

*Financial Statements*  
*Years Ended*  
*December 31, 2007 and 2006*

*Foundation for the National Institutes of Health, Inc.*

*Goodman*  
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& COMPANY

Certified Public Accountants  
Specialized Services  
Business Solutions

*Foundation for the National Institutes of Health, Inc.*

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## *Report of Independent Auditors*

Board of Directors  
*Foundation for the National Institutes of Health, Inc.*

We have audited the accompanying statements of financial position of *Foundation for the National Institutes of Health, Inc.* (a not-for-profit organization) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of *Foundation for the National Institutes of Health, Inc.* Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 *Foundation for the National Institutes of Health, Inc.* as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Goodman & Company, LLP*

Rockville, Maryland  
May 6, 2008

*Foundation for the National Institutes of Health, Inc.*

*Statements of Financial Position*

<b>December 31,</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 33,254,693	\$ 26,157,059
Investments	9,422,157	8,024,072
Appropriations receivable	500,000	500,000
Contributions receivable - net	9,407,688	12,294,958
Other receivables	3,063	-
Accrued interest	350,483	881,015
Prepaid expenses	48,638	39,555
<b>Total current assets</b>	<b>52,986,722</b>	<b>47,896,659</b>
<b>Contributions receivable</b>	<b>2,835,304</b>	<b>4,820,784</b>
<b>Investments</b>	<b>101,105,240</b>	<b>135,418,903</b>
<b>Furniture and equipment - net</b>	<b>33,847</b>	<b>41,575</b>
	<b>\$ 156,961,113</b>	<b>\$ 188,177,921</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,641,253	\$ 356,743
Funds held for others - agency transactions	7,944,332	9,341,568
<b>Total current liabilities</b>	<b>9,585,585</b>	<b>9,698,311</b>
<b>Deferred grant revenue</b>	<b>95,852,136</b>	<b>130,954,395</b>
<b>Total liabilities</b>	<b>105,437,721</b>	<b>140,652,706</b>
<b>Net assets</b>		
Unrestricted	5,423,815	4,271,653
Temporarily restricted	42,647,655	39,846,518
Permanently restricted	3,451,922	3,407,044
<b>Total net assets</b>	<b>51,523,392</b>	<b>47,525,215</b>
	<b>\$ 156,961,113</b>	<b>\$ 188,177,921</b>

*The accompanying notes are an integral part of these financial statements.*

*Foundation for the National Institutes of Health, Inc.*

*Statement of Activities*

**Year Ended December 31, 2007**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenue, support and other changes</b>				
Contributions	\$ 466,763	\$21,101,543	\$ 6,869	\$21,575,175
Grants	34,822,284	-	-	34,822,284
In-kind contributions	23,288,249	-	-	23,288,249
Government appropriations	500,000	-	-	500,000
Donated services	192,839	-	-	192,839
Investment and interest revenue	1,548,575	6,658,712	-	8,207,287
Administrative fee - agency transactions and grants	349,698	-	-	349,698
Net assets released from restrictions:				
Satisfaction of administrative fee requirements	1,199,124	(1,199,124)	-	-
Satisfaction of program restrictions	23,720,674	(23,720,674)	-	-
<b>Total revenue, support and other changes</b>	<b>86,088,206</b>	<b>2,840,457</b>	<b>6,869</b>	<b>88,935,532</b>
<b>Expenses</b>				
Program services				
Fellowships and training programs	710,349	-	-	710,349
Memorials, awards and events	919,593	-	-	919,593
Capital projects	24,802	-	-	24,802
Research partnerships	80,328,753	-	-	80,328,753
<b>Total program services</b>	<b>81,983,497</b>	<b>-</b>	<b>-</b>	<b>81,983,497</b>
Supporting services				
Management and general	2,789,382	-	-	2,789,382
Fundraising	164,476	-	-	164,476
<b>Total supporting services</b>	<b>2,953,858</b>	<b>-</b>	<b>-</b>	<b>2,953,858</b>
<b>Total expenses</b>	<b>84,937,355</b>	<b>-</b>	<b>-</b>	<b>84,937,355</b>
<b>Change in net assets</b>	<b>1,150,851</b>	<b>2,840,457</b>	<b>6,869</b>	<b>3,998,177</b>
<b>Net assets - beginning of year</b>	<b>4,271,653</b>	<b>39,846,518</b>	<b>3,407,044</b>	<b>47,525,215</b>
<b>Transfers</b>	<b>1,311</b>	<b>(39,320)</b>	<b>38,009</b>	<b>-</b>
<b>Net assets - end of year</b>	<b>\$ 5,423,815</b>	<b>\$42,647,655</b>	<b>\$ 3,451,922</b>	<b>\$51,523,392</b>

*The accompanying notes are an integral part of these financial statements.*

*Foundation for the National Institutes of Health, Inc.*

*Statement of Activities*

**Year Ended December 31, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, support and other changes</b>				
Contributions	\$ 351,507	\$35,312,485	\$ 161,831	\$35,825,823
Grants	32,863,346	-	-	32,863,346
In-kind contributions	296,522	-	-	296,522
Government appropriations	500,000	-	-	500,000
Donated services	338,571	-	-	338,571
Investment and interest revenue	1,516,306	7,786,227	-	9,302,533
Administrative fee - agency transactions and grants	632,545	-	-	632,545
Net assets released from restrictions:				
Satisfaction of administrative fee requirements	812,967	(812,967)	-	-
Satisfaction of program restrictions	22,918,179	(22,918,179)	-	-
<b>Total revenue, support and other changes</b>	<b>60,229,943</b>	<b>19,367,566</b>	<b>161,831</b>	<b>79,759,340</b>
<b>Expenses</b>				
Program services				
Fellowships and training programs	897,745	-	-	897,745
Memorials, awards and events	532,798	-	-	532,798
Capital projects	69,047	-	-	69,047
Research partnerships	54,927,989	-	-	54,927,989
<b>Total program services</b>	<b>56,427,579</b>	<b>-</b>	<b>-</b>	<b>56,427,579</b>
Supporting services				
Management and general	1,877,098	-	-	1,877,098
Fundraising	180,803	-	-	180,803
<b>Total supporting services</b>	<b>2,057,901</b>	<b>-</b>	<b>-</b>	<b>2,057,901</b>
<b>Total expenses</b>	<b>58,485,480</b>	<b>-</b>	<b>-</b>	<b>58,485,480</b>
<b>Change in net assets</b>	<b>1,744,463</b>	<b>19,367,566</b>	<b>161,831</b>	<b>21,273,860</b>
<b>Net assets - beginning of year</b>	<b>2,527,190</b>	<b>20,502,240</b>	<b>3,221,925</b>	<b>26,251,355</b>
<b>Transfers</b>	<b>-</b>	<b>(23,288)</b>	<b>23,288</b>	<b>-</b>
<b>Net assets - end of year</b>	<b>\$ 4,271,653</b>	<b>\$39,846,518</b>	<b>\$ 3,407,044</b>	<b>\$47,525,215</b>

*The accompanying notes are an integral part of these financial statements.*

*Foundation for the National Institutes of Health, Inc.*

*Statements of Cash Flows*

<b>Years Ended December 31,</b>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,998,177	\$ 21,273,860
Adjustments to reconcile to net cash from operating activities:		
Depreciation	25,566	57,199
Contributions restricted for long-term purposes	(6,869)	(161,831)
Net realized and unrealized gains on investments	(35,980)	(19,918)
Change in:		
Appropriations receivable	-	(5,000)
Contributions receivable	4,872,750	(10,567,210)
Other receivables	(3,063)	1,134,439
Accrued interest	530,532	(448,163)
Prepaid expenses	(9,083)	(1,573)
Accounts payable and accrued expenses	1,284,510	(1,007,413)
Funds held for others - agency transactions	(1,397,236)	(572,412)
Deferred grant revenue	(35,102,259)	(33,094,112)
<b>Net cash from operating activities</b>	<b>(25,842,955)</b>	<b>(23,412,134)</b>
<b>Cash flows from investing activities</b>		
Furniture and equipment acquisitions	(17,838)	(31,030)
Sales and maturities of investments	511,521,158	1,005,380,422
Purchase of investments	(478,569,600)	(980,061,301)
<b>Net cash from investing activities</b>	<b>32,933,720</b>	<b>25,288,091</b>
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for: Investment in permanent endowment	6,869	161,831
<b>Net change in cash and cash equivalents</b>	<b>7,097,634</b>	<b>2,037,788</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>26,157,059</b>	<b>24,119,271</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 33,254,693</b>	<b>\$ 26,157,059</b>

*The accompanying notes are an integral part of these financial statements.*

# *Foundation for the National Institutes of Health, Inc.*

## *Notes to Financial Statements*

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**December 31, 2007 and 2006**

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### **1. Organization and Nature of Activities**

*Foundation for the National Institutes of Health, Inc.* (Foundation) is a not-for-profit organization, whose mission is to support the National Institutes of Health (NIH) in its mission, and to advance collaboration with biomedical researchers from universities, industry, and nonprofit organizations.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### **Basis of Presentation**

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

#### **Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of the financial statement presentation, cash and cash equivalents includes all cash on hand, demand accounts, and highly-liquid investments with original maturities of three months or less for which it is not the intention of management to hold for long-term purposes. At December 31, 2007 and 2006, cash and cash equivalents included \$33,144,895 and \$26,356,607, respectively, held in one financial institution of which \$100,000 was insured by the Federal Deposit Insurance Corporation and \$500,000 was insured by the Securities Investor Protection Corporation.

#### **Investments**

Investments are recorded at market value. Realized gains or losses are recognized upon sale or disposal. Interest income is recorded on the accrual basis. Unrealized gains and losses, due to market fluctuations during the year, are recognized at year-end.

#### **Contributions and Appropriations Receivable**

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions to be collected in more than one year are recorded at net present

value, which approximates fair value. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. Appropriations receivable are recorded at the amount appropriated by governmental agencies. Credit risk for contributions receivable is concentrated as a significant amount of contributions receivable are received from a few donor organizations.

#### **Allowance for Uncollectible Receivables**

Management has established an allowance for uncollectible contributions receivable in the amount of \$15,000 as of December 31, 2007 and 2006, based on a review of historical collections. Amounts recorded as appropriations and other receivables are deemed to be fully collectible by management. Accordingly, an allowance has not been recorded for those receivables.

#### **Furniture and Equipment**

Furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is three to five years. The Foundation's policy is to capitalize furniture and equipment purchased with a cost of \$1,000 or more. Donated equipment is recorded at fair market value at the date of contribution. As of December 31, 2007 and 2006, furniture and equipment was \$316,149 and \$298,312, respectively, and accumulated depreciation was \$282,302 and \$256,737, respectively.

#### **Contributions**

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence and/or nature of any donor restrictions. Donor-restricted revenue 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 statements of activities as net assets released from restrictions.

The Foundation follows the accounting principles required under SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. Accordingly, any assets received by the Foundation for which the donor stipulates that the assets are to be used on behalf of the donor or another entity (the beneficiary) or to be transferred to another entity are recorded by the Foundation as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor.

#### **Grant Revenue Recognition**

Amounts received under grant awards are considered exchange transactions and are recognized as unrestricted revenue when the related expenses are incurred. Unexpended amounts received are recorded as deferred grant revenue. Expenditures in excess of receipts are recorded as grants receivable.

#### **Appropriations Revenue Recognition**

Government appropriations are recognized as revenue in the year they are appropriated.

#### **Allocation of Expenses**

Salaries and benefits have been allocated to program and supporting services based on estimates made by management.

### Income Taxes

The Foundation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

### 3. Investments

Investments as of December 31, 2007, are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 21,243,665	\$ 21,243,665
Certificates of deposit	1,149,337	1,149,337
Commercial paper	77,784,382	77,812,411
Stocks	30,102	30,102
Discount notes	2,079,978	2,079,978
Corporate bonds	2,344,858	2,353,949
Government bonds	5,695,181	5,696,091
Bond mutual funds	51,884	53,122
Equity mutual funds	114,539	108,742
	<u>\$ 110,493,926</u>	<u>\$ 110,527,397</u>

The following schedule summarized the investment return and its classification for 2007.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 1,537,626	\$ 6,633,681	\$ 8,171,307
Realized gains	15,979	-	15,979
Unrealized gains (losses)	(5,030)	25,031	20,001
	<u>\$ 1,548,575</u>	<u>\$ 6,658,712</u>	<u>\$ 8,207,287</u>

Investments as of December 31, 2006, are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 88,365,232	\$ 88,365,232
Certificates of deposit	599,973	599,973
Commercial paper	28,555,710	28,558,266
Discount notes	3,474,489	3,475,500
Corporate bonds	18,824,295	18,825,038
Government bonds	3,490,053	3,491,099
Bond mutual funds	43,187	42,929
Equity mutual funds	76,566	84,938
	<u>\$ 143,429,505</u>	<u>\$ 143,442,975</u>

The following schedule summarized the investment return and its classification for 2006.

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 1,495,908	\$ 7,786,707	\$ 9,282,615
Realized gains	6,204	32	6,236
Unrealized gains (losses)	14,194	(512)	13,682
Total investment return	<u>\$ 1,516,306</u>	<u>\$ 7,786,227</u>	<u>\$ 9,302,533</u>

#### 4. Contributions Receivable

Contributions receivable at December 31, 2007 and 2006 were as follows:

	2007	2006
Receivable in less than one year	\$ 9,422,688	\$ 12,309,958
Receivable in one to five years	2,948,675	5,107,312
Total unconditional contributions receivable	<u>12,371,363</u>	<u>17,417,270</u>
Less - discounts to net present value	(113,371)	(286,528)
Less - allowance for uncollectible contributions receivable	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional contributions receivable	<u>\$ 12,242,992</u>	<u>\$ 17,115,742</u>

The discount rate used on long-term contributions receivable was 4% in 2007 and 2006.

#### 5. Conditional Contributions Receivable

As of December 31, 2007 and 2006, the Foundation had the following contributions receivable subject to donor conditions:

	2007	2006
Alzheimer's Disease Neuroimaging Initiative	\$ 2,675,000	\$ 5,775,000
Alzheimer's Disease Neuroimaging Initiative Supplement Study	764,160	1,169,910
Clayton-Dedonder Emerging Leaders in HIV/AIDS Research Scholarship Awards	-	1,200,000
Fluorodeoxyglucose-Positron Emission Tomography Lung and Lymphoma Projects	2,310,000	2,610,000
Head Off Environmental Asthma in Louisiana	550,000	1,100,000
Cognitive Impairment (MATRICS)	420,907	-
	<u>\$ 6,720,067</u>	<u>\$ 11,854,910</u>

Since these contributions receivable represent conditional contributions receivable, they are not recorded as contributions receivable and contribution revenue until donor conditions are met.

## 6. Temporarily Restricted Net Assets

As of December 31, 2007 and 2006, temporarily restricted net assets were available for the following purposes:

	<u>2007</u>	<u>2006</u>
<b>Fellowships and Training Programs</b>		
Clinical Research Training Program	\$ 1,598,127	\$ 2,156,702
Dean R. O'Neill Renal Cell Cancer Research Fund	100,019	67,932
Dr. Edward T. Rancic Memorial Fund	46,333	46,333
Dr. John L. Barr Memorial Fund	17,779	16,414
35 <sup>th</sup> Anniversary Fogarty International Center Celebration	4,650	4,650
Fourth MIM Pan-African Malaria Conference	111	111
John LaMontagne International Fellowship	13,743	13,743
Norman P. Salzman Memorial Award and Lecture in Virology	40,687	23,678
Pain and Palliative Care General Agreement	41,898	43,270
Robert Whitney Newcomb Memorial Lecture and Internship	276,798	148,087
Sallie Rosen Kaplan Fellowship for Women Scientists in Cancer Research	50,128	40,860
The Intolerable Burden of Malaria II: What's New, What's Needed	95,893	52,293
National Center for Complementary and Alternative Medicine Director's Award	235	235
The Penates Fellowship	70,114	70,114
Women's Health Clinic Fellowship - AstraZeneca	189,527	189,527
Women's Health Postdoctoral Fellowship - Battelle Shared Post-Doctoral	142,368	147,310
The Bernard Osher Foundation NCCAM Practitioner Research Career Development Award	3,771,606	3,699,686
Anita Roberts Scholarship	-	6,130
Action to Cure Kidney Cancer (ACKC) Fellowship	32	33,232
Minority Faculty and Student Partnership	-	4,650
<b>Memorials, Awards and Events</b>		
A Symposium in Honor of Martha Vaughn: Insights into Signal Transduction	9,995	9,995
Adam J. Berry Memorial Fund	11,420	9,956
Bone Quality Initiative	32,811	32,811
Carcinoid Summit Workshop	26,633	-
Celebrating 50 Years of Brain Research: New Discoveries, New Hope	206,608	206,608
Clinical Research Training Program 10-Year Reunion	28,042	242,629
CVRM Symposium	11,024	-
Dietary Supplements, Coagulation, and Antithrombotic Conference, January 13-14, 2005	2,485	2,485
Edna Williams Curl & Myron	61,482	-
From Genome to Disease II: High Throughput Biology	-	18,710
HIV Awareness Day Reception	1,600	1,600
Innovation in Prevention Awards	9,473	82,104
John Burke Cancer Research Fund	100	5,034
John Laws Decker Memorial Fund	26,160	23,851
Lloyd Law Memorial Fund	625	625
Minority Health Summit	4,738	4,738
ODS/NHLBI Anti-Coagulation Conference	-	2,500
Symposium on Cardiovascular Regenerative Medicine - 2004	-	9,515

Dr. Jane M. Sayer Vision Research Lecture and Award	126,703	90,726
Vaccine Research Center Open House Community Meeting	3,143	3,143
William McCormick Blair, III Memorial Fund	5,150	5,150
Polio Conference	40,728	-
Swanson Family Fellowship in Generic Thyroid Benign Chorea and IgA Deficiency (TTF-1)	67,500	67,500
Richard A. Lauderbaugh Memorial Fund	3,990	-
Stephen E. Straus Award	9,030	-
Jerry D. Jennings Memorial Fund	3,330	3,255
Dr. Anita Roberts Memorial Fund	19,155	4,025
Laboratory of Cellular Carcinogenesis and Tumor Promotion	-	1,315
<b>Capital Projects</b>		
Edmond J. Safra Family Lodge Dinner & Pantry	61	-
Edmond J. Safra Family Lodge Garden	-	500
Edmond J. Safra Family Lodge Bricks and Mortar	-	810
Edmond J. Safra Family Lodge All Programs	14,320	15,978
Edmond J. Safra Family Lodge GSK Endowment	169,839	129,151
Edmond J. Safra Family Lodge Weinberg Endowment	42,599	38,009
Edmond J. Safra Family Lodge Gallin Endowment	13,288	9,924
Tracy's Toy Box	8,756	7,656
Anita Roberts Contemplation	-	6,850
The Ellen Shaw Fund	8,500	-
<b>Research Partnerships</b>		
Adolescent and Young Adult Oncology - Progress Review Group	2,874	33,824
Alzheimer's Disease Neuroimaging Initiative	11,175,868	7,447,383
Best Pharmaceuticals for Children Fund	3,127,008	3,927,225
Cancer Research Fund	33,803	7,138
Cognitive Aging Summit	404	250,000
Genetic Association Identification Network	853,671	2,879,427
Grand Challenges in Global Health	27,637	2,606
Imaging Database Resources Initiative	10,402	591,358
"I Can Do It, You Can Do It"	225,000	-
NCI Division of Clinical Services HIV/AIDS Malignancy	15,000	15,000
Observational Medical Outcomes Pilot (OMOP)	1,206,015	-
Overcoming Barriers to Early Phase Clinical Trials	354,001	362,343
Helix and Genome - 50 Year Event	13,417	13,417
Vaccine Research Center Community Advisory Board	10,025	11,114
VaxGen Vaccine Trial in Thailand	22,898	22,898
Comprehensive T Cell Vaccine Immune Monitoring Consortium	6,789,775	5,169,006
Frequent Hemodialysis	365,961	19,961
Fluorodeoxyglucose-Positron Emission Tomography (FDG- PET) Lung and Lymphoma	2,920,067	2,559,219
Schizophrenia Cognition Project	292,257	-
Schizophrenia Metabolic Initiative	3,203,259	5,187,894
Biomarker Consortium	1,350,674	1,402,334
Head-Off Environmental Asthma in Louisiana	1,044,609	522,500
Biotechnology Resource for Innovation and Development in Genomedicine	724,973	1,440,385
Alzheimer's Disease Neuroimaging Initiative – PIB	911,616	166,099
Alzheimer's Disease Neuroimaging Initiative – Genotyping	4,153	-
Alzheimer's Disease Neuroimaging Initiative – CSF Extension	224,726	-
Alzheimer's Disease Neuroimaging Initiative – Genotyping Analysis	66,649	-

Understanding Targeted Cancer Therapies Tutorials	212,480	-
<b>Other Temporarily Restricted Programs</b>	<u>29,097</u>	<u>13,277</u>
	<u>\$ 42,647,655</u>	<u>\$ 39,846,518</u>

## 7. Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment fund assets, included in investments on the statements of financial position to be held indefinitely. The earnings from these assets are to be used for the purposes established by the donors and are recorded as temporarily restricted interest revenue for those purposes.

As of December 31, 2007 and 2006, permanently restricted net assets consisted of the following endowed gifts to be held in perpetuity with the income to be used for:

	<u>2007</u>	<u>2006</u>
Edmond J. Safra Family Lodge		
GlaxoSmithKline Endowment Fund	\$ 1,500,000	\$ 1,500,000
Harry and Jeanette Weinberg Endowment at the Edmond J. Safra Family Lodge	830,894	792,885
John I. and Elaine K. Gallin Endowment	83,256	76,387
Sallie Rosen Kaplan Fellowship for Women Scientists in Cancer Research	787,772	787,772
Norman P. Salzman Memorial Fund	100,000	100,000
Stephen E. Straus Award	<u>150,000</u>	<u>150,000</u>
	<u>\$ 3,451,922</u>	<u>\$ 3,407,044</u>

## 8. Grant Revenue

The Foundation receives a portion of its support under certain grants and contributions that may be audited by the donors and the ultimate determination of allowable costs is determined by such audits.

## 9. In-Kind Contributions

Office space for the Foundation is donated by the NIH. The estimated rental value is determined by the current market rent for other offices within the buildings. Telephone expense and on-line communication costs for the Foundation are also donated by the NIH. The estimated rental value, value of the telephone expense, and value of the on-line communication costs has been reflected in the accompanying financial statements as in-kind contributions with a like amount recorded as rent/housing expense, telephone expense, or communications expense. For 2007 and 2006, these in-kind contributions from NIH of \$422,459 and \$296,522, respectively, are reflected in the financial statements.

In 2007, the Foundation received DNA sequencing from Pfizer, Perlegen Sciences Inc., The Broad Institute and Affymetrix for the Genetic Association Information Network project. The estimated fair value of the DNA sequencing was determined by the donor and has been reflected in the accompanying financial statements as in-kind contributions with a like amount recorded as program contracts. For 2007, in-kind contributions for the DNA sequencing of \$22,865,790 are reflected in the financial statements.

## **10. Donated Services**

The Foundation receives benefit from services donated by the NIH, which include various administrative and technical services performed by NIH employees. The estimated value of these services is based on the hourly rate and average benefit amount of the NIH employee. The estimated amount of these services has been reflected in the accompanying financial statements as donated services with a like amount recorded as salaries and benefits expense.

The Foundation also receives benefit from donated legal services. The value of these services has been reflected in the financial statements as donated services with a like amount recorded as professional fees expense.

For 2007 and 2006, donated services of \$192,839 and \$338,571, respectively, are reflected in the financial statements.

## **11. Retirement Plan**

The Foundation has a retirement plan through TIAA-CREF. The plan calls for a mandatory contribution of at least 2% of annual salary from participating employees and an additional contribution of 10% of annual salary from the Foundation. Pension expense for 2007 and 2006 was \$330,234 and \$233,991, respectively.

## **12. Concentration of Revenue**

For 2007 and 2006, the Foundation received approximately 46% and 52%, respectively, of its revenue from contributions and grants from the Bill and Melinda Gates Foundation.

## **13. Relationship with the Foundation for Advanced Education in the Sciences, Inc.**

The Foundation was established under legislation that authorized it to be the sole entity responsible for soliciting funds on behalf of the NIH and to conduct specific other activities that support the NIH in its mission. Certain of the activities described in the legislation are conducted by the Foundation for Advanced Education in the Sciences, Inc. (FAES) under a Memorandum of Understanding (MOU) with the Foundation. This MOU preserves the prerogatives conferred on the Foundation by its authorizing legislation but also allows the FAES to carry on its current activities under the authority of the Foundation.

## **14. Reclassifications of Support and Transfers**

In the normal course of business, the Foundation often receives support in which there is a delay between when the support is received and the time when the donor and the Foundation finalize the donor restrictions or other matters affecting the treatment of the support. The results of these negotiations determine the ultimate accounting classification for these funds. Because of this situation, certain reclassifications of support may need to be recorded as terms, restrictions and conditions are finalized. For 2007 and 2006, there were reclassifications of this type shown as transfers on the statements of activities. Also during 2006, there were renegotiations with the donor of support received in 2005 as an agency transaction. These renegotiations led to a reclassification of the support as a temporarily restricted contribution. Therefore, during 2006, the funds held for others – agency transactions liability of \$950,000 for this support was written off and a temporarily restricted contribution was recognized for the same amount.

## 15. Fair Value of Financial Instruments

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments:

### Cash and Cash Equivalents

The carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

### Investments

The fair value of investments in marketable equity and debt securities is based on quoted market prices.

### Appropriations and Other Receivables

The carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

### Contributions Receivable

For short-term contributions receivable, the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments. The fair value of long-term contributions receivable is estimated by discounting the future cash flows using average Treasury bond rates with similar remaining maturities.

### Accrued Interest

The carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

### Funds Held for Others - Agency Transactions

The carrying amount reported in the statements of financial position approximates fair value due to the short-term nature of the liability.

For all these financial instruments, the carrying value, as shown on the statements of financial position, approximates fair value.

## 16. Grant Awards Contingency

As of December 31, 2007 and 2006, the Foundation has authorized conditional scientific grants under the following programs:

	<u>2007</u>	<u>2006</u>
Comprehensive T Cell Vaccine Immune Monitoring Consortium	\$ 20,797,984	\$ 23,074,377
Grand Challenges in Global Health	58,131,932	101,604,882
Schizophrenia Metabolic Initiative	3,056,816	4,852,839
	<u>\$ 81,986,732</u>	<u>\$ 129,532,098</u>

These authorized awards would become a liability to the Foundation in the future, if the grantees meet certain conditions, including the Foundation's satisfaction with and approval of progress reports.

### 17. Contingencies

In the normal course of business, the Foundation has become involved in a matter regarding claims that have been filed which may result in litigation. Management believes that their position is strong and they will vigorously defend the Foundation against any adverse action. However, management cannot predict the outcome of this matter or estimate the amount of any loss that may result. Accordingly, no provision for any liability that may result from this matter has been included in these financial statements.

### 18. Lease

During 2007, the Foundation moved their office location in Bethesda, Maryland under a new lease agreement with the Federation of American Societies for Experimental Biology (FASEB). The new lease agreement with FASEB is for a ten year period which expires October 31, 2017. The Foundation does have the option to terminate this lease on a one-time basis effective November 30, 2012 if FASEB is given notice of an intention to terminate not later than February 28, 2012. The Foundation also has an option to extend the lease for two additional five year terms.

The future minimum lease payments required under the operating lease for the years ended December 31, are as follows:

2008	\$ 320,285
2009	333,094
2010	346,403
2011	360,232
2012	374,664
Thereafter	<u>2,032,129</u>
	<u>\$ 3,766,807</u>

Rent expense under this lease was \$53,027 for 2007.

\* \* \* \* \*

***Report of Independent Auditors on Supplementary Information***

Board of Directors

***Foundation for the National Institutes of Health, Inc.***

Our report on our audits of the basic financial statements of ***Foundation for the National Institutes of Health, Inc.*** for 2007 and 2006 appears on page one. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Goodman & Company, LLP*

Rockville, Maryland

May 6, 2008

*Foundation for the National Institutes of Health, Inc.*

*Schedule of Functional Expenses*

Year Ended December 31, 2007 with Comparative Totals for 2006

	Program Services					Supporting Services			Total 2006
	Fellowships and Training Programs	Memorials, Awards and Events	Capital Projects	Research Partnerships	Program Services	Management and General	Fundraising Services	Total 2007	
Salaries and benefits	\$ 11,313	\$ 98,573	\$ 2,761	\$ 2,334,085	\$ 2,446,732	\$ 1,726,239	\$ 86,567	\$ 1,812,806	\$ 3,073,155
Stipends	-	34,250	-	500	34,750	-	-	-	54,669
Program contracts	559,942	7,757	-	30,498,843	31,066,542	-	-	-	7,635,132
Grant awards	-	-	-	43,583,338	43,583,338	-	-	-	44,683,185
Meetings and conferences	43,657	229,761	18,410	265,839	557,667	31,538	887	32,425	661,517
Office supplies and expense	-	778	-	7,005	7,783	16,428	-	16,428	18,183
Telephone	82	827	-	124,405	125,314	75,368	3,463	78,831	144,109
Books and supplies	37,105	44,260	-	11,273	92,638	17,473	-	17,473	48,232
Tuition	4,650	-	-	1,379	6,029	4,229	-	4,229	1,996
Insurance	-	-	-	65,473	65,473	54,791	-	54,791	92,853
Consultants	9,868	77,089	550	2,259,635	2,347,142	174,803	55,689	230,492	539,046
Professional fees	-	-	-	202,933	202,933	74,645	-	74,645	420,093
Special events	10,655	191,871	1,525	77,113	281,164	32,771	-	32,771	313,935
Travel	13,497	104,654	738	341,067	459,956	8,836	571	9,407	225,633
Depreciation	-	-	-	-	-	25,566	-	25,566	57,199
Rent/housing	-	-	-	55,756	55,756	79,785	-	79,785	73,234
Recruiting	3,634	-	-	22,966	26,600	33,442	-	33,442	26,863
Relocation	-	-	-	74,430	74,430	124,089	-	124,089	3,386
Temporary services	-	5,090	-	56,237	61,327	18,413	-	18,413	-
Dues and subscriptions	-	-	-	1,425	1,425	5,181	910	6,091	13,552
Equipment rental and maintenance	-	-	-	6,485	6,485	28,568	-	28,568	33,487
Printing and photocopying	-	35,426	89	17,465	52,980	18,099	5,012	23,111	52,437
Postage and delivery	88	1,017	55	6,288	7,448	15,770	11,362	27,132	20,075
Service charges	60	45	-	162,976	163,081	77,247	-	77,247	216,661
Communications	-	-	-	119,047	119,047	114,564	-	114,564	211,975
Advertising and promotion	-	1,095	-	30,689	31,784	16,700	-	16,700	705
Miscellaneous	15,798	87,100	674	2,101	105,673	14,837	15	14,852	100,514
	\$ 710,349	\$ 919,593	\$ 24,802	\$ 80,328,753	\$ 81,983,497	\$ 2,789,382	\$ 164,476	\$ 2,953,858	\$ 58,483,480
									\$ 84,937,355

See report of independent auditors on supplementary information.