

NATIONAL FOUNDATION FOR  
ECTODERMAL DYSPLASIAS

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Foundation for Ectodermal Dysplasias  
Mascoutah, Illinois

We have audited the accompanying statements of financial position of National Foundation for Ectodermal Dysplasias (a non-profit corporation) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years 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 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 in the first paragraph present fairly, in all material respects, the financial position of National Foundation for Ectodermal Dysplasias 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.

*Diel & Ferguson, LLC*

March 7, 2008

IN AFFILIATION WITH



DIEL & FORGUSON FINANCIAL GROUP  
[FINANCIAL • CONSULTING • CPA SERVICES]

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,183,595	\$ 1,314,296
Investments	642,968	577,474
Unconditional promises to give	8,400	10,495
Prepaid expenses	2,049	2,049
	<u>1,837,012</u>	<u>1,904,314</u>
Property and Equipment:		
Office equipment	26,470	33,003
Accumulated depreciation	<u>(17,670)</u>	<u>(19,569)</u>
	<u>8,800</u>	<u>13,434</u>
Other Assets:		
Investments	2,426	2,824
Unconditional promises to give	<u>2,426</u>	<u>10,400</u>
	<u>2,426</u>	<u>13,224</u>
 Total Assets	 <u>\$ 1,848,238</u>	 <u>\$ 1,930,972</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Payroll withholdings payable	\$ 31	\$ 126
Retirement company match payable		8,592
Sales tax payable	322	155
Research commitments	22,995	17,666
Treatment commitments	356,410	304,020
Accrued expenses	<u>27,079</u>	<u>27,079</u>
 Total Liabilities	 <u>406,837</u>	 <u>357,638</u>
Net Assets:		
Unrestricted		
Undesignated	1,347,665	1,450,715
Designated	81,381	110,767
Temporarily restricted	<u>12,355</u>	<u>11,852</u>
 Total Net Assets	 <u>1,441,401</u>	 <u>1,573,334</u>
 Total Liabilities and Net Assets	 <u>\$ 1,848,238</u>	 <u>\$ 1,930,972</u>

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



**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2007**

	PROGRAM SERVICES				SUPPORT SERVICES			Total	
	Education	Family Services	Treatment	Research	Total	Management and General	Fundraising		
Salaries and wages	\$ 79,504	\$ 80,845	\$ 20,028	\$ 77,198	\$ 257,575	\$ 37,226	\$ 22,828	\$ 60,054	\$ 317,629
Payroll taxes	6,411	6,490	1,529	6,025	20,455	2,939	1,939	4,878	25,333
Employee benefits	10,484	10,686	1,981	7,478	30,629	8,794	1,659	10,453	41,082
Total salaries and related expenses	96,399	98,021	23,538	90,701	308,659	48,959	26,426	75,385	384,044
Scholarships		25,000			25,000				25,000
Client assistance		7,947			7,947				7,947
Research funding				97,097	97,097				97,097
Bank / credit card fees						4,366		4,366	4,366
Board of Directors	5,156	5,188	45		10,389	1,130		1,130	11,519
Communications	969	968	209	842	2,988	446	335	781	3,769
Continuing education	2,595	145			2,740	1,710	90	1,800	4,540
Direct mail									12,719
Employee campaigns									(231)
Family conferences		76,455			76,455				76,455
Family support network		477			477				477
Insurance	1,109	1,109	213	938	3,369	512	384	896	4,265
Investment commissions / fees						847		847	847
Memberships	1,077			700	1,777	2,398	295	2,693	4,470
Miscellaneous									683
Newsletter	20,561				20,561				20,561
Office equipment	5,296	5,285	1,029	4,492	16,102	2,434	1,833	4,267	20,369
Office supplies	3,433	3,208	909	3,679	11,229	1,406	1,387	2,793	14,022
Postage	7,601	7,792	1,535	6,559	23,487	3,475	2,691	6,166	29,653
Printed / electronic information	28,385	2,987	432	5,181	36,985	1,038	778	1,816	38,801
Professional fees	2,700	2,700		1,266	6,666	17,463	22	17,485	24,151
Promotional items	771			674	1,445	1,469		1,469	2,914
Public relations	370	203			573	1,502	814	2,316	2,889
Rent	5,616	5,616	1,080	4,752	17,064	2,592	1,944	4,536	21,600
Repairs and maintenance	749	749	144	634	2,276	346	259	605	2,881
Travel / meetings	3,795	2,879	11,336	23,354	41,364	1,476	893	2,369	43,733
Utilities	1,174	1,174	226	998	3,572	542	406	948	4,520
Depreciation	1,147	1,147	221	970	3,485	529	397	926	4,411
Loss on fixed asset disposals	58	58	11	49	176	27	20	47	223
Total expenses	\$ 188,961	\$ 249,108	\$ 247,483	\$ 242,886	\$ 928,438	\$ 94,667	\$ 52,145	\$ 146,812	\$ 1,075,250

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

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2006**

	PROGRAM SERVICES				SUPPORT SERVICES			
	Education	Family Services	Treatment	Research	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 60,768	\$ 80,588	\$ 56,639	\$ 60,858	\$ 258,853	\$ 29,559	\$ 29,340	\$ 58,899
Payroll taxes	4,855	6,456	4,486	4,825	20,622	2,328	2,375	4,703
Employee benefits	9,685	11,665	5,414	5,540	32,304	5,992	2,713	8,705
<b>Total salaries and related expenses</b>	<b>75,308</b>	<b>98,709</b>	<b>66,539</b>	<b>71,223</b>	<b>311,779</b>	<b>37,879</b>	<b>34,428</b>	<b>72,307</b>
Scholarships		24,500			24,500			24,500
Client assistance		9,429	228,560		237,989			237,989
Research funding				77,257	77,257			77,257
Bank / credit card fees			52	8	60	4,096		4,096
Board of Directors	3,487	3,524			7,011	756		7,767
Communications	764	1,086	724	764	3,338	382	362	4,082
Continuing education	539				539	20		559
Direct mail							9,447	9,447
Employee campaigns							1,465	1,465
Family conferences		78,874			78,874			78,874
Family support network		574			574			574
Insurance	739	973	700	739	3,151	389	350	3,890
Investment commissions / fees						392		392
Lodging and meals	382	42			424			424
Memberships	2,652			200	2,852	1,989	1,590	4,441
Miscellaneous								
Newsletter	12,276				12,276			12,276
Office equipment	3,272	4,281	2,923	3,919	14,395	1,472	1,516	17,383
Office supplies	2,468	3,535	2,445	2,858	11,306	1,928	1,161	14,395
Postage	1,963	11,474	1,631	8,240	23,308	527	7,144	30,979
Printed / electronic information	16,035	1,754			17,789			17,789
Professional fees	10			2,570	2,580	17,392		19,972
Promotional items / AV	165				165	2,343	1,273	3,781
Public relations	200	28			228	1,165		1,393
Rent	2,584	3,400	2,448	2,584	11,016	1,360	1,224	13,600
Repairs and maintenance	1,038	1,366	983	1,038	4,425	546	492	5,463
Travel / meetings	1,105	484	60	94,049	95,698	163	326	96,187
Utilities	768	1,010	727	768	3,273	404	364	4,041
Depreciation	814	1,071	771	814	3,470	428	386	4,284
Loss on fixed asset disposals	104	136	98	104	442	55	49	546
<b>Total expenses</b>	<b>\$ 126,673</b>	<b>\$ 246,250</b>	<b>\$ 308,661</b>	<b>\$ 267,175</b>	<b>\$ 948,759</b>	<b>\$ 73,686</b>	<b>\$ 61,577</b>	<b>\$ 1,084,022</b>

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

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
<b>Cash Flows from Operating Activities:</b>		
Increase (decrease) in net assets	\$ (131,933)	\$ 653,345
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,411	4,284
Loss on fixed asset disposals	223	546
Donated investments	(28,399)	(28,816)
Net unrealized and realized (gain) loss on investments	4,828	(48,763)
(Increase) decrease:		
Unconditional promises to give	12,495	(20,895)
Increase (decrease):		
Accounts payable		(5,285)
Other payables	(8,520)	6,592
Commitments	57,719	83,546
Accrued expenses		(69)
	(89,176)	644,485
 <b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment		(6,852)
Purchase of investments	(250,963)	(182,699)
Sale of investments	208,942	95,538
Return of capital	496	1,208
	(41,525)	(92,805)
 Net Increase in Cash and Cash Equivalents	(130,701)	551,680
Cash and Cash Equivalents, Beginning of Year	1,314,296	762,616
Cash and Cash Equivalents, End of Year	\$ 1,183,595	\$ 1,314,296

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

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 1 - ORGANIZATION**

The National Foundation for Ectodermal Dysplasias d/b/a Skin and Dental Dysfunction Foundation (the "Foundation") is a non-profit Illinois corporation organized in 1981. The Foundation's mission is to be the authoritative resource for information on the ectodermal dysplasias ("ED") syndromes; provide services that meet the physical, emotional, informational, and social need of affected individuals and their families, and help them lead a normal life; and support research on the ectodermal dysplasias syndromes. The Foundation's revenues and other support are derived principally from contributions. Its activities reach out to individuals and families around the world but are conducted principally in the United States.

The Foundation has established the following program services:

**Education**

The Foundation's education efforts include publishing and distributing a variety of printed and electronic information that describes the ED syndromes, its cause and treatment. The Foundation also helps individuals and families educate teachers, school administrators, sports coaches and others about the physical challenges presented by ED syndromes and about ways to meet these challenges.

**Family Services**

The Foundation offers numerous family support services. The Foundation hosts national and regional conferences annually where individuals and families who are dealing with one of the ED syndromes can meet with care providers who are familiar with ED, as well as with other families. It also provides financial assistance to approve individuals who attend the National Family Conference. The staff at the Foundation is also available to answer questions or provide direction as needed. Other family services include assistance in navigating the insurance process of coverage of oral health care; awarding education scholarships to affected individuals; and providing listings of care providers when needed.

**Treatment**

The Foundation provides financial assistance for medical and dental related care to qualified individuals who are diagnosed with an ectodermal dysplasia syndrome. It also underwrites meetings that are relevant to care and treatment of this disorder.

**Research**

The Foundation provides grants for research in areas relevant to ectodermal dysplasia, such as treatment therapies, gene identification, and a cure. It also underwrites scientific meetings that are relevant to this disorder.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) **Basis of Accounting**

The financial statements of the Foundation are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. No permanently restricted assets were held during 2007 and 2006 and accordingly, these financials do not reflect any activity related to this class of net assets for 2007 and 2006.

(c) Cash and Cash Equivalents

For the statement of financial position and statement of cash flows, cash and cash equivalents consist of deposits in non-interest bearing accounts with a local financial institution and deposits in money market accounts with investment brokers and a fund manager.

(d) Investments and Investment Return

Investments in equity securities having a readily determinable fair value and investments in all debt securities are carried at their fair values in the statement of financial position. The Foundation classifies investments with a due date expiring in the following fiscal year as current assets. Donated investments are recorded as contributions at their estimated fair values at the date of donation.

Investment return includes dividends, interest, and realized and unrealized gains and losses on investments. Investment returns are reflected in the statement of activities as unrestricted, unless the donor or relevant laws place temporary or permanent restrictions on its use.

(e) Property and Equipment

Property and equipment are recorded at cost when purchased, or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of each asset. Depreciation expense for the years ended December 31, 2007 and 2006 was \$4,411 and \$4,284, respectively.

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(f) Academic Scholarship, Treatment, and Research Commitments

Unconditional grants or contributions to others are recorded as program expenses in the period the awards are authorized. Conditional grants or contributions to others are recorded when the conditions have been substantially met by the grantee.

(g) Compensated Absences

Vacation, funeral leave, and sick leave are considered expenditures in the year paid. Unused vacation and sick leave are not eligible to be carried over to the next year. Any unused vacation will be paid upon the employee's resignation or termination. Vacation accruals are recorded in the financial statements as an accrued expense, based on years of service and wage rates in effect at December 31, 2007 and 2006.

(h) Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted assets at that time.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(i) In-Kind Materials, Facilities and Services

Donated materials are recorded as contributions and as costs of direct benefits to donors or as expenses of the appropriate program or supporting service at their determinable fair value at the date of donation.

Donated facilities are recorded as contributions and expenses at the date of donation at the amount of (a) the fair rental value of the facilities if the Foundation receives the use of the facilities at no cost or (b) the fair rental value of the facilities less the Foundation's contractual lease obligation if it receives the use of the facilities at below-market rates.

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(i) In-Kind Materials, Facilities and Services (continued)

Donated services are recorded as contributions and expenses at their estimated fair value at the date of donation if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

(j) Functional Expenses

The cost of providing various programs and supporting services have been reported on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services based on estimates made by management.

(k) Income Taxes

The Foundation, a non-profit organization operating under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state and local income taxes and, accordingly, no provision for income taxes is included in the financial statements. However, the Foundation is subject to federal income tax on any unrelated business taxable income. In addition, the Foundation qualifies as a public charity under sections 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code.

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Regions Bank - non-interest bearing	\$ 109,811	\$ 57,209
A.G. Edwards & Sons, Inc.	1,073,738	1,223,996
Morgan Keegan & Company, Inc.	46	44
American Funds (Cash Management Trust of America-Class A)		<u>33,047</u>
	<u>\$ 1,183,595</u>	<u>\$ 1,314,296</u>

The Foundation's deposits with the local financial institution exceeded the Federal Deposit Insurance Corporation limits of \$100,000 at various times during the years ended December 31, 2007 and 2006. Total uninsured deposit balances at December 31, 2007 and 2006 were \$25,384 and \$5,061, respectively. The Foundation maintains its cash with a high quality financial institution which the Foundation believes limits these risks.

