



Financial Statements

Report from the Treasurer

The Crohn's & Colitis Foundation of America (CCFA) achieved revenue of \$42.9 million during the fiscal year ended August 31, 2008. Our generous and committed donors made it possible to reach new goals even as the economic headwinds were gaining force. We acknowledge all of those who kept the Foundation on its mission course, allowing us to provide research, education, and support services of the highest quality.

In 2008, we allocated more than \$34.1 million to mission-critical programs. More than 79.3 cents of every dollar spent by CCFA went to research, education, and patient support. As always, our dedication to careful stewardship met the highest standards of organizations that monitor charities. CCFA again earned an "A" rating from the American Institute of Philanthropy (www.charitywatch.org) and met the 20 Standards of Accountability of the Better Business Bureau's Wise Giving Alliance.

I welcome your inquiries concerning CCFA's financial results. For more information, please contact the Foundation's National Headquarters.



Louis Plung
Treasurer

Report of Independent Certified Public Accountants

National Board of Trustees Crohn's & Colitis Foundation of America, Inc.

We have audited the accompanying statements of financial position of the Crohn's & Colitis Foundation of America, Inc. (the Foundation) as of August 31, 2008 and 2007, and the related statements of activities, cash flows and functional expenses 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits 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 signifi-

STATEMENTS OF FINANCIAL POSITION

August 31,

	2008	2007
ASSETS		
Cash and cash equivalents	\$4,045,507	\$3,521,941
Pledges receivable, net	5,195,731	5,483,929
Prepaid expenses and other assets	1,154,267	784,249
Investments	11,126,530	13,908,671
Charitable gift annuities	295,422	287,727
Charitable remainder trusts	311,920	341,872
Furniture, equipment, and leasehold improvements, net	1,028,237	1,292,861
Total assets	\$23,157,614	\$25,621,250
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$1,679,639	\$1,575,746
Research grants payable	8,641,721	10,409,191
Gift annuity liability	243,798	288,172
Deferred revenue and refundable advances	795,020	1,434,336
Deferred rent	218,491	178,347
Capitalized lease obligation	37,121	89,091
Total liabilities	11,615,790	13,914,883
Net assets		
Unrestricted	6,120,785	5,226,115
Temporarily restricted	5,421,039	6,480,252
Total net assets	11,541,824	11,706,367
Total liabilities and net assets	\$23,157,614	\$25,621,250

The accompanying notes are an integral part of these statements.

cant 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 the Crohn's & Colitis Foundation of America, Inc. as of August 31, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania
April 15, 2009

STATEMENTS OF CASH FLOWS

For the the year ended August 31,

	2008	2007
Cash flows from operating activities		
Change in net assets	\$(164,543)	\$1,010,721
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities		
Depreciation and amortization	433,281	427,023
Deferred rent	40,144	36,784
Net realized and unrealized loss (gain) on investments	238,507	(759,530)
Charitable remainder trusts	29,952	(22,831)
Provisions for doubtful accounts	61,752	145,000
Changes in operating assets and liabilities		
Pledges receivable	226,446	(3,000,258)
Prepaid expenses and other assets	(370,018)	588,618
Accounts payable and accrued expenses	103,893	(560,397)
Research grants payable	(1,767,470)	456,411
Deferred revenue and refundable advances	(639,316)	307,645
Charitable gift annuities	(27,644)	(23,355)
Net cash and cash equivalents (used in) operating activities	(1,835,016)	(1,394,169)
Cash flows from investing activities		
Purchases of investments	(13,249,426)	(26,379,607)
Proceeds from sale of investments	15,828,635	28,574,564
Purchases of furniture and equipment	(168,657)	(488,373)
Net cash and cash equivalents provided by investing activities	2,410,552	1,706,584
Cash flows from financing activities		
Borrowings under capital lease	-	148,485
Repayment of capital lease obligation	(51,970)	(59,394)
Net cash and cash equivalents (used in) provided by financing activities	(51,970)	89,091
Net increase in cash and cash equivalents	523,566	401,506
Cash and cash equivalents, beginning of year	3,521,941	3,120,435
Cash and cash equivalents, end of year	\$4,045,507	\$3,521,941

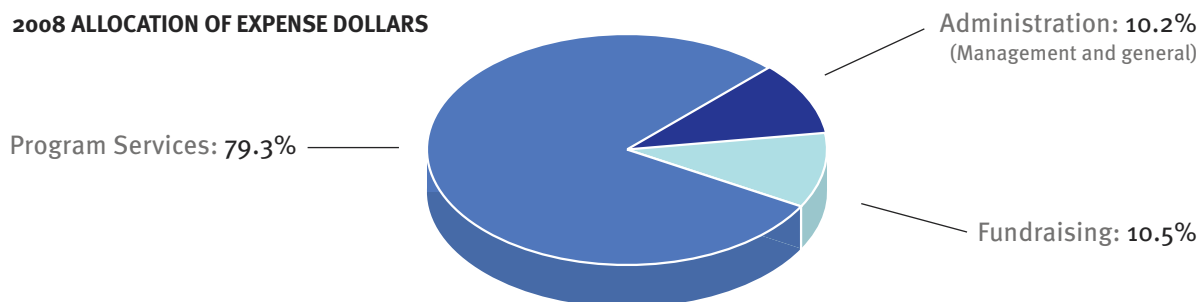
The accompanying notes are an integral part of these statements.

STATEMENTS OF ACTIVITIES
For the year ended August 31,

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
Contributions, other income and reclassifications				
Contributions				
Contributions from individuals, foundations and corporations	\$20,127,208	\$10,478,181	\$30,605,389	\$23,152,851
Contributed airtime	1,690,983	-	1,690,983	3,965,173
Special events revenue	14,525,689	-	14,525,689	16,506,647
Less: direct benefit to donor costs	(4,505,736)	-	(4,505,736)	(3,499,651)
Net special events revenue	10,019,953	-	10,019,953	13,006,996
Total contributions	31,838,144	10,478,181	42,316,325	40,125,020
Other income (loss)				
Interest and dividend income	168,193	-	168,193	527,352
Net realized and unrealized gain (loss) on investments	(238,507)	-	(238,507)	759,530
Federal grant revenue	509,064	-	509,064	369,081
Other	95,168	-	95,168	207,531
Total other income	533,918	-	533,918	1,863,494
Total contributions and other income	32,372,062	10,478,181	42,850,243	41,988,514
Net assets released from restrictions	11,537,394	(11,537,394)	-	-
Total contributions, other income and reclassifications	43,909,456	(1,059,213)	42,850,243	41,988,514
Expenses				
Program services				
Research	14,637,796	-	14,637,796	15,460,374
Health professional education and public information	19,489,496	-	19,489,496	18,125,854
Total program services	34,127,292	-	34,127,292	33,586,228
Supporting services				
Management and general	4,385,008	-	4,385,008	4,164,164
Fund-raising	4,502,486	-	4,502,486	3,227,401
Total supporting services	8,887,494	-	8,887,494	7,391,565
Total expenses	43,014,786	-	43,014,786	40,977,793
Change in net assets	894,670	(1,059,213)	(164,543)	1,010,721
Net assets, beginning of year	5,226,115	6,480,252	11,706,367	10,695,646
Net assets, end of year	\$6,120,785	\$5,421,039	\$11,541,824	\$11,706,367

The accompanying notes are an integral part of these statements.

2008 ALLOCATION OF EXPENSE DOLLARS



STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended August 31,

	2008							2007
	Program Services			Supporting Services				
	Research	Health professional education and public information	Total	Management and general	Fundraising	Direct benefit to donor costs	Total	
Research grants and awards	\$15,508,006	\$ -	\$15,508,006	\$ -	\$ -	\$ -	\$15,508,006	\$14,444,464
Salaries and related expenses	879,984	8,747,223	9,627,207	2,200,905	2,259,869	-	14,087,981	11,295,468
Contract services and fees	(30,278)	1,646,740	1,616,462	357,054	366,620	3,730,179	6,070,315	5,730,679
Contributed airtime	-	1,690,983	1,690,983	-	-	-	1,690,983	3,965,173
Publications and related printed materials	74,765	1,290,483	1,365,248	349,073	358,425	145,954	2,218,700	1,715,510
Occupancy costs	43,675	819,246	862,921	227,245	233,333	-	1,323,499	1,232,136
Postage	50,415	856,891	907,306	226,611	232,682	-	1,366,599	966,244
Conferences, conventions and meetings	398,300	1,937,476	2,335,776	364,879	374,655	57,220	3,132,530	2,000,587
Telephone and communications	12,128	204,419	216,547	55,137	56,614	-	328,298	310,033
Travel	55,511	535,618	591,129	128,551	131,995	-	851,675	625,265
Office supplies and expenses	19,914	309,726	329,640	82,466	84,675	372,236	869,017	583,079
Data processing	19,216	371,913	391,129	99,983	102,661	-	593,773	568,471
Provision for doubtful accounts	2,038	38,225	40,263	10,603	10,886	-	61,752	145,000
Other expenses	41,944	766,782	808,726	210,689	216,334	200,147	1,435,896	900,809
Total expenses before depreciation	17,075,618	19,215,725	36,291,343	4,313,196	4,428,749	4,505,736	49,539,024	44,482,918
Depreciation and amortization of fixed assets	13,961	273,771	287,732	71,812	73,737	-	433,281	427,023
Total functional expenses	17,089,579	19,489,496	36,579,075	4,385,008	4,502,486	4,505,736	49,972,305	44,909,941
Less:								
Provision for grant terminations, refunds, relinquishments and accruals	(2,451,783)	-	(2,451,783)	-	-	-	(2,451,783)	(432,497)
Direct benefit to donor costs of special events	-	-	-	-	-	(4,505,736)	(4,505,736)	(3,499,651)
Total expenses reported by function on the statement of activities	\$14,637,796	\$19,489,496	\$34,127,292	\$4,385,008	\$4,502,486	\$ -	\$43,014,786	\$40,977,793

The accompanying notes are an integral part of these statements.

NOTE A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Crohn's & Colitis Foundation of America, Inc. (the Foundation) is a not-for-profit organization founded in 1965.

The Foundation's mission is to cure Crohn's disease and ulcerative colitis, and to improve the quality of life of children and adults affected by these diseases. The Foundation has its headquarters in New York City (the National Office) and has 41 Chapters (the Chapters) and one volunteer affiliate.

2. Basis of Presentation

The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America and in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 requires that net assets and revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets represent resources that are available for support of operations, including resources for capital expenditures.

Temporarily restricted - Net assets subject to donor-imposed restrictions. Temporarily restricted net assets include amounts that are restricted by donors for particular research projects or education programs, or are restricted as to the timing of use.

Permanently restricted - Net assets subject to donor-imposed stipulations that are maintained permanently by the Foundation. There were no permanently restricted net assets at August 31, 2008 and 2007.

3. Cash and Cash Equivalents

The Foundation considers highly liquid financial instruments purchased with a maturity of three months or less when purchased, except those held in its investment portfolio, to be cash equivalents. The Foundation maintains cash accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

4. Contributions and Pledges Receivable

Unconditional contributions, including cash, promises to give, and certain contributed services, gifts in-kind and other assets are recorded as revenue at fair value when received. Conditional contributions are recorded when the conditions on which they depend are substantially met. Contributions are recorded, net of estimated uncollectible amounts. Contributions with restrictions met in the same reporting period as received are recorded as unrestricted contributions.

Unconditional pledges that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the related discounts is included in contributions revenue.

5. Allowance for Doubtful Accounts

The Foundation maintains an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make payments. Such allowances are based upon several factors, including, but not limited to, historical experience and the financial condition of its donors.

6. Investments and Investment Income

Investments in equity securities and mutual funds with readily determined fair values and all debt securities are recorded at fair value. Fair value is determined based upon quoted market prices. Investment sales and purchases are determined by the specific identification method. Changes in market value of investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily restricted by explicit donor stipulations or by law.

Alternative investments (limited liability companies) are stated at fair value as estimated in an unquoted market. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Fair value of the alternative investments is determined by management based on information provided by the investment manager. Values may be based on estimates that require varying degrees of judgment for investments where readily available fair values do not exist. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. Investments in such funds do carry certain risks including lack of regulatory oversight, interest rate risk and market risk. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in risk factors in the near term would affect amounts reported on the statement of financial position.

The Foundation invests in three limited liability companies, which are "funds of funds" (the Funds). The first of these funds (M2) invests mostly in a group of portfolio managers who primarily employ long/short equity strategies, including those involving foreign issuers. The second fund (Event Fund) deploys its assets among a group of portfolio managers, primarily investing in securities and other instruments, the market value of which is expected to be meaningfully affected by an anticipated event, including distressed securities and long/short equity. The third fund (Credit Recovery Fund) has as its investment objective the maximization of total return over the long term, by deploying its assets primarily among a select group of portfolio managers, who invest in companies that have experienced, or are currently experiencing, financial difficulties as a result of deteriorating operations, adverse legal judgments, or other events, which may adversely impact their credit standing, thus taking advantage of market opportunities and pricing inefficiencies between the perceived value of an obligation and its market value.

Income earned from investments, including realized and unrealized gains and losses, is recorded on the net asset class owning the assets, based on the trade dates for the investments.

7. Charitable Gift Annuities

The Foundation has several charitable gift annuities which are arrangements between donors and the Foundation in which the donors contribute assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donors or to individuals or organizations designated by the donors. The fair value of the asset is recorded as a charitable gift annuity and the corresponding liability to the donors is recorded as a gift annuity liability at the present value of its future payments in the statement of financial position.

8. Charitable Remainder Trusts

The Foundation has been named as the sole beneficiary in several charitable remainder trusts held by third party trustees. A charitable remainder trust is an arrangement in which a donor establishes a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. The Foundation will receive its share of the assets remaining upon the termination of the charitable remainder trust.

The Foundation has recorded the estimated present value of its interest in the trusts' assets as charitable remainder trusts and contribution income, in accordance with the terms of the trusts.

9. Furniture, Equipment and Leasehold Improvements

Furniture and equipment are recorded at cost or, if donated, at fair value on the date received. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets ranging from three to ten years. Leasehold improvements are amortized over the remaining lease term or the estimated life of the improvements, whichever is shorter.

10. Research Grants Payable

The Foundation records appropriations for research grants as a liability and expense after approval by the National Board of Trustees based upon (i) the recommendations of the Board's advisory committees called the National Scientific Advisory Committee's Grants Review Committee, the Research Training Awards Program Committee the Research Initiatives Committee, and any appropriate ad hoc review committees, (the Review Committees); and (ii) the availability of funding. Grants are approved for a one year term with conditional annual renewal periods up to two years. The only exceptions are the core administrative and data management centers for both the Clinical Research Alliance and DNA Bank, which are long-term commitments. However, these awards are subject to existing grant policies and procedures, and progress reports are reviewed annually in accordance with these policies. The grants are conditional based upon the receipt, review and approval of annual progress reporting from the grant recipients by the Review Committees. The annual grants are disbursed quarterly over the period for which they have been approved. Conditional grants are recognized in the period in which the terms of the conditions are met.

11. Refundable Advances

The Foundation receives cash in advance of special events that are to be held after the statement of financial position date. These amounts are deferred until the event occurs, since they are refundable if the event is subsequently canceled.

12. Contributed Airtime

The Foundation receives considerable in-kind contributions primarily in the form of donated public service announcements on television and radio stations. The value of such in-kind contributions, based upon information provided by third-party media services, is reflected in the accompanying statement of activities as contributed airtime revenue and health professional education and public information program service expense.

13. Volunteers

Other than the Committees, a number of volunteers, including members of the National Board of Trustees, have made significant contributions of time to the Foundation's policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services contained in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, and accordingly, is not reflected in the accompanying statement of activities.

14. Tax-Exempt Status

The Foundation is a not-for-profit voluntary health organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction by donors. Contributions to the Foundation are tax deductible within the limitations prescribed by the Code. The Foundation is also exempt from state and local taxes under similar statutes.

15. Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

16. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for pledges receivable, alternative investment values, functional allocation of expenses, the present value of the Foundation's assets in charitable remainder trusts and useful lives of fixed assets. Actual results could differ from those estimates.

17. Pending New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This new standard provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. The standard clarifies that for items that are not actively traded, such as certain kinds of derivatives, fair value should reflect the price in a transaction with a market participant, including an adjustment for risk, not just the organization's mark-to-market value. SFAS No. 157 also requires expanded disclosure of the effect on earnings for items measured using unobservable data.

Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The Foundation intends to adopt SFAS No. 157 as it applies to its fiscal year ending August 31, 2009 and is evaluating the impact.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement 115*. SFAS No. 159 permits entities to choose to measure certain financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Foundation is currently evaluating whether to adopt SFAS No. 159 as it applies to its fiscal year ending August 31, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. In December 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of Interpretation 48 for the year ending August 31, 2008. The Foundation evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Foundation is evaluating the impact and does not believe its financial statements include any uncertain tax positions.

NOTE B—RESEARCH GRANTS

At August 31, 2008 and 2007, the accompanying statement of financial position includes research grants aggregating \$8,641,721 and \$10,409,191, respectively, which are payable within one year.

Research expense on the statement of activities is net of \$2,451,783 and \$432,497, representing return of prior year grants for terminations or refunds for the years ending August 31, 2008 and 2007, respectively. Research grants and awards disbursements total \$15,508,006 and \$14,444,464 for the years ended August 31, 2008 and 2007, respectively.

In addition, the Foundation has unpaid conditional grants outstanding of \$11,911,777 and \$19,736,431 at August 31, 2008 and 2007, respectively, which are payable upon satisfaction of the underlying conditions and, therefore, they are not recorded in the statement of financial position.

NOTE C—PLEDGES RECEIVABLE

Pledges receivable, discounted to present value, are due to be collected as follows:

	2008	2007
Within one year	\$3,253,947	\$2,702,709
One to five years	1,807,772	2,874,000
More than five years	370,000	380,000
	<u>5,431,719</u>	<u>5,956,709</u>
Discounted to present value (at rates ranging from 2.17% to 7.00%)	(148,988)	(259,780)
Net present value	5,282,731	5,696,929
Allowance for doubtful accounts	(87,000)	(213,000)
Pledges receivable, net	<u>\$5,195,731</u>	<u>\$5,483,929</u>

NOTE D—CHARITABLE REMAINDER TRUSTS

At August 31, 2008 and 2007, the Foundation has remainder interests in several irrevocable charitable remainder trusts. The present value of the Foundation's future interests in these charitable remainder trusts, which amount to \$311,920 and \$341,872 at August 31, 2008 and 2007, respectively, have been recorded as charitable remainder trusts, in accordance with the terms of the trusts and are included in temporarily restricted net assets. The present value of the trusts was calculated using a discount rate of 5.8% at August 31, 2008 and 2007, respectively. Change in value of the charitable remainder trusts was \$29,952 and \$22,838 in 2008 and 2007, respectively.

NOTE E—INVESTMENTS

The fair value of investments at August 31, 2008 and 2007 consisted of the following:

	2008	2007
Cash and cash equivalents	\$1,914,866	\$2,118,006
Marketable securities	7,836,685	6,401,086
Limited liability companies	1,374,979	1,155,795
U.S. Treasury bonds	—	3,971,135
Other	—	262,649
Total investments	<u>\$11,126,530</u>	<u>\$13,908,671</u>

NOTE F—FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements consisted of the following at August 31, 2008 and 2007:

	2008	2007
Furniture and fixtures	\$381,418	\$595,529
Equipment	285,681	285,681
Computer equipment	1,051,025	2,157,717
Leasehold improvements	684,523	684,523
	<u>2,402,647</u>	<u>3,723,450</u>
Less: accumulated depreciation	(1,374,410)	(2,430,589)
Fixed assets, net	<u>\$1,028,237</u>	<u>\$1,292,861</u>

Depreciation and amortization expense for the years ended August 31, 2008 and 2007 was \$433,281 and \$427,023, respectively.

NOTE G—COMMITMENTS**1. Operating leases**

The Foundation leases office space for the National Office and Chapter offices in various cities throughout the country. These leases expire at various dates and have renewal options ranging from three to five years. The volunteer affiliate has no rent commitments. The leases provide for increases in future lease payments. The minimum annual rental commitments under operating leases are as follows:

Year ending August 31,	
2009	\$1,042,544
2010	871,639
2011	582,377
2012	496,400
2013	413,970
Thereafter	<u>34,560</u>
Total	<u>\$3,441,490</u>

Rent expense was approximately \$1,226,000 and \$1,149,000 for the years ended August 31, 2008 and 2007, respectively.

2. Capital Lease Obligation

The Foundation leases certain equipment under an agreement classified as a capital lease. The equipment is included in furniture, equipment and leasehold improvements on the balance sheet and depreciation of the assets is included in depreciation expense. The remaining lease obligation of \$37,121 is due in the year ended August 31, 2009.

NOTE H—PENSION PLAN

The Foundation has a defined contribution pension plan. Employees are eligible to participate in the plan upon hire, with full vesting upon one year of service. Contributions to this plan are 5% of the participating employees' salaries. The Foundation's contribution to the plan was approximately \$336,000 and \$269,000 for the years ended August 31, 2008 and 2007, respectively.

NOTE I—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available upon satisfying the following restrictions:

	2008	2007
Purpose restrictions		
Research programs	\$3,660,476	\$4,927,640
Education programs	1,296,694	915,638
Time restrictions	463,869	636,974
	<u>\$5,421,039</u>	<u>\$6,480,252</u>

NOTE J—NET ASSETS RELEASED FROM RESTRICTION

For the years ended August 31, 2008 and 2007, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or the passage of time as follows:

	2008	2007
Research programs	\$9,351,561	\$4,949,056
Education programs	2,016,788	226,116
Time restrictions	169,045	—
	<u>\$11,537,394</u>	<u>\$5,175,172</u>

NOTE K—RELATED PARTY TRANSACTIONS

During the years ended August 31, 2008 and 2007, the Foundation held investment assets with an investment company. A Foundation trustee was employed as a Vice President of the company until July 17, 2008. All investments of the Foundation are held by this company and fees paid by the Foundation to the company were approximately \$128,000 and \$78,300 for the years ended August 31, 2008 and 2007, respectively. The company was selected by the Board of Trustees after review of other available options.

The Foundation receives contributions from members of the Board of Trustees. For the years ended August 31, 2008 and 2007, respectively, members of the Board of Trustees contributed \$178,548 and \$127,678.

Included in pledges receivable was \$1,578,305 and \$3,264,684 due from related parties for the years ended August 31, 2008 and 2007, respectively.

The Foundation uses a website to process online contributions for special events. This website is affiliated with a member of the Foundation's Board of Directors. The Foundation is charged a 6% processing fee on all transactions. For the year ended August 31, 2008 total fees paid were approximately \$249,000.

NOTE L—CONTINGENCIES

The Foundation is subject to various claims and legal proceedings arising out of the ordinary course of business. Management believes the resolution of claims and pending litigation will not have a material effect, individually or in the aggregate, on the consolidated financial position of the Foundation.