

*Financial Statements*  
*Years Ended*  
*December 31, 2010 and 2009*

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



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

*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 statement of financial position of *Foundation for the National Institutes of Health, Inc.* (a not-for-profit organization) as of December 31, 2010, and the related statements of activities and cash flows for the year 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 audit. The financial statements as of December 31, 2009 were audited by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated May 3, 2010 expressed an unqualified opinion on those 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 2010 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, 2010, 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.

*Dixon Hughes Goodman LLP*

Rockville, Maryland  
May 16, 2011

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

*Statements of Financial Position*

<b>December 31,</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 20,402,507	\$ 17,209,872
Investments	28,038,311	34,732,667
Appropriations receivable	500,000	-
Contributions receivable - net	10,295,765	6,841,212
Accrued interest	6,051	17,412
Prepaid expenses and other receivables	76,951	72,517
<b>Total current assets</b>	<b>59,319,585</b>	<b>58,873,680</b>
<b>Contributions receivable</b>	<b>11,261,922</b>	<b>2,552,009</b>
<b>Investments</b>	<b>20,610,896</b>	<b>28,481,538</b>
<b>Furniture and equipment - net</b>	<b>98,438</b>	<b>140,944</b>
	<b>\$ 91,290,841</b>	<b>\$ 90,048,171</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,252,432	\$ 1,741,601
Funds held for others - agency transactions	1,745,257	1,724,955
<b>Total current liabilities</b>	<b>2,997,689</b>	<b>3,466,556</b>
<b>Deferred grant revenue</b>	<b>14,715,033</b>	<b>22,570,780</b>
<b>Other deferred revenue</b>	<b>40,000</b>	<b>-</b>
<b>Total liabilities</b>	<b>17,752,722</b>	<b>26,037,336</b>
<b>Net assets</b>		
Unrestricted	9,103,221	5,900,776
Temporarily restricted	61,126,724	54,652,744
Permanently restricted	3,308,174	3,457,315
<b>Total net assets</b>	<b>73,538,119</b>	<b>64,010,835</b>
	<b>\$ 91,290,841</b>	<b>\$ 90,048,171</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, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, support and other changes</b>				
Contributions	\$ 3,050,456	\$ 52,045,573	\$ 859	\$ 55,096,888
Grants	8,028,743	-	-	8,028,743
In-kind contributions	1,564,550	-	-	1,564,550
Government appropriations	500,000	-	-	500,000
Donated services	212,949	-	-	212,949
Investment and interest revenue	90,274	83,244	-	173,518
Administrative fee - agency transactions and grants	300,796	-	-	300,796
Return of contribution	-	(954,517)	-	(954,517)
Net assets released from restrictions:				
Satisfaction of administrative fee requirements	2,637,763	(2,637,763)	-	-
Satisfaction of program restrictions	42,212,557	(42,212,557)	-	-
<b>Total revenue, support and other changes</b>	<b>58,598,088</b>	<b>6,323,980</b>	<b>859</b>	<b>64,922,927</b>
<b>Expenses</b>				
Program services				
Fellowships and training programs	1,687,123	-	-	1,687,123
Memorials, awards and events	1,644,425	-	-	1,644,425
Capital projects	45,399	-	-	45,399
Research partnerships	48,914,764	-	-	48,914,764
<b>Total program services</b>	<b>52,291,711</b>	<b>-</b>	<b>-</b>	<b>52,291,711</b>
Supporting services				
Management and general	2,943,788	-	-	2,943,788
Fundraising	160,144	-	-	160,144
<b>Total supporting services</b>	<b>3,103,932</b>	<b>-</b>	<b>-</b>	<b>3,103,932</b>
<b>Total expenses</b>	<b>55,395,643</b>	<b>-</b>	<b>-</b>	<b>55,395,643</b>
<b>Change in net assets</b>	<b>3,202,445</b>	<b>6,323,980</b>	<b>859</b>	<b>9,527,284</b>
<b>Net assets - beginning of year</b>	<b>5,900,776</b>	<b>54,652,744</b>	<b>3,457,315</b>	<b>64,010,835</b>
<b>Transfers</b>	<b>-</b>	<b>150,000</b>	<b>(150,000)</b>	<b>-</b>
<b>Net assets - end of year</b>	<b>\$ 9,103,221</b>	<b>\$ 61,126,724</b>	<b>\$ 3,308,174</b>	<b>\$ 73,538,119</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, 2009**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenue, support and other changes</b>				
Contributions	\$ 785,138	\$36,063,773	\$ 2,323	\$36,851,234
Grants	33,823,317	-	-	33,823,317
In-kind contributions	1,353,657	-	-	1,353,657
Government appropriations	500,000	-	-	500,000
Donated services	180,011	-	-	180,011
Investment and interest revenue	170,642	485,365	-	656,007
Administrative fee - agency transactions and grants	293,192	-	-	293,192
Net assets released from restrictions:				
Satisfaction of administrative fee requirements	1,628,260	(1,628,260)	-	-
Satisfaction of program restrictions	35,792,887	(35,792,887)	-	-
<b>Total revenue, support and other changes</b>	<b>74,527,104</b>	<b>(872,009)</b>	<b>2,323</b>	<b>73,657,418</b>
<b>Expenses</b>				
Program services				
Fellowships and training programs	818,624	-	-	818,624
Memorials, awards and events	751,264	-	-	751,264
Capital projects	34,506	-	-	34,506
Research partnerships	69,836,075	-	-	69,836,075
<b>Total program services</b>	<b>71,440,469</b>	<b>-</b>	<b>-</b>	<b>71,440,469</b>
Supporting services				
Management and general	3,037,317	-	-	3,037,317
Fundraising	187,101	-	-	187,101
<b>Total supporting services</b>	<b>3,224,418</b>	<b>-</b>	<b>-</b>	<b>3,224,418</b>
<b>Total expenses</b>	<b>74,664,887</b>	<b>-</b>	<b>-</b>	<b>74,664,887</b>
<b>Change in net assets</b>	<b>(137,783)</b>	<b>(872,009)</b>	<b>2,323</b>	<b>(1,007,469)</b>
<b>Net assets - beginning of year</b>	<b>6,038,559</b>	<b>55,524,753</b>	<b>3,454,992</b>	<b>65,018,304</b>
<b>Net assets - end of year</b>	<b>\$ 5,900,776</b>	<b>\$54,652,744</b>	<b>\$ 3,457,315</b>	<b>\$64,010,835</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>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 9,527,284	\$ (1,007,469)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	55,087	57,322
Contributions restricted for long-term purposes	(859)	(2,323)
Net realized and unrealized loss on investments	473	150,136
Change in:		
Appropriations receivable	(500,000)	-
Contributions receivable	(12,164,466)	7,493,355
Accrued interest	11,361	238,154
Prepaid expenses and other receivables	(4,434)	8,426
Accounts payable and accrued expenses	(489,169)	1,189,211
Funds held for others - agency transactions	20,302	(6,401,636)
Deferred grant revenue	(7,855,747)	(34,124,652)
Other deferred revenue	40,000	-
<b>Net cash from operating activities</b>	<b>(11,360,168)</b>	<b>(32,399,476)</b>
<b>Cash flows from investing activities</b>		
Furniture and equipment acquisitions	(12,581)	(13,790)
Sales and maturities of investments	142,385,080	176,395,299
Purchase of investments	(127,820,555)	(150,208,484)
<b>Net cash from investing activities</b>	<b>14,551,944</b>	<b>26,173,025</b>
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for: Investment in permanent endowment	859	2,323
<b>Net change in cash and cash equivalents</b>	<b>3,192,635</b>	<b>(6,224,128)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>17,209,872</b>	<b>23,434,000</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 20,402,507</b>	<b>\$ 17,209,872</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, 2010 and 2009**

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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, excluding temporarily uninvested money market funds held in brokerage accounts. At December 31, 2010 and 2009, the Foundation held cash and cash equivalents in one financial institution which were in excess of the amount insured by the Federal Deposit Insurance Corporation. The maximum potential loss that could have resulted from this concentration was approximately \$19,650,000 and \$16,300,000 at December 31, 2010 and 2009, respectively.

#### **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. Credit risk for contributions receivable is concentrated, as a significant amount of contributions receivable are received from a few donor organizations. Appropriations receivable are stated at net realizable value and are deemed fully collectible by management.

## **Allowance for Uncollectible Receivables**

Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management has established an allowance for uncollectible contributions receivable in the amount of \$15,000 as of December 31, 2010 and 2009, based on a review of historical collections. Receivables are considered delinquent if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Amounts recorded as 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, 2010 and 2009, furniture and equipment was \$530,113 and \$517,532, respectively, and accumulated depreciation was \$431,675 and \$376,588, respectively.

## **Contributions**

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 accounting principles by recording 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 as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor.

During 2010, certain unspent temporarily restricted funds were returned to the donor as the project was completed and the Foundation was not able to use the remaining funds in accordance with the restriction. This return of funds is shown as a return of contribution on the statement of activities.

## **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 timekeeping by employees.

### Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2010. Fiscal years ending on or after December 31, 2007 remain subject to examination by federal and state tax authorities.

### Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 16, 2011, the date the financial statements were available to be issued.

## 3. Investments

Investments as of December 31, 2010, are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 20,043,576	\$ 20,043,576
Stocks	66,554	69,835
Discount notes	26,021,428	26,040,124
Government bonds	1,999,272	1,998,187
REIT	19,992	19,992
Bond mutual funds	353,231	349,821
Equity mutual funds	111,320	127,672
	<u>\$ 48,615,373</u>	<u>\$ 48,649,207</u>

The following schedule summarized the investment return and its classification for 2010.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 108,423	\$ 65,568	\$ 173,991
Realized gains (losses)	151	(9,949)	(9,798)
Unrealized gains (losses)	(18,300)	27,625	9,325
	<u>\$ 90,274</u>	<u>\$ 83,244</u>	<u>\$ 173,518</u>

Investments as of December 31, 2009, are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 13,758,957	\$ 13,758,957
Stocks	66,554	69,835
Discount notes	43,550,559	43,560,005
Corporate bonds	100,000	100,045
Government bonds	5,285,354	5,308,716
Bond mutual funds	304,288	308,091
Equity mutual funds	123,984	108,556
	<u>\$ 63,189,696</u>	<u>\$ 63,214,205</u>

The following schedule summarized the investment return and its classification for 2009.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 342,368	\$ 463,775	\$ 806,143
Realized gains (losses)	2,622	(17,331)	(14,709)
Unrealized gains (losses)	(174,348)	38,921	(135,427)
	<u>\$ 170,642</u>	<u>\$ 485,365</u>	<u>\$ 656,007</u>

#### 4. Contributions Receivable

Contributions receivable at December 31, were as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 10,310,765	\$ 6,856,212
Receivable in one to five years	11,792,820	2,705,467
Total unconditional contributions receivable	22,103,585	9,561,679
Less - discounts to net present value	(530,898)	(153,458)
Less - allowance for uncollectible contributions receivable	(15,000)	(15,000)
Net unconditional contributions receivable	<u>\$ 21,557,687</u>	<u>\$ 9,393,221</u>

The discount rates used on long-term contributions receivable were 2.25% and 4.5% in 2010 and 4.5% in 2009.

## 5. Conditional Contributions Receivable

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

	<u>2010</u>	<u>2009</u>
Fluorodeoxyglucose-Positron Emission Tomography Lung and Lymphoma Projects	\$ -	\$ 490,000
Comparison of Two PET Radioligands to Quantify the Peripheral Baenodiazepine Receptor	-	46,709
Comprehensive T Cell Vaccine Immune Monitoring Consortium	1,000,000	5,490,492
Comprehensive Investigation into the Risk Factors of Malnutrition and the Consequences for Child Health	12,613,444	19,286,931
Centralized Envelope Comparative Immunogenicity Study	2,373,104	2,373,104
Vector-based Control of Transmission: Discovery Research	14,800,000	16,500,000
Alzheimer's Disease Neuroimaging Initiative 2	4,075,000	1,600,000
Atherosclerosis Computer Modeling	468,000	800,000
Placebo Data Analysis Project in Alzheimer's Disease	70,000	110,000
Identification of high-quality HITs for Tuberculosis	3,641,767	-
Diabetes Drug Development: Identification and Validation of Markers That Predict Long-Term Beta Cell Function and Mass	243,000	-
Kidney Safety Biomarkers	463,000	-
Drug Induced Liver Injury Network (DILIN)	300,000	-
I-SPY TRIAL-2 (Investigation of Serial Studies to Predict Your Therapeutic Response with Imaging and Molecular Analysis)	1,400,000	-
Functional Imaging Biomarkers for Pain and Analgesia	400,000	-
Establish Guidelines and Initial Diagnostic Criteria for the Association of Sarcopenia with Clinically Important Weakness - Evidence for Treatment Benefit	25,000	-
Pew Latin American Fellows Awards	73,500	-
SubPopulations and InteRmediate Outcomes Measures in COPD Study (SPIROMICS)	600,000	-
US-Russia Collaboration in Clinical and Translational Research	1,092,500	-
	<u>\$ 43,638,315</u>	<u>\$ 46,697,236</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, temporarily restricted net assets were available for the following purposes:

	<u>2010</u>	<u>2009</u>
<b>Fellowships and Training Programs</b>		
Clinical Research Training Program	\$ 2,112,526	\$ 2,718,965
Dean R. O'Neill Renal Cell Cancer Research Fund	139,305	133,775
Dr. Edward T. Rancic Memorial Fund	41,787	46,333
Dr. John L. Barr Memorial Fund	14,935	14,685
35 <sup>th</sup> Anniversary Fogarty International Center Celebration	4,650	4,650
Fourth MIM Pan-African Malaria Conference	-	111
John LaMontagne International Fellowship	-	13,743

Norman P. Salzman Memorial Award and Lecture in Virology	92,722	73,907
Pain and Palliative Care General Agreement	40,556	41,441
Robert Whitney Newcomb Memorial Lecture and Internship	237,365	246,307
Sallie Rosen Kaplan Fellowship for Women Scientists in Cancer Research	3,215	2,983
The Intolerable Burden of Malaria II: What's New, What's Needed	-	15,765
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	2,326	2,326
Women's Health Postdoctoral Fellowship – Battelle Shared Post-Doctoral	66,933	66,933
The Bernard Osher Foundation NCCAM Practitioner Research Career Development Award	969,677	1,368,777
Robert Welch Memorial Fund	35	35
Principles of Clinical Pharmacology Course	19,717	23,546
Pew Latin American Fellows Awards	30,917	156,819
US-Russian Collaboration	142,746	-
<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	11,114	10,753
Bone Quality Initiative	32,811	32,811
Breast Cancer Summit	66,500	66,500
Carcinoid Summit Workshop	22,129	22,129
Celebrating 50 Years of Brain Research: New Discoveries, New Hope	206,608	206,608
Clinical Research Training Program 10-Year Reunion	23,642	23,642
Dietary Supplements, Coagulation, and Antithrombotic Conference, January 13-14, 2005	2,485	2,485
Edna Williams Curl & Myron	63,532	63,492
HIV Awareness Day Reception	1,600	1,600
Innovation in Prevention Awards	9,473	9,473
John Burke Cancer Research Fund	100	100
John Laws Decker Memorial Fund	3,127	6,163
Lloyd Law Memorial Fund	625	625
Minority Health Summit	4,738	4,738
Dr. Jane M. Sayer Vision Research Lecture and Award	173,000	166,000
Vaccine Research Center Open House Community Meeting	3,143	3,143
William McCormick Blair, III Memorial Fund	5,150	5,150
Polio Conference	40,698	40,698
Swanson Family Fellowship in Generic Thyroid Benign Chorea and IgA Deficiency (TTF-1)	92,500	92,500
Richard A. Lauderbaugh Memorial Fund	24,375	-
Stephen E. Straus Award	140,934	8,597
Jerry D. Jennings Memorial Fund	3,580	3,580
Dr. Anita Roberts Memorial Fund	18,105	19,305
Memorial portrait, Stephen E. Straus, M.D., First Director, NCCAM	-	4,944
Evolution of a Medical Device: The Heart Valve	-	29,288
Cognitive Aging Summit	3,274	57,428
mHealth 2010	10,593	-

**Capital Projects**

Edmond J. Safra Family Lodge Dinner & Pantry	190	-
Edmond J. Safra Family Lodge GSK Endowment	130,614	177,590
Edmond J. Safra Family Lodge Weinberg Endowment	519	-
Edmond J. Safra Family Lodge Gallin Endowment	14,386	16,320
Tracy's Toy Box	12,481	11,431
Edmond J. Safra Family Lodge Garden	250	250

**Research Partnerships**

Adolescent and Young Adult Oncology – Progress Review Group	2,755	2,755
Alzheimer's Disease Neuroimaging Initiative	994,980	5,344,311
Cancer Research Fund	46,756	41,539
Cognitive Aging Summit	-	381
Grand Challenges in Global Health	119,058	119,058
Imaging Database Resources Initiative	4,782	10,402
"I Can Do It, You Can Do It"	10,347	126,063
NCI Division of Clinical Services HIV/AIDS Malignancy	15,000	15,000
Observational Medical Outcomes Pilot (OMOP)	6,121,768	8,987,833
Overcoming Barriers to Early Phase Clinical Trials	139,515	354,001
Helix and Genome – 50 Year Event	13,417	13,417
Vaccine Research Center Community Advisory Board	4,163	7,721
VaxGen Vaccine Trial in Thailand	22,898	22,898
Comprehensive T Cell Vaccine Immune Monitoring Consortium	4,718,254	7,393,761
Frequent Hemodialysis	184,366	187,666
Fluorodeoxyglucose-Positron Emission Tomography (FDG-PET) Lung and Lymphoma	3,776,644	4,279,791
Schizophrenia Cognition Project	508,662	588,048
Schizophrenia Metabolic Initiative	124,360	304,926
Biomarker Consortium	488,110	666,060
Head-Off Environmental Asthma in Louisiana	-	954,517
Alzheimer's Disease Neuroimaging Initiative – CSF Extension	-	376,696
Alzheimer's Disease Neuroimaging Initiative – Genotyping Analysis	1,318	1,318
Understanding Targeted Cancer Therapies Tutorials	425	425
Comparison of Two PET Radioligands to Quantify the Peripheral Baenodiazepine Receptor	264,683	364,064
Carotid MRI Reproducibility Study via an AIMHIGH Sub Study	324,170	324,170
I-SPY TRIAL-2 (Investigation of Serial Studies to Predict Your Therapeutic Response with Imaging and Molecular Analysis)	659,307	38,413
Heart Truth Community Grant Award Program	173,717	65,939
Comprehensive Investigation into the Risk Factors of Malnutrition and the Consequences for Child Health	4,607,139	3,991,543
Nanotechnology Projects	8,635	8,635
Alzheimer's Disease Neuroimaging Initiative – 2	14,385,329	393,442
Centralized Envelope Comparative Immunogenicity Study (CECI)	1,395,343	3,683,767
VCTR (Vector-based Control of Transmission)	4,693,941	7,502,751
ADNI – Optimization of Alzheimer's Disease Cognitive Measures Project	314,486	143,000
Kidney Safety Biomarker	1,076,000	148,375
Biomarkers –Atherosclerosis Computer Modeling	821,000	400,000
PET Imaging of Inflammation in Rheumatoid Arthritis (PET Imaging in RA)	-	85,059
Sarcopenia	92,451	252,472

CSF-Based Biomarkers in AD	309,830	269,022
Biomarkers – Placebo Data Analysis Project in AD	172,098	149,724
Plasma-Based Biomarkers	3,805	365,951
Gramlich Melanoma Research Trust	13,076	13,765
NIDDK DILIN	565,866	474,886
Mutational Analysis of the Melanoma Genome	3,487	3,027
Alzheimer's/Dementia Outcome Measures Meeting	42,500	-
AREDS2 ancillary	489,250	-
Burkitt Lymphoma	810,526	-
Functional Imaging in Pain and Analgesia (fMRI Pain Project)	200,000	-
eCare Workshop	21,964	-
International Human Microbiome Congress	35,629	-
Osteoarthritis Biomarker Project	50,000	-
HIT-TB	3,136,928	-
Biomarkers Beta Cell Clinical Trial	474,463	-
Biomarkers Beta Cell Workshop	4,500	-
Spiromic Project	3,450,501	-
Solarz Memorial Fund	31,811	-
<b>Other Temporarily Restricted Programs</b>	<u>71,758</u>	<u>74,443</u>
	<u>\$ 61,126,724</u>	<u>\$ 54,652,744</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, permanently restricted net assets consisted of the following endowed gifts to be held in perpetuity with the income to be used for:

	<u>2010</u>	<u>2009</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	830,894
John I. and Elaine K. Gallin Endowment	89,508	88,649
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	-	150,000
	<u>\$ 3,308,174</u>	<u>\$ 3,457,315</u>

During 2010, the only donor agreement for the Stephen E. Straus Award endowment fund was revised by the donor, which resulted in a reclassification of the donation to temporarily restricted. This reclassification is shown as a transfer on the statement of activities.

## 8. Endowments

The Foundation's endowments consist of individual donor-restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Maryland State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The endowment net asset composition by type of fund were as follows as of December 31, 2010:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 382,390	\$ 3,308,174	\$ 3,690,564

The changes in endowment assets were as follows for 2010:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 279,397	\$ 3,457,315	\$ 3,736,712
Investment return:			
Investment income	5,477	-	5,477
Net appreciation (realized and unrealized)	17,866	-	17,866
Total investment return	23,343	-	23,343
Contributions	8,885	859	9,744
Appropriation of endowment assets for expenditure	(79,235)	-	(79,235)
Reclassification of endowment	150,000	(150,000)	-
<b>Endowment net assets, end of year</b>	<b>\$ 382,390</b>	<b>\$ 3,308,174</b>	<b>\$ 3,690,564</b>

The endowment net asset composition by type of fund were as follows as of December 31, 2009:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 279,397	\$ 3,457,315	\$ 3,736,712

The changes in endowment assets were as follows for 2009:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 336,501	\$ 3,454,992	\$ 3,791,493
Investment return:			
Investment income	26,722	-	26,722
Net appreciation (realized and unrealized)	21,897	-	21,897
Total investment return	48,619	-	48,619
Contributions	18,575	2,323	20,898
Appropriation of endowment assets for expenditure	(124,298)	-	(124,298)
<b>Endowment net assets, end of year</b>	<b>\$ 279,397</b>	<b>\$ 3,457,315</b>	<b>\$ 3,736,712</b>

## **Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to maximize long-term results, consistent with a prudent level of risk while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period or purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested to maximize long-term results, consistent with a prudent level of risk. The goal is to produce a return on the assets to support the programmatic purposes, while also achieving growth of principal in order to maintain real purchasing power. This approach helps assure that gifts to endowment funds keep pace with inflation and always support the designated activity.

## **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which the investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that balances fixed-income and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

## **Spending Policy and How the Investment Objectives Relate to Spending Policy**

Consistent with the Foundation's objective to ensure long-term results of its endowments, the Foundation has adopted the following spending policy:

1. There will be no payouts during the first 15 months the endowment is invested.
2. For gifts that have been with the Foundation for more than 15 months, and less than 48 months, spending shall be limited to the lower of (a) 50% of the net investment earnings or (b) 5% of the fair market value for the preceding trailing 12 quarters, lagged for one additional quarter.
3. For gifts that have been invested for 48 months, the Board of Directors currently permits the Foundation to spend up to 5 percent annually of the fair market value for the preceding trailing 12 quarters, lagged for one additional quarter.

The lower spending thresholds in the first 48 months ensure that the endowment gets a secure start and avoids a situation where the fair market value falls below that of the original gift. The Foundation's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## **9. 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.

## **10. In-Kind Contributions**

Telephone expense, on-line communication costs, and some office space for the Foundation are donated by the NIH. The value of the telephone expense, value of the on-line communication costs, and estimated rental value, has been reflected in the accompanying financial statements as in-kind contributions with a like amount recorded as telephone expense, communications expense, or rent/housing expense. For 2010 and 2009, these in-kind contributions from NIH of \$215,508 and \$323,101, respectively, are reflected in the financial statements.

In 2010 and 2009, the Foundation received drugs from Sanofi-Aventis and Novartis (only in 2010) for the Clinical Center Drug Donation project. The estimated value of the drugs is determined by the current market value that NIH pays for the drugs, and has been reflected in the accompanying financial statements as in-kind contributions with a like amount recorded as program contracts. For 2010 and 2009, in-kind contributions for these materials of \$1,295,766 and \$959,649, respectively, are reflected in the financial statements.

In 2010 and 2009, the Foundation received other goods and services for various projects. The estimated value of the goods and services is determined by the donor, based on costs and current market value and has been reflected in the accompanying financial statements as in-kind contributions with a like amount recorded as program contracts. For 2010 and 2009, in-kind contributions for these goods and services of \$53,276 and \$70,907, respectively, are reflected in the financial statements.

## **11. 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 employees. 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 2010 and 2009, donated services of \$212,949 and \$180,011, respectively, are reflected in the financial statements.

## **12. 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 2010 and 2009 was \$424,683 and \$426,716, respectively.

## **13. Concentration of Revenue**

For 2010 and 2009, the Foundation received approximately 28% and 69%, respectively, of its revenue from contributions and grants from the Bill and Melinda Gates Foundation.

## **14. 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.

## 15. Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Accounting Standards Codification 820 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• Inputs other than quoted prices that are observable for the asset or liability;</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Cash and cash equivalents:* Valued at net asset value (NAV) of shares held at year-end.

*Discount notes:* Valued at quoted market price per number of units held at year-end.

*U.S. government and corporate bonds:* Valued at quoted market price per number of units held at year-end.

*Common stocks:* Valued at quoted market values of shares held at year-end.

*Equity mutual funds:* Valued at net asset value (NAV) of shares held at year-end.

*Bond mutual funds:* Valued at net asset value (NAV) of shares held at year-end.

*REIT:* Valued at net asset value (NAV) of shares held at year-end.

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2010 and 2009:

<b>Assets at Fair Value as of December 31, 2010</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured on a recurring basis:</b>				
Money market funds	\$ 20,043,576	\$ -	\$ -	\$ 20,043,576
Discount notes	26,040,124	-	-	26,040,124
Government bonds	1,998,187	-	-	1,998,187
Small-cap core stock	69,835	-	-	69,835
Equity mutual funds				
Large-cap growth	39,375	-	-	39,375
Large-cap blend	51,249	-	-	51,249
Large-cap value	20,039	-	-	20,039
Mid-cap value	8,147	-	-	8,147
Small-cap growth	4,943	-	-	4,943
Small-cap blend	3,919	-	-	3,919
Bond mutual funds				
High-moderate	55,240	-	-	55,240
Mid-moderate	14,229	-	-	14,229
Mid-limited	214,283	-	-	214,283
Low-extensive	57,307	-	-	57,307
Low-moderate	8,762	-	-	8,762
REIT	-	19,992	-	19,992
Total investments	<u>\$ 48,629,215</u>	<u>\$ 19,992</u>	<u>\$ -</u>	<u>\$ 48,649,207</u>

<b>Assets at Fair Value as of December 31, 2009</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured on a recurring basis:</b>				
Money market funds	\$ 13,758,957	\$ -	\$ -	\$ 13,758,957
Discount notes	43,560,005	-	-	43,560,005
Government bonds	5,308,716	-	-	5,308,716
Corporate bonds	100,045	-	-	100,045
Small-cap core stock	69,835	-	-	69,835
Equity mutual funds				
Large-cap blend	48,490	-	-	48,490
Large-cap value	32,254	-	-	32,254
Mid-cap value	11,271	-	-	11,271
Small-cap growth	8,241	-	-	8,241
Small-cap blend	8,300	-	-	8,300
Bond mutual funds				
Mid-moderate	71,274	-	-	71,274
Mid-limited	206,636	-	-	206,636
Low-extensive	30,181	-	-	30,181
<b>Total investments</b>	<b>\$ 63,214,205</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,214,205</b>

## 16. Conditional Grant Awards

As of December 31, 2010 and 2009, the Foundation has authorized conditional scientific grants under the following programs:

	<b>2010</b>	<b>2009</b>
Schizophrenia Metabolic Initiative	\$ 101,624	\$ 278,355
Grand Challenges in Global Health and Vector-based Control of Transmission: Discovery Research	14,022,168	3,196,549
Comprehensive T Cell Vaccine Immune Monitoring Consortium	4,685,642	8,745,620
Centralized Envelope Comparative Immunogenicity Study	1,110,856	-
Comprehensive Investigation into the Risk Factors of Malnutrition and the Consequences for Child Health	15,313,237	20,868,014
Observational Medical Outcomes Project	1,032,198	4,203,242
	<b>\$ 36,265,725</b>	<b>\$ 37,291,780</b>

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. Lease

The Foundation has an office location in Bethesda, Maryland under a lease agreement with the Federation of American Societies for Experimental Biology (FASEB). Beginning in 2007, the Foundation entered into a new lease agreement with FASEB 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:

2011	\$	360,232
2012		374,664
2013		389,636
2014		405,315
2015		421,515
Thereafter		<u>815,663</u>
	\$	<u>2,767,025</u>

Rent expense under this lease was \$347,490 and \$333,094, respectively, for 2010 and 2009.

\* \* \* \* \*



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

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

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

Our report on our audit of the basic financial statements of ***Foundation for the National Institutes of Health, Inc.*** for 2010 appears on page one. That audit was conducted for the purpose of forming an opinion on the basic 2010 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 for the year ended December 31, 2010 has been subjected to the auditing procedures applied in the audit of the basic 2010 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2010 financial statements taken as a whole. Such information for the year ended December 31, 2009 was subjected to the auditing procedures applied in the audit by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose reported dated May 3, 2010 expressed an opinion that such information was fairly stated in relation to the basic 2009 financial statements taken as a whole.

*Dixon Hughes Goodman LLP*

Rockville, Maryland  
May 16, 2011

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

*Schedule of Functional Expenses*

**Year Ended December 31, 2010 with Comparative Totals for 2009**

	Program Services					Supporting Services			Total 2010	Total 2009
	Fellowships and Training Programs	Memorials, Awards and Events	Capital Projects	Research Partnerships	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and benefits	\$ 40,345	\$ 312,059	\$ 9,354	\$ 2,960,713	\$ 3,322,471	\$ 1,870,735	\$ 123,323	\$ 1,994,058	\$ 5,316,529	\$ 5,378,709
Stipends	362,200	20,960	-	-	383,160	-	-	-	383,160	107,950
Program contracts	1,186,644	91,855	8,800	13,637,453	14,924,752	-	-	-	14,924,752	12,813,664
Grant awards	-	3,200	-	25,573,345	25,576,545	-	-	-	25,576,545	44,225,569
Meetings and conferences	28,810	47,156	20,889	573,916	670,771	52,891	299	53,190	723,961	1,252,328
Office supplies and expense	-	3,327	-	10,264	13,591	12,986	-	12,986	26,577	24,618
Telephone	41	105	-	110,064	110,210	65,929	4,308	70,237	180,447	272,490
Books and supplies	389	23,473	-	4,856	28,718	10,354	33	10,387	39,105	46,734
Tuition	435	-	-	2,693	3,128	-	495	495	3,623	7,173
Insurance	-	-	-	121,604	121,604	42,320	-	42,320	163,924	205,621
Consultants	-	62,149	-	4,439,136	4,501,285	91,346	-	91,346	4,592,631	7,873,822
Professional fees	-	-	-	415,517	415,517	106,541	-	106,541	522,058	570,829
Special events	19,332	788,010	5,532	17,347	830,221	9,500	-	9,500	839,721	244,853
Travel	29,565	99,071	-	547,135	675,771	7,415	1,568	8,983	684,754	414,173
Depreciation	-	-	-	-	-	55,087	-	55,087	55,087	57,322
Rent/housing	1,086	-	-	151,725	152,811	205,719	-	205,719	358,530	382,708
Recruiting	900	-	-	1,514	2,414	81,473	-	81,473	83,887	1,082
Relocation	-	-	-	-	-	-	-	-	-	5,000
Temporary services	-	18,593	-	42,165	60,758	39,561	-	39,561	100,319	122,325
Dues and subscriptions	-	-	-	1,174	1,174	14,039	3,727	17,766	18,940	21,151
Equipment rental and maintenance	-	-	-	13,794	13,794	18,839	-	18,839	32,633	38,476
Printing and photocopying	-	49,887	657	19,576	70,120	16,716	10,461	27,177	97,297	89,120
Postage and delivery	123	608	74	5,842	6,647	4,844	2,994	7,838	14,485	34,563
Service charges	555	23,554	15	16,406	40,530	67,557	-	67,557	108,087	129,271
Communications	-	74,986	-	220,467	295,453	147,441	9,511	156,952	452,405	303,587
Advertising and promotion	-	-	-	-	-	500	2,050	2,550	2,550	7,505
Miscellaneous	16,698	25,432	78	28,058	70,266	21,995	1,375	23,370	93,636	34,244
	<b>\$ 1,687,123</b>	<b>\$ 1,644,425</b>	<b>\$ 45,399</b>	<b>\$48,914,764</b>	<b>\$52,291,711</b>	<b>\$ 2,943,788</b>	<b>\$ 160,144</b>	<b>\$ 3,103,932</b>	<b>\$ 55,395,643</b>	<b>\$ 74,664,887</b>

*See report of independent auditors on supplementary information.*