which are fully insured. Cash balances at June 30, 2012 and 2011 are fully insured.

Accounts and pledges receivable are unsecured. As of June 30, 2012, one pledge outstanding represents 17% of total pledges receivable. Legacies and bequests for the year ended June 30, 2012 include a bequest representing 22% of total support and revenue.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

15. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The inputs are categorized by different levels as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2012

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2012 and 2011 are as follows:

	Fair Value	Level 1	Level 2
	<u> </u>	<u> </u>	<u> </u>
June 30, 2012			
Bond funds	\$ 1,837,840	\$ 1,837,840	\$ -
Equity mutual funds:			
Large value	135,282	135,282	-
Large growth	113,471	113,471	-
Foreign large growth	172,144	172,144	-
Large blend	79,883	79,883	-
Mid growth	81,899	81,899	-
	<u>\$ 2,420,519</u>	<u>\$ 2,420,519</u>	<u>\$ -</u>
June 30, 2011			
Corporate bonds and bond funds:			
Government bonds	\$ 153,776	\$ -	\$ 153,776
Corporate bonds	270,865	-	270,865
Bond funds	1,291,387	1,291,387	-
Equity mutual funds:			
Large value	276,998	276,998	-
Large growth	152,369	152,369	-
Foreign large growth	59,192	59,192	-
Foreign large blend	56,536	56,536	-
Mid growth	56,216	56,216	-
Small blend	23,892	23,892	-
	<u>\$ 2,341,231</u>	<u>\$ 1,916,590</u>	<u>\$ 424,641</u>

Fair values for corporate bond funds and equity mutual funds are based on determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for government and corporate bonds are based on pricing models, quoted prices of securities with similar characteristics, yield curves, and discounted cash flows.