



**NATIONAL PSORIASIS
FOUNDATION**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2014**



MCDONALD JACOBS
ACCOUNTANTS & CONSULTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
National Psoriasis Foundation

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Dennis C. Johnson, CPA
of counsel

We have audited the accompanying financial statements of National Psoriasis Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and 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.

Report on Summarized Comparative Information

We have previously audited National Psoriasis Foundation's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
September 30, 2014

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With comparative totals for 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 95,102	\$ 81,476
Accounts receivable	144,140	157,299
Pledges and bequests receivable, net	2,009,542	1,051,609
Prepaid expenses, inventory and other assets	179,635	229,778
Investments	5,301,070	5,815,700
Property and equipment, net	36,704	34,198
 TOTAL ASSETS	 \$ 7,766,193	 \$ 7,370,060
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 177,396	\$ 228,203
Accrued payroll liabilities	91,599	54,103
Accrued vacation payable	180,517	157,353
Deferred revenue	14,324	30,483
Deferred rent	74,502	5,765
Total liabilities	538,338	475,907
Net assets:		
Unrestricted	4,552,220	5,064,501
Temporarily restricted	2,675,635	1,829,652
Total net assets	7,227,855	6,894,153
 TOTAL LIABILITIES AND NET ASSETS	 \$ 7,766,193	 \$ 7,370,060

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014
(With comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Special events	\$ 2,152,093	\$ -	\$ 2,152,093	\$ 1,694,071
Direct costs of donor benefits	<u>(220,382)</u>	<u>-</u>	<u>(220,382)</u>	<u>(137,512)</u>
Net special events revenue	1,931,711	-	1,931,711	1,556,559
Individual contributions	1,102,894	350,252	1,453,146	1,395,528
Corporate contributions and sponsorships	2,483,079	1,874,963	4,358,042	3,453,251
Legacies and bequests	441,615	-	441,615	200,218
Magazine and website advertising	602,111	-	602,111	637,381
Investment income	84,661	-	84,661	84,774
Net realized/unrealized gains	479,326	-	479,326	113,222
Other income	82,140	-	82,140	45,575
Net assets released from restrictions:				
Satisfaction of time restrictions	966,222	(966,222)	-	-
Satisfaction of purpose restrictions	<u>413,010</u>	<u>(413,010)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,586,769</u>	<u>845,983</u>	<u>9,432,752</u>	<u>7,486,508</u>
Expenses:				
Public education	2,106,290	-	2,106,290	1,722,024
Patient services	1,018,041	-	1,018,041	945,123
Professional education	714,061	-	714,061	525,989
Advocacy and government relations	842,910	-	842,910	856,709
Research	2,682,921	-	2,682,921	2,070,774
Management and general	557,827	-	557,827	429,926
Fundraising	1,123,477	-	1,123,477	1,073,911
Special events	<u>53,523</u>	<u>-</u>	<u>53,523</u>	<u>53,689</u>
Total expenses	<u>9,099,050</u>	<u>-</u>	<u>9,099,050</u>	<u>7,678,145</u>
Change in net assets	(512,281)	845,983	333,702	(191,637)
Net assets:				
Beginning of year	<u>5,064,501</u>	<u>1,829,652</u>	<u>6,894,153</u>	<u>7,085,790</u>
End of year	<u>\$ 4,552,220</u>	<u>\$ 2,675,635</u>	<u>\$ 7,227,855</u>	<u>\$ 6,894,153</u>

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014
(With comparative totals for 2013)

	Program Services					Total Program Services	Management and General	Fund- raising	Special Events	2014 Total	2013 Total
	Public Education	Patient Services	Professional Education	Advocacy and Government Relations	Research						
Salaries and related expenses	\$ 1,126,381	\$ 741,149	\$ 283,897	\$ 522,574	\$ 431,291	\$ 3,105,292	\$ 277,199	\$ 587,057	\$ -	\$ 3,969,548	\$ 3,585,050
Professional and contracted services	341,495	96,314	108,617	164,495	326,334	1,037,255	76,165	72,829	23,056	1,209,305	851,394
Awards and grants	-	-	-	-	1,806,264	1,806,264	-	-	-	1,806,264	1,463,175
Occupancy	75,094	49,412	18,928	34,839	28,753	207,026	21,669	39,139	-	267,834	259,162
Office and other operating expenses	46,129	35,359	10,182	53,210	14,619	159,499	19,860	38,593	34,910	252,862	237,310
Travel, conferences and meetings	288,185	32,362	277,824	54,645	66,019	719,035	110,487	171,459	155,807	1,156,788	816,640
Supplies, printing, postage	144,752	52,057	11,219	5,902	4,787	218,717	5,172	170,800	32,982	427,671	426,231
Bank fees	48,519	-	-	-	-	48,519	43,689	3,555	18,222	113,985	100,664
Depreciation and amortization	6,178	4,065	1,557	2,866	2,365	17,031	1,520	3,220	-	21,771	10,456
Miscellaneous	29,557	7,323	1,837	4,379	2,489	45,585	2,066	36,825	8,928	93,404	65,575
	<u>2,106,290</u>	<u>1,018,041</u>	<u>714,061</u>	<u>842,910</u>	<u>2,682,921</u>	<u>7,364,223</u>	<u>557,827</u>	<u>1,123,477</u>	<u>273,905</u>	<u>9,319,432</u>	<u>7,815,657</u>
Less expenses deducted directly from revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(220,382)</u>	<u>(220,382)</u>	<u>(137,512)</u>
Total expenses	<u>\$ 2,106,290</u>	<u>\$ 1,018,041</u>	<u>\$ 714,061</u>	<u>\$ 842,910</u>	<u>\$ 2,682,921</u>	<u>\$ 7,364,223</u>	<u>\$ 557,827</u>	<u>\$ 1,123,477</u>	<u>\$ 53,523</u>	<u>\$ 9,099,050</u>	<u>\$ 7,678,145</u>

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014
(With comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash receipts:		
Contributions and sponsorships	\$ 4,641,960	\$ 4,236,977
Legacies and bequests	441,615	611,618
Special events	2,152,093	1,694,071
Magazine and website advertising	599,111	663,972
Interest and dividends	84,661	84,774
Other receipts	82,140	45,575
Total cash receipts	<u>8,001,580</u>	<u>7,336,987</u>
Cash disbursements:		
Payroll and related expenses	3,908,887	3,568,777
Other operating expenses	5,260,525	4,224,979
Total cash disbursements	<u>9,169,412</u>	<u>7,793,756</u>
Net cash used in operating activities	<u>(1,167,832)</u>	<u>(456,769)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(23,793)	(5,124)
Proceeds from the sale of investments	1,208,690	617,484
Purchase of investments	<u>(3,439)</u>	<u>(1,070,030)</u>
Net cash provided by (used in) investing activities	<u>1,181,458</u>	<u>(457,670)</u>
Net increase (decrease) in cash and cash equivalents	13,626	(914,439)
Cash and cash equivalents - beginning of year	<u>81,476</u>	<u>995,915</u>
Cash and cash equivalents - end of year	<u>\$ 95,102</u>	<u>\$ 81,476</u>

Continued

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014
(With comparative totals for 2013)

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 333,702	\$ (191,637)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	21,771	10,456
Net realized/unrealized gain on investments	(479,326)	(113,222)
Contributed investments	(211,295)	(117,407)
(Increase) decrease in:		
Accounts, pledges and bequests receivable	(944,774)	(90,709)
Prepaid expenses, inventory and other assets	49,659	(85,688)
Increase (decrease) in:		
Accounts payable and accrued expenses	9,853	91,368
Deferred revenue	(16,159)	34,305
Deferred rent	68,737	5,765
	<u>\$ (1,167,832)</u>	<u>\$ (456,769)</u>
Net cash used in operating activities		<i>Concluded</i>

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. THE ORGANIZATION

National Psoriasis Foundation (the Foundation), was founded in 1968 with the mission to drive efforts to cure psoriatic disease and improve the lives of those affected. Psoriasis seriously impacts the lives of individuals and their families. It marks people as different and dictates that they learn to live in a society that can often be discriminatory and insensitive. The Foundation aims to improve the health of people living with psoriasis and psoriatic arthritis by increasing research, improving access to care, and expanding knowledge of psoriatic disease. The Foundation has a vision of a life free of psoriatic disease and its burdens.

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 online communities, 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 and special events encompasses direct and indirect costs of solicitation of support and contributions.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2014

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 statement 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. Cash equivalents included in investments are considered investments.

Accounts and Pledges Receivable

Accounts and pledges 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, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred Rent

For lease agreements that contain rent holidays and/or rent escalation clauses, the Foundation records a deferred rent liability and amortizes it on a straight-line basis over the term of the lease as an addition or reduction to rent expense.

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.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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, 2014 and 2013. Net operating loss carryforwards total approximately \$91,000. A deferred tax asset of approximately \$7,000, 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.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Foundation's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Foundation's information and income tax returns for years ended June 30, 2010 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 2013

The financial information as of June 30, 2013 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.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Foundation has evaluated all subsequent events through September 30, 2014, the date the financial statements were available to be issued.

3. PLEDGES AND BEQUESTS RECEIVABLE

Pledges and bequests receivable represent unconditional promises to give and are receivable as follows June 30, 2014 and 2013:

	2014	2013
Within one year	\$ 1,922,060	\$ 925,288
Within two to five years	121,643	160,482
	2,043,703	1,085,770
Less allowance for uncollectible accounts	34,161	34,161
Pledges and bequests receivable, net	\$ 2,009,542	\$ 1,051,609

4. INVESTMENTS

Investments consist of the following at June 30, 2014 and 2013:

	2014	2013
Corporate bonds and bond funds	\$ 2,136,077	\$ 2,099,042
Equity mutual funds	2,811,629	2,377,372
Money market funds	353,364	1,339,286
Total investments	\$ 5,301,070	\$ 5,815,700

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014 and 2013:

	2014	2013
Furniture and equipment	\$ 562,021	\$ 541,028
Leasehold improvements	15,698	12,898
Total property and equipment	577,719	553,926
Less accumulated depreciation	541,015	519,728
Net property and equipment	\$ 36,704	\$ 34,198

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2014

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, 2014). The line is unsecured and due on demand. There were no outstanding advances at June 30, 2014 and 2013.

7. LEASE COMMITMENTS

The Foundation leases office space under an operating lease expiring December 2020. Monthly rent under the lease is \$17,825 subject to annual increases.

Beginning in November 2013, the Foundation began leasing office space in Virginia under an operating lease expiring February 2021. Monthly rent under the lease is \$6,594 subject to annual increases.

The above leases are expensed over the term of the lease on a straight-line basis with deferred rent totaling \$74,502 at June 30, 2014 recorded as a liability (\$5,765 at June 30, 2013).

The Foundation also leases equipment for a total of \$1,278 per month under operating lease agreements which expire in December 2015 and March 2018.

Rent expense for the above leases totaled approximately \$297,900 and \$293,000 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease commitments under operating leases are as follows:

Years ending June 30, 2015	\$	237,300
2016		240,800
2017		244,600
2018		249,400
Thereafter		<u>638,800</u>
	\$	<u><u>1,610,900</u></u>

8. CONDITIONAL GRANTS PAYABLE

The Foundation awards multiyear translational grants which are conditional on meeting performance requirements. As of June 30, 2014, the Foundation has awarded conditional grants totaling \$300,000 which will be recorded as expense when the conditions have been met.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2014

9. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at June 30, 2014 and 2013:

	2014	2013
Undesignated (deficit)	\$ (2,103,469)	\$ (909,107)
Board designated (Note 10)	6,618,985	5,939,410
Net property and equipment	36,704	34,198
Total unrestricted net assets	\$ 4,552,220	\$ 5,064,501

10. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30, 2014 and 2013:

	2014	2013
Board designated reserve	\$ 1,200,000	\$ 1,100,000
Board designated endowment	5,418,985	4,839,410
Total board designated net assets	\$ 6,618,985	\$ 5,939,410

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. In accordance with 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, 2014

10. BOARD DESIGNATED NET ASSETS, Continued

In accordance with the Board of Trustees' directive, endowment spending will be limited to 5 percent of the fair value of the fund, as well as be subject to Board approval. During the years ended June 30, 2014 and 2013, the Board of Trustees elected to appropriate \$285,000 and \$260,000, respectively, of the endowment funds for general operations.

Changes in the board designated endowment for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Balance at beginning of year	\$ 4,839,410	\$ 4,433,255
Additions	350,615	506,647
Interest and dividends	83,146	84,616
Investment fees	(48,512)	(38,330)
Net realized/unrealized gains	479,326	113,222
Appropriate for expenditure	(285,000)	(260,000)
Balance at end of year	\$ 5,418,985	\$ 4,839,410

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2014 and 2013:

	2014	2013
Finding a Cure Campaign	\$ 43,470	\$ 101,506
General research	9,410	30,263
Lebwohl Fellowships	681,661	731,661
Legacies and bequests receivable	-	9,000
For use in future periods	1,941,094	957,222
Total temporarily restricted net assets	\$ 2,675,635	\$ 1,829,652

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2014

12. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan (the 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. The Foundation will match 100 percent of eligible employee salary deferrals, up to 5 percent of eligible compensation. All employer contributions to the plan are fully vested immediately. Employer contributions to the plan totaled \$127,335 and \$119,014 for the years ended June 30, 2014 and 2013, respectively.

13. JOINT COST ACTIVITY

The Foundation prepares publications through its website and hosts awareness walks which are 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, 2014 and 2013 as follows.

	2014	2013
Public education	\$ 108,558	\$ 94,502
Fundraising	79,394	66,936
Total joint cost activity	\$ 187,952	\$ 161,438

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. The balances at times may exceed the federally insured limit. Balances in excess of insured limits were approximately \$388,000 at June 30, 2014 and \$461,000 at June 30, 2013.

Accounts and pledges receivable are unsecured. As of June 30, 2014, two pledges outstanding represents 37% of total pledges receivable. As of June 30, 2013, one pledge outstanding represents 34% of total pledges receivable.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2014

14. CONCENTRATIONS AND CREDIT RISK, Continued

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, 2014

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2014 and 2013 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
June 30, 2014		
Bond funds	\$ 2,136,077	\$ 2,136,077
Equity mutual funds:		
Large value	284,305	284,305
Large growth	878,529	878,529
Large blend	920,073	920,073
Mid growth	313,173	313,173
Mid blend	195,932	195,932
Small growth	219,617	219,617
	<u>\$ 4,947,706</u>	<u>\$ 4,947,706</u>
June 30, 2013		
Bond funds	\$ 2,099,042	\$ 2,099,042
Equity mutual funds:		
Large value	226,976	226,976
Large growth	726,624	726,624
Large blend	759,092	759,092
Mid growth	294,565	294,565
Mid blend	183,965	183,965
Small growth	186,150	186,150
	<u>\$ 4,476,414</u>	<u>\$ 4,476,414</u>

Fair values for corporate bond funds and equity mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.