



FINANCIAL STATEMENTS

Year Ended June 30, 2008

with

Independent Auditors' Report

NATIONAL PSORIASIS FOUNDATION

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Independent Auditors' Report

The Board of Trustees
National Psoriasis Foundation

We have audited the accompanying statement of financial position of National Psoriasis Foundation as of June 30, 2008, 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 financial statements as of and for the year ended June 30, 2007. Those financial statements were audited by us, and our report dated October 16, 2007, expressed an unqualified opinion on those financial 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 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, 2008, 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.

Hoffman, Stewart & Schmidt, P.C.

October 15, 2008

NATIONAL PSORIASIS FOUNDATION

Statement of Financial Position

June 30, 2008 <i>(With Comparative Amounts for 2007)</i>	2008	2007
ASSETS		
Cash and cash equivalents	\$ 3,354,453	\$ 3,549,409
Investments <i>(Note 3)</i>	2,020,494	907,951
Accounts receivable	17,660	48,300
Grants receivable	12,601	2,500
Pledges receivable - net <i>(Note 4)</i>	872,677	1,293,593
Legacies and bequests receivable <i>(Note 5)</i>	14,000	295,127
Inventory of literature	35,007	55,627
Prepaid expenses	149,001	141,853
Security deposits	23,570	23,570
Furniture and equipment - net of accumulated depreciation of \$492,906 and \$530,543 in 2008 and 2007, respectively	35,983	51,795
Total assets	<u>\$ 6,535,446</u>	<u>\$ 6,369,725</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 223,452	\$ 165,366
Grants payable - due within one year	-	30,000
Accrued payroll, payroll taxes and withholdings	157,051	78,550
Accrued vacation pay	55,220	78,602
Deferred income - special projects <i>(Note 6)</i>	48,919	68,475
Total liabilities	484,642	420,993
Commitments <i>(Notes 7 and 11)</i>		
Net assets:		
Unrestricted:		
Undesignated	995,749	540,338
Designated <i>(Note 8)</i>	2,516,536	2,530,000
	3,512,285	3,070,338
Temporarily restricted <i>(Note 9)</i>	2,538,519	2,878,394
Total net assets	<u>6,050,804</u>	<u>5,948,732</u>
Total liabilities and net assets	<u>\$ 6,535,446</u>	<u>\$ 6,369,725</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL PSORIASIS FOUNDATION

Statement of Activities

Year Ended June 30, 2008 (With Comparative Totals for 2007)

	Unrestricted	Temporarily Restricted	Total	
			2008	2007
Revenue, gains, and other support:				
Individual contributions	\$ 1,332,157	\$ 499,566	\$ 1,831,723	\$ 1,839,852
Corporate contributions and educational grants	2,271,218	248,723	2,519,941	1,460,637
Foundation contributions	9,900	76,000	85,900	31,119
Legacies and bequests	19,093	-	19,093	1,113,653
Special events:				
Gross revenues	-	78,900	78,900	-
Less direct costs of donor benefits	-	(38,542)	(38,542)	-
Net special events revenue	-	40,358	40,358	-
Sales of patient education materials	24,922	-	24,922	22,783
Fees from survey panels conducted	50,000	-	50,000	90,000
Magazine advertising	119,017	-	119,017	146,800
Registration fees	70,706	-	70,706	71,479
Interest and dividends	230,259	-	230,259	150,050
Gain (loss) on investments	(96,848)	-	(96,848)	43,038
Other	18,514	-	18,514	122,363
Net assets released from restrictions (Note 10)	1,204,522	(1,204,522)	-	-
Total revenue, gains, and other support	5,253,460	(339,875)	4,913,585	5,091,774
Expenses:				
Public education	1,891,431	-	1,891,431	1,070,832
Patient services	363,511	-	363,511	540,789
Professional education	338,140	-	338,140	308,017
Community services	588,257	-	588,257	542,118
Research	540,132	-	540,132	539,091
Management and general	317,606	-	317,606	424,220
Fund-raising	772,436	-	772,436	927,158
Total expenses	4,811,513	-	4,811,513	4,352,225
Increase (decrease) in net assets	441,947	(339,875)	102,072	739,549
Net assets, beginning of year	3,070,338	2,878,394	5,948,732	5,209,183
Net assets, end of year	\$ 3,512,285	\$ 2,538,519	\$ 6,050,804	\$ 5,948,732

The accompanying notes are an integral part of the financial statements.

NATIONAL PSORIASIS FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2008 (With Comparative Totals for 2007)

	Program Services					
	Public Education	Patient Services	Professional Education	Community Services	Research	Total
Salaries	\$ 818,955	\$ 196,988	\$ 69,580	\$ 184,282	\$ 113,767	\$ 1,383,572
Employee benefits	100,047	24,065	8,500	22,513	13,898	169,023
Payroll taxes	71,898	17,294	6,109	16,179	9,988	121,468
Occupancy	145,118	31,560	11,873	31,604	18,755	238,910
Telecommunications	26,125	3,774	1,329	2,993	2,350	36,571
Awards and grants	-	2,000	-	-	175,640	177,640
Conferences and meetings	114,070	26,743	63,492	18,496	5,283	228,084
Printing and publications	201,189	1,681	21,531	34,797	15,785	274,983
Postage and handling	94,913	2,083	5,186	8,145	24,595	134,922
Travel	96,657	27,867	105,732	36,497	4,105	270,858
Professional and contract services	74,834	10,021	38,082	202,892	143,741	469,570
Supplies	25,506	4,418	1,631	4,854	3,664	40,073
Equipment maintenance and repair	29,636	6,238	1,955	13,302	3,196	54,327
Dues and subscriptions	9,442	752	266	3,704	435	14,599
Staff education and training	5,550	1,310	331	1,060	924	9,175
Insurance	10,053	2,418	854	2,262	1,397	16,984
Reporting and filing fees	4,895	1,177	416	1,101	680	8,269
Bank charges	14,734	-	-	-	-	14,734
Depreciation	11,086	2,667	942	2,494	1,540	18,729
Other	36,723	455	331	1,082	389	38,980
	<u>\$ 1,891,431</u>	<u>\$ 363,511</u>	<u>\$ 338,140</u>	<u>\$ 588,257</u>	<u>\$ 540,132</u>	<u>\$ 3,721,471</u>

The accompanying notes are an integral part of the financial statements.

Supporting Services				
Management and General	Fund- raising	Total	Total	
			2008	2007
\$ 134,925	\$ 314,971	\$ 449,896	\$ 1,833,468	\$ 1,777,701
16,483	38,478	54,961	223,984	192,556
11,845	27,652	39,497	160,965	165,321
22,691	52,704	75,395	314,305	298,233
2,297	4,989	7,286	43,857	41,855
-	-	-	177,640	119,360
10,031	29,414	39,445	267,529	206,534
287	101,254	101,541	376,524	367,062
1,202	56,147	57,349	192,271	136,133
25,146	38,340	63,486	334,344	282,832
52,251	23,506	75,757	545,327	487,888
3,146	18,702	21,848	61,921	47,134
6,912	15,736	22,648	76,975	74,988
969	6,330	7,299	21,898	16,349
641	2,582	3,223	12,398	10,340
1,656	3,867	5,523	22,507	22,201
807	1,883	2,690	10,959	9,842
24,142	23,029	47,171	61,905	46,601
1,826	4,264	6,090	24,819	35,507
349	8,588	8,937	47,917	13,788
\$ 317,606	\$ 772,436	\$ 1,090,042	\$ 4,811,513	\$ 4,352,225

NATIONAL PSORIASIS FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2008 <i>(With Comparative Totals for 2007)</i>	2008	2007
Cash flows from operating activities:		
Cash receipts:		
Contributions and educational grants	\$ 4,641,535	\$ 4,017,790
Legacies and bequests	300,220	1,532,526
Special events - net	40,358	-
Sales of patient education materials	24,922	22,783
Fees from survey panels conducted	80,000	40,000
Magazine advertising	100,249	168,600
Professional education course fees	70,706	71,479
Interest and dividends	230,259	150,050
Other	18,825	121,484
	<u>5,507,074</u>	<u>6,124,712</u>
Cash disbursements:		
Payroll and related expenses	2,163,757	2,142,057
Other operating expenses	2,526,719	2,181,510
	<u>4,690,476</u>	<u>4,323,567</u>
Net cash provided by operating activities	816,598	1,801,145
Cash flows from investing activities:		
Proceeds from sales of investments	731,844	414,279
Purchases of investments	(1,734,391)	(423,095)
Purchases of furniture and equipment	(9,007)	(17,353)
	<u>(1,011,554)</u>	<u>(26,169)</u>
Net cash used by investing activities	(1,011,554)	(26,169)
Net increase (decrease) in cash and cash equivalents	(194,956)	1,774,976
Cash and cash equivalents, beginning of year	<u>3,549,409</u>	<u>1,774,433</u>
Cash and cash equivalents, end of year	<u>\$ 3,354,453</u>	<u>\$ 3,549,409</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL PSORIASIS FOUNDATION

Statement of Cash Flows - Continued

Year Ended June 30, 2008 <i>(With Comparative Totals for 2007)</i>	2008	2007
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 102,072	\$ 739,549
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Gain) loss on investments	96,848	(43,038)
Contributed investments	(206,844)	(124,279)
Depreciation	24,819	35,507
(Increase) decrease in:		
Accounts receivable	30,640	(31,540)
Grants receivable	(10,101)	(2,500)
Pledges receivable - net	420,916	812,961
Legacies and bequests receivable	281,127	418,873
Inventory of literature	20,620	27,918
Prepaid expenses	(7,148)	(50,698)
Increase (decrease) in:		
Accounts payable	58,086	22,410
Grants payable - due within one year	(30,000)	-
Accrued payroll, payroll taxes, and withholdings	78,501	5,562
Accrued vacation pay	(23,382)	(17,501)
Deferred income - special projects	(19,556)	7,921
Net cash provided by operating activities	<u>\$ 816,598</u>	<u>\$ 1,801,145</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL PSORIASIS FOUNDATION

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization - 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. The mission of National Psoriasis Foundation (the Foundation) is to improve the quality of life of people who have psoriasis and psoriatic arthritis. 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 financial statements of National Psoriasis Foundation have been prepared in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. The significant accounting policies followed are described below:

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents - The Foundation considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits of \$3,251,216 and \$3,552,779 at June 30, 2008 and 2007, respectively.

Investments - Investments are carried at market value. Net appreciation in fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation of those investments, is shown in the statement of activities.

Accounts Receivable - Accounts receivable are recognized as goods and services are provided. The Foundation does not assess finance charges on past due amounts.

The Foundation considers all receivables at June 30, 2008 and 2007 to be fully collectible.

Inventory - Inventory is valued at lower of cost (first-in, first-out) or market.

Furniture and Equipment - The Foundation follows the policy of capitalizing, at cost, all expenditures for furniture and equipment in excess of \$1,000.

Furniture and equipment received through donation are recorded at estimated fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 10 years.

NATIONAL PSORIASIS FOUNDATION

Notes to Financial Statements - Continued

1. Organization and Significant Accounting Policies - Continued

Net Assets - The accompanying financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of the Foundation's net assets in two classes, unrestricted and temporarily restricted, as follows:

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Revenue Recognition - The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

The Foundation reports gifts of furniture and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Temporarily restricted contributions are classified as unrestricted where the restriction is met in the same fiscal year the contribution is received.

Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services a) create or enhance nonfinancial assets, or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers also provided support-group and other community-based program services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

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

NATIONAL PSORIASIS FOUNDATION

Notes to Financial Statements - Continued

1. Organization and Significant Accounting Policies - Continued

Income Taxes - Income taxes are not provided for in the financial statements since the Foundation is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as 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 any income tax expense paid for the years ended June 30, 2008 and 2007.

Summarized Financial Information for 2007 - The financial statements include certain prior-year summarized comparative information by function and in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Reclassifications - Certain information in the 2007 financial statements has been reclassified for comparative purposes to conform with the 2008 presentation.

2. Program and Supporting Services

Program Services

Public Education - Programs which educate the public about the causes, treatments, and diagnosis of psoriasis, including the Foundation's basic information and referral program, educational booklets, Internet website, national conference and community education meetings.

Patient Services - The Foundation's patient services include the Psoriasis Network groups (support groups), used UVB equipment list, physician referral program, and individual assistance.

Professional Education - Programs designed to improve the delivery of psoriasis care by health professionals. The Foundation's programs include *Psoriasis Forum* newsletter, exhibits at professional conventions, and PUVA and phototherapy courses.

Community Services - Community-based programs, including the Foundation's medical office and community literature program, insurance advocacy and government affairs.

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

NATIONAL PSORIASIS FOUNDATION

Notes to Financial Statements - Continued

2. Program and Supporting Services - Continued

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

The fund-raising function encompasses direct and indirect costs for solicitation of contributions.

3. Investments

Investments consist of the following:

	2008	2007
Corporate bonds	\$ 1,525,868	\$ 652,936
Common stock	<u>494,626</u>	<u>255,015</u>
	<u>\$ 2,020,494</u>	<u>\$ 907,951</u>

4. Pledges Receivable - Net

The Foundation had pledges receivable representing the following at June 30:

	2008	2007
Unrestricted	\$ 16,550	\$ 28,500
Temporarily restricted - Finding a Cure Campaign	<u>856,127</u>	<u>1,265,093</u>
	<u>\$ 872,677</u>	<u>\$ 1,293,593</u>

Pledges receivable are due as follows:

Within one year	\$ 619,641	\$ 992,403
One to five years	<u>328,134</u>	<u>378,117</u>
Gross pledges receivable	947,775	1,370,520
Less discount to present value (3 percent used for years ended June 30, 2008 and 2007)	(25,098)	(26,927)
Less allowance for uncollectible pledges receivable	<u>(50,000)</u>	<u>(50,000)</u>
Pledges receivable - net	<u>\$ 872,677</u>	<u>\$ 1,293,593</u>

NATIONAL PSORIASIS FOUNDATION

Notes to Financial Statements - Continued

5. Legacies and Bequests Receivable

Legacies and bequests receivable are due as follows:

	2008	2007
Within one year	\$ 14,000	\$ 281,127
One to five years	<u>-</u>	<u>14,000</u>
	<u>\$ 14,000</u>	<u>\$ 295,127</u>

No discount has been applied to legacies and bequests receivable beyond one year as the discount amount would be immaterial.

6. Deferred Income - Special Projects

Deferred income is as follows:

	2008	2007
Advertising revenue	\$ 13,133	\$ 33,000
Annual conference	25,786	25,380
Survey panels	10,000	10,000
Other	<u>-</u>	<u>95</u>
	<u>\$ 48,919</u>	<u>\$ 68,475</u>

NATIONAL PSORIASIS FOUNDATION

Notes to Financial Statements - Continued

7. Commitments

Operating Leases - The Foundation leases office space under an operating lease which requires payments through August, 2010. The lease contains escalation clauses to cover increases in certain operating expenses. Additionally, the Foundation leases equipment under two operating leases. At June 30, 2008, the Foundation's aggregate annual lease commitments, excluding any operating expense escalation that may be calculated in the future, are payable as follows:

Future minimum lease payments are as follows:

Years Ending June 30	Amount
2009	\$ 307,713
2010	307,713
2011	59,933
2012	<u>10,377</u>
	<u>\$ 685,736</u>

Rent expense for the years ended June 30, 2008 and 2007 was \$314,305 and \$298,233, respectively.

Line of Credit - The Foundation has a \$250,000 line of credit agreement with US Bank. Interest is payable at the bank's prime rate (5.00 percent at June 30, 2008). The line is not secured and is due on demand. There were no outstanding borrowings at June 30, 2008 and 2007.

NATIONAL PSORIASIS FOUNDATION

Notes to Financial Statements - Continued

8. Unrestricted Net Assets - Designated

	2008	2007
Board designated reserve	\$ 700,000	\$ 700,000
Quasi endowment fund	428,946	421,803
Jones Legacy Fund	<u>1,387,590</u>	<u>1,408,197</u>
	<u>\$ 2,516,536</u>	<u>\$ 2,530,000</u>

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

The Board of Trustees has established a "quasi" endowment fund. Spending of the endowment principal and earnings will begin only after the endowment has reached a minimum of \$500,000 and is limited to five percent of the principal per year.

The Board of Trustees established the Jones Legacy Fund to which unrestricted bequests would be designated and would be targeted for research and special projects subject to a majority vote by the Board.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2008	2007
Advocacy state pilot program	\$ 50,000	\$ -
Awareness walks	-	4,693
Chief residents meeting	55,000	-
Fialkov diet	4,500	4,500
Finding a Cure Campaign	1,177,629	1,084,253
Finding a Cure Campaign - for use in future periods	856,127	1,265,093
Discovery	91,554	151,116
Halprin Award	4,157	4,157
Individual assistance	3,087	3,087
Membership enhancement projects	145,197	-
More Than Skin Deep Education	50,000	-
Psoriatic arthritis research	-	2,628
Spanish translation	-	1,750
Support groups	48,075	16,783
Youth program	10,042	14,207
For use in future periods	<u>43,151</u>	<u>326,127</u>
	<u>\$ 2,538,519</u>	<u>\$ 2,878,394</u>

NATIONAL PSORIASIS FOUNDATION

Notes to Financial Statements - Continued

10. Net Assets Released from Restrictions

During the year ended June 30, 2008, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

Awareness walks	\$	4,693
Finding a Cure Campaign		737,054
Psoriatic arthritis research		2,628
Discovery		116,232
Spanish translation		1,750
Support groups		25,873
Youth program		4,165
For use in future periods		<u>312,127</u>
		<u>\$ 1,204,522</u>

11. Tax Deferred Annuity Plan

The Foundation provides a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The Plan is available to all full-time employees of the Foundation, who may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation did not make any contributions to the Plan for the years ended June 30, 2008 or 2007.

During the year ended June 30, 2008, the Foundation established 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 the first 5 percent of eligible employee salary deferrals. All employer contributions to this plan are immediately 100 percent vested. Employer contributions to the plan totaled \$5,850 and \$-0- for the years ended June 30, 2008 and 2007, respectively.

12. Joint Cost Activity

The Foundation prepares a publication and during the year ended June 30, 2008, began hosting awareness walks which are both considered joint cost activities. Costs associated with the preparation of this publication are allocated to program and fund-raising activities as of June 30, as follows:

	2008	2007
Public education	\$ 255,172	\$ 139,545
Fund-raising	<u>84,051</u>	<u>7,344</u>
	<u>\$ 339,223</u>	<u>\$ 146,889</u>