



**NATIONAL PSORIASIS
FOUNDATION**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2015**



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
National Psoriasis Foundation

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Susan J. Marks, CPA
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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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 2, 2015

**NATIONAL PSORIASIS FOUNDATION
STATEMENT OF FINANCIAL POSITION**

June 30, 2015

(With comparative totals for 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 1,056,777	\$ 95,102
Accounts receivable	162,128	144,140
Pledges and bequests receivable, net	2,414,324	2,009,542
Prepaid expenses, inventory and other assets	499,174	179,635
Investments	3,299,925	5,301,070
Restricted investments for annuity agreement	95,784	-
Property and equipment, net	49,987	36,704
 TOTAL ASSETS	 \$ 7,578,099	 \$ 7,766,193
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 236,821	\$ 177,396
Accrued payroll liabilities	128,012	91,599
Accrued vacation payable	180,720	180,517
Deferred revenue	7,001	14,324
Gift annuity liability	52,021	-
Deferred rent	89,610	74,502
Total liabilities	694,185	538,338
Net assets:		
Unrestricted	3,851,379	4,552,220
Temporarily restricted	3,032,535	2,675,635
Total net assets	6,883,914	7,227,855
 TOTAL LIABILITIES AND NET ASSETS	 \$ 7,578,099	 \$ 7,766,193

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015
(With comparative totals for 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Special events	\$ 2,030,871	\$ -	\$ 2,030,871	\$ 2,152,093
Direct costs of donor benefits	(222,454)	-	(222,454)	(220,382)
Net special events revenue	1,808,417	-	1,808,417	1,931,711
Contributions, legacies, and sponsorships	4,007,006	2,670,421	6,677,427	6,252,803
Magazine and website advertising	632,576	-	632,576	602,111
Investment income	84,329	-	84,329	84,661
Net realized/unrealized gains (losses)	(84,461)	-	(84,461)	479,326
Other income	113,554	-	113,554	82,140
Net assets released from restrictions:				
Satisfaction of time restrictions	1,941,094	(1,941,094)	-	-
Satisfaction of purpose restrictions	372,427	(372,427)	-	-
Total support and revenue	8,874,942	356,900	9,231,842	9,432,752
Expenses:				
Public education	1,791,315	-	1,791,315	2,106,290
Patient services	1,247,787	-	1,247,787	1,018,041
Professional education	832,810	-	832,810	714,061
Advocacy and government relations	1,067,929	-	1,067,929	842,910
Research	2,528,844	-	2,528,844	2,682,921
Total program expenses	7,468,685	-	7,468,685	7,364,223
Management and general	783,430	-	783,430	557,827
Fundraising	1,285,944	-	1,285,944	1,123,477
Special events	37,724	-	37,724	53,523
Total expenses	9,575,783	-	9,575,783	9,099,050
Change in net assets	(700,841)	356,900	(343,941)	333,702
Net assets:				
Beginning of year	4,552,220	2,675,635	7,227,855	6,894,153
End of year	\$ 3,851,379	\$ 3,032,535	\$ 6,883,914	\$ 7,227,855

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015
(With comparative totals for 2014)

	Program Services										
	Public Education	Patient Services	Professional Education	Advocacy and Government Relations	Research	Total Program Services	Management and General	Fund-raising	Special Events	2015 Total	2014 Total
Salaries and related expenses	\$ 1,162,968	\$ 834,507	\$ 435,976	\$ 633,008	\$ 443,949	\$ 3,510,408	\$ 324,806	\$ 752,115	\$ -	\$ 4,587,329	\$ 3,969,548
Professional and contracted services	194,558	164,031	116,672	183,476	109,100	767,837	141,123	98,916	78,830	1,086,706	1,209,305
Awards and grants	-	-	-	-	1,899,460	1,899,460	-	-	-	1,899,460	1,806,264
Occupancy	47,697	34,213	17,865	114,384	18,202	232,361	13,315	31,477	-	277,153	267,834
Office and other operating expenses	37,533	43,252	13,190	36,813	13,309	144,097	24,886	39,057	33,410	241,450	252,862
Travel, conferences and meetings	136,561	52,310	226,964	88,278	29,045	533,158	217,263	117,203	75,549	943,173	1,156,788
Supplies, printing, postage	153,874	53,930	9,609	5,384	8,594	231,391	4,673	181,922	54,033	472,019	427,671
Bank fees	45,427	-	-	-	-	45,427	53,173	1,365	81	100,046	113,985
Depreciation and amortization	4,226	3,031	1,583	2,299	1,613	12,752	1,180	2,732	-	16,664	21,771
Miscellaneous	8,471	62,513	10,951	4,287	5,572	91,794	3,011	61,157	18,275	174,237	93,404
Less expenses deducted directly from revenues	1,791,315	1,247,787	832,810	1,067,929	2,528,844	7,468,685	783,430	1,285,944	260,178	9,798,237	9,319,432
	-	-	-	-	-	-	-	-	(222,454)	(222,454)	(220,382)
Total expenses	\$ 1,791,315	\$ 1,247,787	\$ 832,810	\$ 1,067,929	\$ 2,528,844	\$ 7,468,685	\$ 783,430	\$ 1,285,944	\$ 37,724	\$ 9,575,783	\$ 9,099,050

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015
(With comparative totals for 2014)

	2015	2014
Cash flows from operating activities:		
Cash receipts:		
Contributions and sponsorships	\$ 6,029,739	\$ 5,083,575
Special events	2,030,871	2,152,093
Magazine and website advertising	607,265	599,111
Interest and dividends	84,329	84,661
Other receipts	113,554	82,140
Total cash receipts	8,865,758	8,001,580
Cash disbursements:		
Payroll and related expenses	4,550,713	3,908,887
Other operating expenses	5,387,712	5,260,525
Total cash disbursements	9,938,425	9,169,412
Net cash used in operating activities	(1,072,667)	(1,167,832)
Cash flows from investing activities:		
Purchase of property and equipment	(29,464)	(23,793)
Purchase of investments	(2,135,390)	(3,439)
Proceeds from the sale of investments	4,199,196	1,208,690
Net cash provided by investing activities	2,034,342	1,181,458
Net increase in cash and cash equivalents	961,675	13,626
Cash and cash equivalents - beginning of year	95,102	81,476
Cash and cash equivalents - end of year	\$ 1,056,777	\$ 95,102

Continued

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015
(With comparative totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (343,941)	\$ 333,702
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	16,664	21,771
Net realized/unrealized gain (loss) on investments	84,461	(479,326)
Donated stock	(242,906)	(211,295)
(Increase) decrease in:		
Accounts, pledges and bequests receivable	(422,770)	(944,774)
Prepaid expenses, inventory and other assets	(320,022)	49,659
Increase (decrease) in:		
Accounts payable and accrued expenses	96,041	9,853
Deferred revenue	(7,323)	(16,159)
Gift annuity liability	52,021	-
Deferred rent	15,108	68,737
	\$ (1,072,667)	\$ (1,167,832)
Net cash used in operating activities		<i>Concluded</i>

See notes to financial statements.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015 and 2014. 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, 2011 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 2014

The financial information as of June 30, 2014 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 October 2, 2015, the date the financial statements were available to be issued.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2015

3. PLEDGES AND BEQUESTS RECEIVABLE

Pledges and bequests receivable represent unconditional promises to give and are receivable as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Within one year	\$ 2,394,853	\$ 1,922,060
Within two to five years	<u>36,782</u>	<u>121,643</u>
	2,431,635	2,043,703
Less allowance for uncollectible accounts	<u>17,311</u>	<u>34,161</u>
Pledges and bequests receivable, net	<u><u>\$ 2,414,324</u></u>	<u><u>\$ 2,009,542</u></u>

4. INVESTMENTS

Investments consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Corporate bonds and bond funds	\$ 1,351,776	\$ 2,136,077
Equity mutual funds	1,916,348	2,811,629
Money market funds	<u>31,801</u>	<u>353,364</u>
Total investments	<u><u>\$ 3,299,925</u></u>	<u><u>\$ 5,301,070</u></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 \$95,784 at June 30, 2015.

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

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2015

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2015 and 2014:

	2015	2014
Furniture and equipment	\$ 591,484	\$ 562,021
Leasehold improvements	15,698	15,698
Total property and equipment	607,182	577,719
Less accumulated depreciation	557,195	541,015
Property and equipment, net	\$ 49,987	\$ 36,704

7. 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, 2015). The line is unsecured and due on demand. There were no outstanding advances at June 30, 2015 and 2014.

8. LEASE COMMITMENTS

The Foundation leases office space in Oregon under an operating lease expiring December 2020. Monthly rent under the lease is \$18,500 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 \$89,610 at June 30, 2015 (\$74,502 at June 30, 2014).

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 \$277,100 and \$297,900 for the years ended June 30, 2015 and 2014, respectively.

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2015

8. LEASE COMMITMENTS, Continued

Future minimum lease commitments under operating leases are as follows:

Years ending June 30, 2016	\$ 240,800
2017	244,600
2018	249,400
2019	249,900
2020	257,400
Thereafter	<u>131,600</u>
	<u>\$ 1,373,700</u>

9. CONDITIONAL GRANTS PAYABLE

The Foundation awards multiyear translational grants which are conditional on meeting performance requirements. As of June 30, 2015, the Foundation has awarded conditional grants totaling \$449,510 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Undesignated (deficit)	\$ (3,161,294)	\$ (2,103,469)
Board designated (Note 11)	6,962,686	6,618,985
Net property and equipment	<u>49,987</u>	<u>36,704</u>
Total unrestricted net assets	<u>\$ 3,851,379</u>	<u>\$ 4,552,220</u>

11. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Board designated reserve	\$ 1,400,000	\$ 1,200,000
Board designated endowment	<u>5,562,686</u>	<u>5,418,985</u>
Total board designated net assets	<u>\$ 6,962,686</u>	<u>\$ 6,618,985</u>

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2015

11. 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 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.

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. There were no appropriations during the year ended June 30, 2015. During the year ended June 30, 2014, the Board of Trustees elected to appropriate \$285,000 of the endowment funds for general operations.

Changes in the board designated endowment for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 5,418,985	\$ 4,839,410
Additions	189,359	350,615
Interest and dividends	84,230	83,146
Investment fees	(45,427)	(48,512)
Net realized/unrealized gains (losses)	(84,461)	479,326
Appropriate for expenditure	-	(285,000)
Balance at end of year	<u>\$ 5,562,686</u>	<u>\$ 5,418,985</u>

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2015

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Finding a Cure Campaign	\$ 9,758	\$ 43,470
General research	-	9,410
Lebwohl Fellowships	631,661	681,661
Residency Program	245,049	-
For use in future periods	<u>2,146,067</u>	<u>1,941,094</u>
Total temporarily restricted net assets	<u>\$ 3,032,535</u>	<u>\$ 2,675,635</u>

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. Employer contributions to the plan were \$128,783 and \$127,335 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014 as follows.

	<u>2015</u>	<u>2014</u>
Program - public education	\$ 45,584	\$ 108,558
Fundraising	<u>45,584</u>	<u>79,394</u>
Total joint cost activity	<u>\$ 91,168</u>	<u>\$ 187,952</u>

NATIONAL PSORIASIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2015

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 \$1,302,000 and \$388,000 at June 30, 2015 and 2014, respectively.

Accounts and pledges receivable are unsecured. As of June 30, 2015, three pledges (two at June 30, 2014) outstanding represented 37% of total pledges receivable.

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, 2015

16. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 are as follows:

	Fair Value	Level 1	Level 2
June 30, 2015			
Assets:			
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)
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	-

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.