



NATIONAL PSORIASIS FOUNDATION

Audited Financial Statements

For the Year Ended June 30, 2016



MCDONALD JACOBS

Shareholders

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

Principals

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Psoriasis Foundation

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
September 26, 2016

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF FINANCIAL POSITION

June 30, 2016

(With comparative totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 559,070	\$ 1,056,777
Accounts receivable	159,464	162,128
Pledges and bequests receivable, net	1,935,697	2,414,324
Prepaid expenses, inventory and other assets	279,764	499,174
Investments	3,380,691	3,299,925
Restricted investments for annuity agreement	89,067	95,784
Property and equipment, net	143,025	49,987
 TOTAL ASSETS	 \$ 6,546,778	 \$ 7,578,099
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 817,304	\$ 236,821
Accrued payroll liabilities	160,168	128,012
Accrued vacation payable	214,097	180,720
Other liabilities	78,318	59,022
Deferred rent	98,293	89,610
Total liabilities	1,368,180	694,185
Net assets:		
Unrestricted	2,490,840	3,851,379
Temporarily restricted	2,687,758	3,032,535
Total net assets	5,178,598	6,883,914
 TOTAL LIABILITIES AND NET ASSETS	 \$ 6,546,778	 \$ 7,578,099

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Special events	\$ 1,965,108	\$ -	\$ 1,965,108	\$ 2,030,871
Direct costs of donor benefits	<u>(494,537)</u>	<u>-</u>	<u>(494,537)</u>	<u>(222,454)</u>
Net special events revenue	1,470,571	-	1,470,571	1,808,417
Contributions, legacies, and sponsorships	5,253,953	1,942,128	7,196,081	6,677,427
Magazine and website advertising	542,092	-	542,092	632,576
Investment income	76,192	-	76,192	84,329
Net realized/unrealized losses	(92,613)	-	(92,613)	(84,461)
Other income	73,633	-	73,633	113,554
Net assets released from restrictions:				
Satisfaction of time restrictions	2,146,067	(2,146,067)	-	-
Satisfaction of purpose restrictions	<u>140,838</u>	<u>(140,838)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,610,733</u>	<u>(344,777)</u>	<u>9,265,956</u>	<u>9,231,842</u>
Expenses:				
Public education	2,581,778	-	2,581,778	1,791,315
Patient services	1,361,941	-	1,361,941	1,247,787
Professional education	1,204,474	-	1,204,474	832,810
Advocacy and government relations	1,149,701	-	1,149,701	1,067,929
Research	<u>2,565,554</u>	<u>-</u>	<u>2,565,554</u>	<u>2,528,844</u>
Total program expenses	8,863,448	-	8,863,448	7,468,685
Management and general	734,509	-	734,509	783,430
Fundraising	1,299,286	-	1,299,286	1,285,944
Special events	<u>74,029</u>	<u>-</u>	<u>74,029</u>	<u>37,724</u>
Total expenses	<u>10,971,272</u>	<u>-</u>	<u>10,971,272</u>	<u>9,575,783</u>
Change in net assets	(1,360,539)	(344,777)	(1,705,316)	(343,941)
Net assets:				
Beginning of year	<u>3,851,379</u>	<u>3,032,535</u>	<u>6,883,914</u>	<u>7,227,855</u>
End of year	<u>\$ 2,490,840</u>	<u>\$ 2,687,758</u>	<u>\$ 5,178,598</u>	<u>\$ 6,883,914</u>

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
(With comparative totals for 2015)

	Program Services										2015 Total
	Public Education	Patient Services	Professional Education	Advocacy and Government Relations	Research	Total Program Services	Management and General	Fund- raising	Special Events	2016 Total	
Salaries and related expenses	\$ 1,409,145	\$ 927,404	\$ 356,010	\$ 654,412	\$ 539,367	\$ 3,886,338	\$ 346,889	\$ 735,637	\$ -	\$ 4,968,864	\$ 4,587,329
Professional and contracted services	293,616	215,155	330,403	227,654	152,039	1,218,867	87,814	77,525	97,533	1,481,739	1,086,706
Awards and grants	8,072	-	-	-	1,487,255	1,495,327	-	-	-	1,495,327	1,899,460
Occupancy	103,704	38,790	15,690	119,870	22,926	300,980	15,701	34,000	-	350,681	277,153
Office and other operating expenses	66,386	30,072	9,856	34,129	11,427	151,870	21,445	33,808	63,496	270,619	241,450
Travel, conferences and meetings	444,746	71,718	346,259	96,860	330,612	1,290,195	179,178	128,500	255,314	1,853,187	943,173
Supplies, printing, postage	185,153	28,293	45,163	9,378	10,331	278,318	5,806	194,822	109,559	588,505	472,019
Bank fees	37,102	-	-	-	-	37,102	72,603	-	2,289	111,994	100,046
Depreciation and amortization	8,792	5,785	2,216	4,079	3,366	24,238	2,164	4,582	-	30,984	16,664
Miscellaneous	25,062	44,724	98,877	3,319	8,231	180,213	2,909	90,412	40,375	313,909	174,237
Less expenses deducted directly from revenues	2,581,778	1,361,941	1,204,474	1,149,701	2,565,554	8,863,448	734,509	1,299,286	568,566	11,465,809	9,798,237
	-	-	-	-	-	-	-	-	(494,537)	(494,537)	(222,454)
Total expenses	\$ 2,581,778	\$ 1,361,941	\$ 1,204,474	\$ 1,149,701	\$ 2,565,554	\$ 8,863,448	\$ 734,509	\$ 1,299,286	\$ 74,029	\$ 10,971,272	\$ 9,575,783

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash receipts:		
Contributions and sponsorships	\$ 7,401,361	\$ 6,029,739
Special events	1,965,108	2,030,871
Magazine and website advertising	537,755	607,265
Interest and dividends	76,192	84,329
Other receipts	<u>73,633</u>	<u>113,554</u>
Total cash receipts	<u>10,054,049</u>	<u>8,865,758</u>
Cash disbursements:		
Payroll and related expenses	4,903,335	4,550,713
Other operating expenses	<u>5,490,218</u>	<u>5,387,712</u>
Total cash disbursements	<u>10,393,553</u>	<u>9,938,425</u>
Net cash used in operating activities	<u>(339,504)</u>	<u>(1,072,667)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(123,539)	(29,464)
Purchase of investments	(585,122)	(2,135,390)
Proceeds from the sale of investments	<u>550,458</u>	<u>4,199,196</u>
Net cash provided by (used in) investing activities	<u>(158,203)</u>	<u>2,034,342</u>
Net increase (decrease) in cash and cash equivalents	(497,707)	961,675
Cash and cash equivalents - beginning of year	<u>1,056,777</u>	<u>95,102</u>
Cash and cash equivalents - end of year	<u>\$ 559,070</u>	<u>\$ 1,056,777</u>

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

I. 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 the Patient Navigation Center, a personalized support center for Psoriatic disease, online communities and 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 the *Journal Of Psoriatic and Psoriatic Arthritis*, 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, online research network, 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, 2016

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. Leasehold improvements are amortized over the lease term.

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, 2016

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.

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, 2016

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, 2016 and 2015. Net operating loss carryforwards total approximately \$92,000.

The Foundation 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, 2012 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 2015

The financial information as of June 30, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Foundation has evaluated all subsequent events through September 26, 2016, the date the financial statements were available to be issued.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

3. PLEDGES AND BEQUESTS RECEIVABLE

Pledges and bequests receivable represent unconditional promises to give and are receivable as follows at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Within one year	\$ 1,944,594	\$ 2,394,853
Within two to five years	<u>8,414</u>	<u>36,782</u>
	1,953,008	2,431,635
Less allowance for uncollectible accounts	<u>17,311</u>	<u>17,311</u>
Pledges and bequests receivable, net	<u>\$ 1,935,697</u>	<u>\$ 2,414,324</u>

4. INVESTMENTS

Investments consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Corporate bonds and bond funds	\$ 1,328,474	\$ 1,351,776
Equity mutual funds	1,995,180	1,916,348
Money market funds	24,023	31,801
Mutual funds, deferred compensation plan	<u>33,014</u>	<u>-</u>
Total investments	<u>\$ 3,380,691</u>	<u>\$ 3,299,925</u>

5. ANNUITY AGREEMENTS

During 2015, the Foundation entered into charitable gift annuity agreement with a donor. Under the agreement, the Foundation is required to pay a guaranteed amount (annuity) for the lifetime of the donor or beneficiary (annuitant).

The charitable gift annuity funds are held in a separate trust, which are managed in accordance with the trust's investment policy. Assets are held in a money market account and totaled \$89,067 and \$95,784 at June 30, 2016 and 2015, respectively.

Under the terms of the agreement, the donor receives payments over their remaining life. With a pay-out rate of 6.4%, the estimated present value of the Foundation's liability under this agreement is \$45,304 and \$52,021 at June 30, 2016 and 2015, respectively.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016 and 2015:

	2016	2015
Furniture and equipment	\$ 556,830	\$ 518,388
Website	85,098	73,096
Leasehold improvements	15,698	15,698
Total property and equipment	657,626	607,182
Less accumulated depreciation	514,601	557,195
Property and equipment, net	\$ 143,025	\$ 49,987

7. LINE OF CREDIT

The Foundation has a \$250,000 line of credit agreement with U.S. Bank. Interest on outstanding advances is payable at the bank's prime rate (3.25% at June 30, 2016). The line is unsecured and due on demand. There were no outstanding advances at June 30, 2016 and 2015.

8. LEASE COMMITMENTS

The Foundation leases office space in Oregon under two operating lease expiring December 2020. Combined monthly rent under the leases is approximately \$23,700. Both leases are subject to annual increases. The Foundation receives credit for property tax abatements.

The Foundation also leases office space in Virginia under an operating lease expiring February 2021. Monthly rent under the lease is \$6,725 subject to annual increases.

The above leases are expensed over the term of the lease on a straight-line basis with deferred rent totaling \$98,300 at June 30, 2016 (\$89,610 at June 30, 2015).

The Foundation also leases equipment for a total of \$756 per month under an operating lease agreement which expires March 2018.

Rent expense for the above leases totaled approximately \$350,700 and \$277,100, after property tax abatements, for the years ended June 30, 2016 and 2015, respectively.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

8. LEASE COMMITMENTS, Continued

Future minimum lease commitments under operating leases are as follows:

Year ending June 30, 2017	\$ 382,800
2018	391,600
2019	396,100
2020	407,800
2021	<u>224,600</u>
	<u>\$ 1,802,900</u>

9. CONDITIONAL GRANTS PAYABLE

The Foundation awards multiyear translational grants which are conditional on meeting performance requirements. As of June 30, 2016, the Foundation has awarded conditional grants totaling \$250,000 which will be recorded as expense when the conditions have been met.

10. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
Undesignated (deficit)	\$ (4,587,579)	\$ (3,161,294)
Board designated (Note 11)	6,935,394	6,962,686
Net property and equipment	<u>143,025</u>	<u>49,987</u>
Total unrestricted net assets	<u>\$ 2,490,840</u>	<u>\$ 3,851,379</u>

11. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
Board designated reserve	\$ 1,600,000	\$ 1,400,000
Board designated endowment	<u>5,335,394</u>	<u>5,562,686</u>
Total board designated net assets	<u>\$ 6,935,394</u>	<u>\$ 6,962,686</u>

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

II. BOARD DESIGNATED NET ASSETS, Continued

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 Directors 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 Directors 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.

In accordance with the Board of Directors' 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 year ended June 30, 2016, the Board of Directors elected to appropriate \$200,000 of the endowment funds for general operations. There were no appropriations in 2015.

Changes in the board designated endowment for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Balance at beginning of year	\$ 5,562,686	\$ 5,418,985
Additions	23,940	189,359
Interest and dividends	76,192	84,230
Investment fees	(34,811)	(45,427)
Net realized/unrealized losses	(92,613)	(84,461)
Appropriate for expenditure	(200,000)	-
Balance at end of year	\$ 5,335,394	\$ 5,562,686

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
Finding a Cure Campaign	\$ -	\$ 9,758
Lebwohl Fellowships	581,661	631,661
Residency Program	166,239	245,049
For use in future periods	1,939,858	2,146,067
Total temporarily restricted net assets	\$ 2,687,758	\$ 3,032,535

13. 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. The Organization also sponsors a 457 deferred compensation plan for the executive director and two other key employees. The contribution rate by the Organization varies by employee. All contributions are set to vest at December 31, 2019.

Employer contributions to the plans were approximately \$173,000 and \$129,000 for the years ended June 30, 2016 and 2015, respectively.

14. 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 awareness walks are allocated to program and fundraising activities for the years ended June 30, 2016 and 2015 as follows.

	2016	2015
Program - public education	\$ 102,233	\$ 45,584
Fundraising	102,233	45,584
Total joint cost activity	\$ 204,466	\$ 91,168

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

15. 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 \$779,000 and \$1,302,000 at June 30, 2016 and 2015, respectively.

Accounts and pledges receivable are unsecured. As of June 30, 2016, one pledge outstanding represented 15% of total pledges receivable. Three outstanding pledges at June 30, 2015 represented 37%.

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.

16. 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, 2016

16. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	Fair Value	Level 1	Level 2
June 30, 2016			
Assets:			
Bond funds	\$ 1,328,474	\$ 1,328,474	\$ -
Equity mutual funds:			
Large value	206,302	206,302	-
Large growth	270,375	270,375	-
Large blend	966,515	966,515	-
Mid growth	99,215	99,215	-
Mid blend	232,584	232,584	-
Small blend	140,161	140,161	-
Small growth	106,037	106,037	-
Target date funds	6,434	6,434	-
Liabilities:			
Gift annuity liability	-	-	(45,304)
June 30, 2015			
Bond funds	\$ 1,351,776	\$ 1,351,776	-
Equity mutual funds:			
Large value	129,385	129,385	-
Large growth	342,007	342,007	-
Large blend	935,070	935,070	-
Mid growth	97,766	97,766	-
Mid blend	177,131	177,131	-
Small blend	134,724	134,724	-
Small growth	100,265	100,265	-
Liabilities:			
Gift annuity liability	-	-	(52,021)

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.

Fair value of the charitable gift annuity is determined using an income approach in accordance with contract terms using published life expectancy tables and applicable discount rates.

NATIONAL PSORIASIS FOUNDATION
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17. SUPPLEMENTAL CASH FLOW INFORMATION

The following represents a reconciliation of the change in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows):

	2016	2015
Change in net assets	\$(1,705,316)	\$ (343,941)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	30,984	16,664
Net realized/unrealized loss on investments	92,613	84,461
Donated stock	(98,984)	(242,906)
(Increase) decrease in:		
Accounts, pledges and bequests receivable	481,291	(422,770)
Prepaid expenses, inventory and other assets	218,927	(320,022)
Increase (decrease) in:		
Accounts payable and accrued expenses	646,016	96,041
Deferred revenue	(7,001)	(7,323)
Gift annuity liability	(6,717)	52,021
Deferred rent	8,683	15,108
Net cash used in operating activities	\$ (339,504)	\$(1,072,667)
Supplemental disclosure of noncash flow information		
Donated investments	\$ 98,984	\$ 242,906