2008 Annual Report

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LETTER FROM CHAIRPERSON AND PRESIDENT

In 2008, the National Health Council (NHC) set off in an exciting new strategic direction. Building on ideas developed at the Board of Directors Strategic Thinking Retreat in 2007, the organization adopted new mission, vision, and goal statements and developed a Strategic Plan for 2008-2010 that incorporates a new strategic business model.

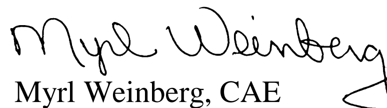
The new mission of the National Health Council is to provide a united voice for people with chronic diseases and disabilities. Our vision is a world in which all people receive health care that meets their personal needs and goals. Our goals are to improve the health of all people, increase support for health research, and strengthen the community of patient advocacy organizations.

To fulfill the mission, vision, and goals, the new strategic business model calls for engaging the public directly, as well as through National Health Council member organizations, and for expanding funding approaches by forging partnerships with major corporations. A Strategic Marketing and Communications Plan was developed to guide these efforts.

As a first step in implementing the new strategic direction, the NHC launched the ***Campaign to Put Patients First.*** This is a three-year initiative to mobilize one million people with chronic diseases and disabilities to make their voices heard within Congress and the new Administration. The Campaign will present a united front during the health care reform debate and in the succeeding years of reform implementation. To support the Campaign, the NHC plans to recruit partners from the health care community and corporate America and to raise $3 million for advocacy activities, awareness programs, and national and community events.

It was an exciting and eventful year. With a new Congress and a new President, the NHC and its members stand ready to embark on a dynamic journey – one that we hope will lead to the enactment of meaningful health care reform for this country.

Margaret C. Kirk
Chairperson



Myrl Weinberg, CAE
President

VOLUNTARY HEATLH AGENCY

Voluntary Health Leadership Conference

In February, leaders from 28 of the National Health Council's member voluntary health agencies (VHAs) gathered at Sanibel Harbor Resort and Spa in Ft. Myer, Florida, for the 21st Voluntary Health Leadership Conference. With a dual focus on cutting edge issues in health care and organizational capacity building, the conference provided a unique forum for CEOs and senior volunteers from VHAs representing the full spectrum of chronic diseases and disabilities. A good mix of presentations, case studies, and roundtable discussions offered numerous opportunities for learning and networking.

Among the highlights, Mary Woolley, president of Research!America, made a strong case for using evidence-based data to advocate for medical research. Louis J. DeGennaro, PhD, chief scientific officer of The Leukemia & Lymphoma Society, described his organization's exciting initiative to fund targeted research. Diana Aviv, president & CEO of Independent Sector, reinforced the need for and value of transparency and accountability within the voluntary health sector. Tom Adams, president of TransitionGuides, offered a practical guide to executive succession and transition planning for VHAs.

Premier sponsors for the 2008 VHA Leadership Conference were Johnson & Johnson, Novartis Pharmaceutical Corporation, Pfizer Inc, and Wyeth Pharmaceuticals.

Washington Representatives Retreat

In early December, members of the NHC's Government Relations Affinity Group (GRAG) gathered for their annual two-day retreat, held this year in Annapolis, Maryland. The agenda focused on the outlook for the 111th Congress and prospects for health care reform, along with comparative effectiveness research and intellectual property issues. Grassroots advocacy was also a hot topic of discussion. GRAG members also made recommendations for the NHC's 2009 policy agenda.

The event was made possible through an educational grant from Pfizer Inc.

Grassroots Technical Assistance Initiative

This innovative program provided grants to four NHC member VHAs to enhance their capacity to impact public policy by mobilizing grassroots advocates. At the end of the year-long program, the participating organizations had achieved significant milestones and were poised to continue their efforts.

- The **Huntington's Disease Society of America** succeeded in having federal legislation introduced to make it easier for people with HD to receive Social Security disability benefits.
- The **National Alopecia Areata Foundation** succeeded in having federal legislation introduced to improve Medicaid coverage for hair prostheses.
- **Children and Adults with Attention Deficit/Hyperactivity Disorder (CHADD)** succeeded in having legislation introduced in Pennsylvania that makes it easier for college-age students with a learning disability to obtain health care coverage.
- The **Epilepsy Foundation** saw a significant rise in the number of cosponsors for two pieces of federal legislation to end discrimination and improve access to epilepsy care.

In November, the NHC began translating the program's findings into practice by issuing a printed report and hosting a meeting and live webcast attended by representatives from nearly 60 patient advocacy organizations.

Chief Financial Officer Meetings

Top finance executives from the NHC's member VHAs gathered twice in 2008 to hear presentations on timely issues impacting nonprofit business, human resources, and administration. The first meeting took place in May in Washington, DC, and focused on the new IRS form 990 and ensuring financial competencies across an organization.

The fall CFO meeting, held in November in New York City, featured an auditing and accounting update and presentations on how to connect with foundations and the challenges and opportunities in federated organizational structures. Both meetings also included open-ended group discussions on current topics to afford attendees an opportunity to share ideas and best practices.

Chief Scientific/Medical Officers and Research Directors Conference

In November, the NHC brought together chief scientific/medical officers and research directors from member VHAs for their annual conference, held in Washington, DC. The meeting featured presentations on strategies to restore public confidence and trust in clinical research and the role of intellectual property in driving innovation and venture philanthropy. Robert A. "Sandy" Sandhaus, MD, PhD, FCCP, clinical director of the Alpha-1 Foundation and executive vice president and medical director of AlphaNet, chaired the meeting.

Meeting on Physical Activity

In November, for the first time ever, the NHC hosted a day-long meeting for public health officers of member VHAs. U.S. Surgeon General Steven Galson, MD, MPH, keynoted the session, which focused on promoting physical activity among people with chronic conditions.

Standards of Excellence

The National Health Council's Standards of Excellence demonstrate that member VHAs are committed to the highest standards of transparency, accountability, and public stewardship.
Progress toward 100 percent compliance continued in 2008 with two new VHAs gaining recognition for having fully met the standards: the Autism Society of America and the Mesothelioma Applied Research Foundation. In addition, 22 VHAs successfully completed their three-year compliance recertification reviews. At year's end, all but one VHA was in compliance with the standards.
During 2008, the NHC reevaluated and revised its standard governing relationships between voluntary health agencies and corporations. The new standard provides specific guidelines on evaluating corporate relationships, executing written agreements, and disclosure of financial support.
To ensure a voice in the self-governance debate beyond the voluntary health sector, NHC President Myrl Weinberg continued serving on Independent Sector's Ethics and Accountability Committee.

POLICY DEVELOPMENT

Access to Health Care

Throughout the year, the NHC was highly engaged — and had significant positive impact — on several pieces of legislation related to access to health care.

The National Health Council supported the **Genetic Information Nondiscrimination Act**, which was designed to guarantee that individuals are not discriminated against due to inherited genetic predispositions that cannot be controlled. The legislation was signed into law in May.

The NHC also supported legislation, known as **Michelle's Law**, which prohibits certain health plans from terminating the coverage of dependent full-time students for one year from the start of a medically necessary leave of absence. The bill was named after Michelle Morse, who was a full-time college student at Plymouth State University when she was diagnosed with colon cancer. Her doctors advised her to cut back on her course load while undergoing chemotherapy, but she would lose her family's health insurance if she was not a full time student. Michelle died as she struggled to regain her health while going to school full time. Michelle's Law ensures that chronically ill students are given the opportunity to fully devote themselves to fighting for their lives. The legislation was signed into law in October.

The NHC actively monitored the ongoing debate about **comparative effectiveness research**, which is the concept of evaluating evidence on the relative benefits of various treatments to identify the most effective one for any given diagnosis. Comparative effectiveness research has become an increasingly important issue as Congress tries to find ways to reduce costs and improve medical outcomes. The NHC is currently analyzing recently introduced legislation and conducting independent research to determine the impact on people with chronic diseases and disabilities.

Thanks to the efforts of the National Health Council and allied groups, the **Medicare Improvements for Patients and Providers Act of 2008** contained many benefits for people with chronic conditions. These included preserving the six "protected classes" of drugs; parity for mental health services; increased eligibility for low-income individuals; and coverage of barbiturates and benzodiazepines, which are important medications for treating epilepsy. The legislation was passed into law over the President's veto in July.

The NHC worked closely with a number of its members to restore protections in the Americans with Disabilities Act that had been diluted by a number of court rulings. The **Americans with Disabilities Restoration Act** corrected those decisions and amended the definition of disability to better include those individuals who are able to "manage" their conditions. The legislation was signed into law in September.

Funding for Health Research

The National Health Council and its members worked diligently throughout the year, sending numerous appeals to Congress for increased health appropriations. The NHC signed onto several letters of support for higher funding for the National Institutes of Health (NIH), Centers for Disease Control and Prevention, Food and Drug Administration (FDA), and Agency for Healthcare Research and Quality.

The NHC also signed onto a letter of support for a House resolution urging an increased federal commitment to disease prevention. Though nonbinding, a key portion of the resolution encourages the Congressional Budget Office to consider the health savings associated with prevention efforts when formulating health care cost estimates.

Medical Safety and Innovation

Issues related to drug safety, intellectual property, and innovation continued to be a focus of the NHC policy activities in 2008. The NHC wrote to Congress in support of establishing the **Reagan-Udall Foundation**, which was authorized as part of the Food and Drug Administration Amendments Act (FDAAA) signed into law in 2007. The foundation would be a public-private partnership to modernize medical product development, accelerate innovation, and enhance product safety by adding additional private funds to the limited budget of the Food and Drug Administration (FDA).

The NHC also continued to monitor developments in intellectual property reform, focusing on legislative incentives to promote treatments for rare disorders and high priority areas such as neurological conditions and autoimmune diseases. As of November 2008, most of the proposals before Congress had not moved, and it is expected that this issue will be carried over into the next Congress and the new Administration. The NHC interviewed an outside consultant to assist in drafting legislative language for the 111th Congress.

In addition, the NHC continued to work with its members on the creation of a pathway at the FDA for biosimilars.

PROGRAM IMPLEMENTATION

Presidential Campaign Initiative

To ensure that access to health care remained a top priority among the presidential candidates, the National Health Council continued its presidential campaign initiative in 2008. As the year went on, the initiative was rebranded the **Campaign to Put Patients First** and became the centerpiece of the NHC's new strategic direction. (See page 3.)

The NHC built on the success of its town hall meetings and news conferences with additional events in Pittsburgh, Pennsylvania; Cleveland and Columbus, Ohio; and Orlando, Florida. Each featured people with chronic diseases or disabilities sharing their personal stories and urging the presidential candidates to propose specific solutions. All of the events generated significant media attention, with the Orlando event, held in conjunction with the Autism Society of America's annual meeting, drawing nearly 300 people.

Following the election, the NHC was preparing to launch a nationwide petition drive to demonstrate broad political support for effective and affordable health care.

Electronic Personal Health Records

Earlier in the year, the NHC, in partnership with America's Health Insurance Plans, launched a major effort to increase awareness of, and demand for, personal health records (PHRs).

As a first step, pilot meetings in California and Massachusetts brought actual patients together with insurance providers to discuss ways to increase awareness and use of PHRs by people with chronic diseases and disabilities. Following the initial meetings, a web-based prototype PHR was under development to raise awareness among patients.

The NHC's National Advisory Commission on Patient-Centered Care met in September to help guide efforts to increase consumer awareness and use of PHRs.

Marc Boutin, Executive Vice President and Chief Operating Officer, has accepted a position on the eHealth Initiative Leadership Council. Its mission is to drive improvements in the quality, safety, and efficiency of health care through information technology.

Intellectual Property

In 2008, the National Health Council launched a program to evaluate the best ways to address intellectual property law as it pertains to medications, including pharmaceuticals and biologics. The goal is to encourage the pharmaceutical industry to develop treatments and cures for previously neglected rare diseases and priority conditions. The issues are complex and multi-layered, and any legislative changes will have broad and significant implications for patients.

The NHC plans to conduct a literature review on intellectual property as it applies to prescription drugs and biosimilars. Focus groups, message testing, and case studies are also planned to engage patients and family caregivers on this issue.

This project is funded by grants from AstraZeneca Pharmaceuticals, Biotechnology Industry Organization, Eli Lilly and Company, Johnson & Johnson, Merck & Co., Inc., Pharmaceutical Research and Manufacturers of America, Roche, and Wyeth Pharmaceuticals.

Comparative Effectiveness Research/Evidence-Based Medicine

Throughout 2008, the NHC continued its efforts to reframe the issue of comparative effectiveness research and evidence-based medicine so that it is viewed from the perspective of patients with chronic conditions. Comparative effectiveness is the concept of evaluating evidence on the relative benefits of various treatments to identify the most effective one for any given diagnosis. However, this cost-effectiveness approach may not take into account that, even with an identical diagnosis among a group of patients, each patient's reaction to medication or therapy, life stage, underlying health, social support, attitudes about health and illness, faith, culture, and other factors will influence what constitutes "appropriate treatment."

The NHC formed an advisory team to guide its work on this issue, made up staff from the Alzheimer's Association, American Cancer Society, Arthritis Foundation, Easter Seals, The Leukemia & Lymphoma Society, Mental Health America, and Breast Cancer Network of Strength. A literature review was conducted, and primary research is underway in the form of focus groups among patients and family caregivers to identify awareness, knowledge, and attitudes about comparative effectiveness research.

In addition, the NHC plans to develop and test messages to engage patients and family caregivers on this issue and to conduct case studies. The NHC also intends to prepare a legislative analysis of all proposed or existing legislation on comparative effectiveness research and evidence-based medicine and to develop new legislative language. These research findings will shape the NHC's policy initiatives in 2009.

This project is funded by grants from Amgen, AstraZeneca Pharmaceuticals, Biotechnology Industry Organization, Eli Lilly and Company, Merck & Co., Inc., Pfizer Inc, Pharmaceutical Research and Manufacturers of America, and Wyeth Pharmaceuticals.

Price Negotiation Initiative

The National Health Council continued to explore issues related to drug pricing and price negotiations during 2008. Our primary concern is the impact of pricing and price negotiations on patient access to prescription drugs and on the development of new drugs. A literature review conducted in 2007 revealed that while there is considerable literature on the different approaches to pricing, considerably less information is available about the impact on either access or innovation.

In a second phase of research, the NHC commissioned six nationwide telephone focus groups comprised of Medicare beneficiaries with chronic conditions and their caregivers. The groups explored current awareness, understanding, and attitudes about prescription drugs and price negotiations; experience with payment for drugs before and after Medicare Part D; and reaction to potential scenarios developed from the literature review described above. Uniformly, participants in all groups expressed uncertainty and anxiety about prescription drug prices.

However, the results from this initial round of focus groups did not provide any insight about patient interest in the development of new treatments. The participants simply could not get beyond the issue of cost. As a result, the NHC reevaluated and refined its research strategy and conducted a new round of focus groups to better understand this issue. At year's end, the findings were being collated and analyzed.

This project is funded by grants from AstraZeneca Pharmaceuticals, Merck & Co., Inc., Novartis Pharmaceutical Corporation, Pharmaceutical Research and Manufacturers of America, and Wyeth Pharmaceuticals.

NHC-NIH Collaborative Research Database

The NHC continued its work with the National Institutes of Health (NIH) Office of Extramural Programs to develop a web-based database that would make information on the agency's unfunded-but-worthwhile research proposals available to NHC members and other potential research underwriters.

At year's end, the NHC had received a $50,000 grant from NIH and was seeking additional funding to contract with an experienced IT firm to develop a branded site and manage the database.

INFORMATION DELIVERY

NHC Website

During 2008, the National Health Council completely redesigned its website to more fully reflect its new mission to provide a united voice for people with chronic diseases and disabilities and their family caregivers.

The new website will serve as a portal for patients to join the ***Campaign to Put Patients First*** and become advocates for effective and affordable health care. It will also provide access to NHC member organizations that can provide disease-specific information and other resources to help people with chronic conditions and their family caregivers negotiate the health care system. Also included is an online community and NHC blog to connect patients with the Council and each other and to allow them to share their personal stories. An intensive social marketing effort will help spread the word and mobilize patients to make their voices heard during the upcoming debates about health care reform.

The new website will also enhance the NHC's efforts to secure funding from large corporations to support our program activities and to market resources and materials. In addition, the site will feature an expanded Members Only section with information and resources to foster VHA capacity building.

The new NHC website is scheduled to launch in December 2008.

Council Currents

The NHC's bimonthly e-newsletter, *Council Currents*, went on hiatus for much of 2008 as attention focused on redesigning the website. Publication resumed in October, with an expanded circulation to member organizations and health groups based in Washington, DC.

2007 VHA Revenue Report

A record 41 members took part in the NHC's *2007 VHA Revenue Survey*, an annual study that serves to help patient advocacy organizations benchmark their revenue streams against those of their peers. The survey covered revenues from fiscal years 2005, 2006 and 2007.

All NHC VHA members received a generic report detailing aggregate revenue data. However, organizations that participated in the survey also were given a customized report comparing their results with their peer group (small, medium, large and "extra-large" organizations) — and all survey participants in general. The reports included detailed spreadsheet data and bar graphs.

2008 Management Compensation Report

To help member VHAs better hone their recruiting and retention efforts, the NHC annually releases a benchmarking report of compensation practices across a spectrum of more than 90 mid-level and executive positions. The report, a joint effort by the National Health Council and the National Human Services Assembly, includes data from both VHAs and human service organizations, such as the United Way.

Some 47 groups completed the 2007 compensation survey, among them 26 NHC member VHAs.

In keeping with past practice, one free copy of the *2008 Management Compensation Report* was sent to all participating VHAs. Copies of the report are available at the member price of $100 ($125 for non-members).

BoardSource

In 2008, the NHC again offered discounted BoardSource enrollment to all members at $59 per individual — a 40 percent discount off the regular annual rate of $99. This year, 25 member organizations enrolled their board members and/or key staff at the national and chapter levels. BoardSource membership provides the knowledge and tools nonprofit organizations need to build high-performing boards. Members use its resources and services to find solutions, leadership tips, and governance knowledge about board-related issues. Specific benefits include a subscription to *Board Member* magazine, free members-only online resources, discounted publications and products, and a free electronic newsletter.

INTERNATIONAL OUTREACH

International Alliance of Patients' Organizations

NHC President Myrl Weinberg continued her term as chair of the governing board of the International Alliance of Patients' Organizations (IAPO).

In 2008, IAPO continued to grow in stature. Representatives from the World Health Organization (WHO), the European Commission, and global health professionals' associations were among the more than 170 delegates attending IAPO's Global Patients Congress, held in Budapest, Hungary, in February. The conference focused on progress being made worldwide to address the role of the patient as an essential partner in the design and delivery of health care. Guest speakers included Sir Liam Donaldson, chair of the WHO World Alliance for Patient Safety.

IAPO was actively involved in outlining the concerns of patients at the resumed second session of the WHO's Intergovernmental Working Group on Public Health, Innovation, and Intellectual Property in Geneva. The session aimed to finalize a global strategy and plan of action, which will have a significant impact on patients worldwide.

IAPO held its first regional meeting in Kampala, Uganda. Twenty-five patient groups from seven African countries were represented, and the discussions addressed how to work more collaboratively to strengthen patient-centered health care systems.

Global patient safety was also a priority in 2008. In October, IAPO, in collaboration with one of its members, the Thrombosis Research Institute, made a presentation on global patient safety at the European Health Forum. More recently, IAPO released a new patient safety toolkit to support patient groups' advocacy efforts for improved patient safety.

IAPO is a unique global alliance representing patients of all nationalities across all disease areas and promoting patient-centered health care around the world. Its members are patient organizations working at the international, regional, national, and local levels to represent and support patients, their families, and caregivers. IAPO's vision is that patients throughout the world are at the center of health care.

NEW MEMBERS IN 2008

Voluntary Health Agencies

- National Hemophilia Foundation
- Spondylitis Association of America

Professional and Membership Associations

- American College of Cardiology
- Commissioned Officers Association of the U.S. Public Health Service

Nonprofit Organizations with an Interest in Health

- The Critical Path Institute

Business and Industry

- Endo Pharmaceuticals, Inc.
- Microsoft Corporation, Inc.

Associate Members

- Convio, Inc.

2008 BOARD OF DIRECTORS

Chairperson
Margaret C. Kirk
Chief Executive Officer
Breast Cancer Network of Strength

Chairperson-Elect
Cindy Brownstein
Chief Executive Officer
Spina Bifida Association

Vice Chairperson
Steven Taylor
Chief Executive Officer
Sjögren's Syndrome Foundation

Secretary
Greg Simon
President
FasterCures

Treasurer
Ronald C. Miller
Senior Director, Public Policy
Bristol-Myers Squibb Company

Immediate Past Chairperson
James E. Williams, Jr.
President
Easter Seals

NHC President (Ex officio, non-voting member)
Myrl Weinberg
President
National Health Council

David W. Beier
Senior Vice President
Global Government Affairs
Amgen

LaVarne Addison Burton
President & Chief Executive Officer
American Kidney Fund

Pat Ford-Roegner, MSW, RN, FAAN
Chief Executive Officer
American Academy of Nursing

W. Mark Hamilton, Ph.D.
Executive Director
American Mental Health Counselors Association

Nina Hill
Vice President of Global Alliance Development
Pfizer Inc

Harry Johns
President & Chief Executive Officer
Alzheimer's Association, Inc.

Vicki Kalabokes
President & CEO
National Alopecia Areata Foundation

John H. Klippel, MD
President & Chief Executive Officer
Arthritis Foundation

Bill McLin
Executive Director
Asthma and Allergy Foundation of America

Suzanne Mintz
President/Co-Founder
National Family Caregivers Association

Kevin Rigby
Vice President Public Affairs
Novartis

John R. Seffrin, Ph.D.
Chief Executive Officer
American Cancer Society

David Shern
Chief Executive Officer
Mental Health America

Stephen J. Ubl
President & CEO
Advanced Medical Technology Association

John Walsh
President & Chief Executive Officer
Alpha-1 Foundation

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Health Council, Inc.
Washington, D.C.

We have audited the statements of financial position of National Health Council, Inc. as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Health Council, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Sarfino and Rhoades, LLP

February 17, 2009

NATIONAL HEALTH COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31, 2008	DECEMBER 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 2):		
Interest-bearing	$ 2,179,488	$ 1,689,636
Non interest-bearing	5,321	4,457
Total cash and cash equivalents	$ 2,184,809	$ 1,694,093
Accounts and pledges receivable (Note 3)	31,034	519,956
Prepaid expenses and other assets	51,522	13,583
Inventory (Note 1)	3,676	7,957
TOTAL CURRENT ASSETS	$ 2,271,041	$ 2,235,589
PROPERTY AND EQUIPMENT (Notes 1 and 4)	101,003	57,787
OTHER ASSET:		
Lease deposit	8,604	8,604
TOTAL ASSETS	$ 2,380,648	$ 2,301,980
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 199,991	$ 62,404
Accrued expenses	37,957	31,146
Deferred revenue (Note 5)	411,533	629,732
TOTAL CURRENT LIABILITIES	$ 649,481	$ 723,282
LONG TERM LIABILITY:		
Deferred pension payable (Note 7)	26,300	-
TOTAL LIABILITIES	$ 675,781	$ 723,282
COMMITMENTS (Note 8)		
NET ASSETS (Notes 1 and 6):		
Unrestricted	$ 738,180	$ 584,853
Temporarily restricted	966,687	993,845
TOTAL NET ASSETS	$ 1,704,867	$ 1,578,698
TOTAL LIABILITIES AND NET ASSETS	$ 2,380,648	$ 2,301,980

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

NATIONAL HEALTH COUNCIL, INC.

STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED DECEMBER 31, 2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE (Note 1):						
Support:						
Membership dues	$ 1,126,245	$ -	$ 1,126,245	$ 1,088,461	$ -	$ 1,088,461
Sponsorship contributions	-	1,286,500	1,286,500	-	1,082,800	1,082,800
Interest income	25,807	-	25,807	60,213	-	60,213
Publication sales and other income	21,399	-	21,399	24,413	-	24,413
Honoraria	18,500	-	18,500	9,750	-	9,750
Net assets released from restrictions	1,313,658	(1,313,658)	-	1,096,985	(1,096,985)	-
TOTAL SUPPORT AND REVENUE	$ 2,505,609	$ (27,158)	$ 2,478,451	$ 2,279,822	$ (14,185)	$ 2,265,637
EXPENSES:						
Program services:						
Member services	$ 1,324,367	$ -	$ 1,324,367	$ 1,068,095	$ -	$ 1,068,095
Special projects	547,646	-	547,646	315,695	-	315,695
Conferences	137,356	-	137,356	126,552	-	126,552
Publications	23,937	-	23,937	87,782	-	87,782
Integrated Patient-Centered Care	12,489	-	12,489	74,781	-	74,781
Total program services	$ 2,045,795	$ -	$ 2,045,795	$ 1,672,905	$ -	$ 1,672,905
Supporting services:						
General and administrative	$ 150,724	$ -	$ 150,724	$ 125,052	$ -	$ 125,052
Governance	66,377	-	66,377	65,982	-	65,982
Strategic planning	49,722	-	49,722	59,359	-	59,359
Membership development	34,299	-	34,299	35,840	-	35,840
Fundraising	5,365	-	5,365	6,858	-	6,858
Total supporting services	$ 306,487	$ -	$ 306,487	$ 293,091	$ -	$ 293,091
TOTAL EXPENSES	$ 2,352,282	$ -	$ 2,352,282	$ 1,965,996	$ -	$ 1,965,996
CHANGE IN NET ASSETS	$ 153,327	$ (27,158)	$ 126,169	$ 313,826	$ (14,185)	$ 299,641
NET ASSETS, BEGINNING OF YEAR	584,853	993,845	1,578,698	271,027	1,008,030	1,279,057
NET ASSETS, END OF YEAR	$ 738,180	$ 966,687	$ 1,704,867	$ 584,853	$ 993,845	$ 1,578,698

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

NATIONAL HEALTH COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services						Supporting Services						
	Member Services	Special Projects	Integrated Patient-Centered Care	Conferences	Publications	Subtotal	General and Administrative	Governance	Membership Development	Fundraising	Strategic Planning	Subtotal	Total
Personnel Costs:													
Salaries	$ 622,000	$ 132,876	$ 6,580	$ 42,384	$ 6,509	$ 810,349	$ 95,818	$ 32,426	$ 11,869	$ 3,308	$ 15,886	$ 159,307	$ 969,656
Fringe benefits	155,574	32,788	1,543	10,763	1,454	202,122	21,573	8,570	3,079	778	3,653	37,653	239,775
Fees:													
Contract	88,046	339,627	247	5,905	4,196	438,021	3,582	1,214	442	123	20,857	26,218	464,239
Professional	189,652	445	2,016	1,964	2,494	196,571	234	1,934	14,911	139	4,239	21,457	218,028
Computer	11,489	1,816	160	580	91	14,136	1,309	443	162	45	217	2,176	16,312
Accounting	9,996	2,135	106	681	106	13,024	1,540	525	190	53	256	2,564	15,588
Legal	11,486	696	35	222	36	12,475	502	168	62	17	83	832	13,307
Graphic design	-	-	-	1,450	-	1,450	-	-	-	-	-	-	1,450
Advertising	379	80	4	26	4	493	58	20	7	2	10	97	590
Occupancy	112,532	24,041	1,194	7,668	1,194	146,629	17,337	5,894	2,141	597	2,878	28,847	175,476
Conferences, conventions and meetings	35,768	885	24	52,109	24	88,810	354	7,952	277	12	229	8,824	97,634
Travel	18,017	537	10	6,928	27	25,519	157	235	51	5	26	474	25,993
Depreciation and amortization	16,334	3,490	174	1,113	174	21,285	2,517	853	311	87	418	4,186	25,471
Telephone	10,185	1,847	81	594	195	12,902	1,168	509	200	41	211	2,129	15,031
Equipment rental and maintenance	9,464	2,022	100	645	100	12,331	1,458	497	180	50	242	2,427	14,758
Printing	5,521	114	5	2,109	1,161	8,910	82	3,146	10	3	14	3,255	12,165
Member dues	8,849	538	26	171	26	9,610	387	133	48	13	64	645	10,255
Insurance	6,336	1,354	67	432	68	8,257	976	329	121	34	162	1,622	9,879
Supplies	6,093	1,299	65	465	66	7,988	936	315	116	32	155	1,554	9,542
Postage and shipping	2,518	314	16	908	1,693	5,449	225	663	28	8	38	962	6,411
Cost of goods sold	-	-	-	-	4,281	4,281	-	-	-	-	-	-	4,281
Bank charges and fees	1,770	378	19	121	17	2,305	273	93	34	9	45	454	2,759
Staff development	1,514	310	16	99	15	1,954	223	74	28	8	37	370	2,324
Messenger and express mail	227	54	1	19	6	307	15	361	32	1	2	411	718
Publications and subscriptions	617	-	-	-	-	617	-	23	-	-	-	23	640
TOTAL EXPENSES	$ 1,324,367	$ 547,646	$ 12,489	$ 137,356	$ 23,937	$ 2,045,795	$ 150,724	$ 66,377	$ 34,299	$ 5,365	$ 49,722	$ 306,487	$ 2,352,282

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

NATIONAL HEALTH COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services						Supporting Services						
	Member Services	Special Projects	Integrated Patient-Centered Care	Conferences	Publications	Subtotal	General and Administrative	Governance	Membership Development	Fundraising	Strategic Planning	Subtotal	Total
Personnel Costs:													
Salaries	$ 520,879	$ 63,516	$ 20,153	$ 40,207	$ 46,261	$ 691,016	$ 79,718	$ 28,213	$ 12,821	$ 3,956	$ 18,665	$ 143,373	$ 834,389
Fringe benefits	114,510	13,996	4,455	9,512	10,075	152,548	17,304	6,142	2,810	874	4,023	31,153	183,701
Fees:													
Professional	155,417	26,111	33,517	2,542	3,945	221,532	274	4,629	15,345	662	5,634	26,544	248,076
Contract	18,354	179,221	386	1,092	1,255	200,308	1,287	916	238	63	24,493	26,997	227,305
Computer	16,976	1,584	503	1,003	1,156	21,222	1,991	777	321	98	467	3,654	24,876
Accounting	7,127	867	276	549	634	9,453	1,090	389	176	54	256	1,965	11,418
Legal	2,724	71	627	44	52	3,518	89	2,259	99	4	21	2,472	5,990
Graphic design	-	-	-	1,675	-	1,675	-	-	-	-	-	-	1,675
Advertising	275	-	-	-	-	275	-	-	-	-	-	-	275
Occupancy	101,542	12,367	3,920	7,825	9,027	134,681	15,536	5,545	2,505	765	3,644	27,995	162,676
Conferences, conventions and meetings	43,423	6,126	1,861	49,808	238	101,456	406	9,162	217	20	95	9,900	111,356
Travel	16,215	3,037	7,096	5,729	126	32,203	219	1,819	96	11	148	2,293	34,496
Telephone	12,165	2,678	458	794	806	16,901	1,160	684	222	57	333	2,456	19,357
Printing	10,512	1,686	126	1,923	1,032	15,279	499	2,718	81	25	117	3,440	18,719
Equipment rental and maintenance	10,344	1,259	399	816	920	13,738	1,582	564	255	78	371	2,850	16,588
Insurance	7,359	895	284	567	654	9,759	1,126	406	182	55	264	2,033	11,792
Depreciation and amortization	6,365	774	246	490	565	8,440	974	349	157	48	228	1,756	10,196
Supplies	5,395	618	196	601	452	7,262	777	579	125	38	182	1,701	8,963
Postage and shipping	3,396	188	54	914	2,717	7,269	214	449	60	11	50	784	8,053
Cost of goods sold	-	-	-	-	7,340	7,340	-	-	-	-	-	-	7,340
Member dues	5,145	321	101	202	233	6,002	402	145	65	20	94	726	6,728
Publications and subscriptions	6,364	46	7	51	15	6,483	29	14	5	1	7	56	6,539
Bank charges and fees	1,712	209	67	132	154	2,274	262	92	42	13	61	470	2,744
Staff development	681	82	26	52	59	900	104	40	17	5	204	370	1,270
Mailing services	970	-	-	-	-	970	-	-	-	-	-	-	970
Messenger and express mail	245	43	23	24	66	401	9	91	1	-	2	103	504
TOTAL EXPENSES	$ 1,068,095	$ 315,695	$ 74,781	$ 126,552	$ 87,782	$ 1,672,905	$ 125,052	$ 65,982	$ 35,840	$ 6,858	$ 59,359	$ 293,091	$ 1,965,996

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

NATIONAL HEALTH COUNCIL, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, sponsors, and customers	$ 2,941,566	$ 2,116,799
Cash paid to employees and suppliers	(2,407,970)	(1,770,850)
Interest received	25,807	60,213
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 559,403	$ 406,162
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(68,687)	(50,884)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 490,716	$ 355,278
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,694,093	1,338,815
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,184,809	$ 1,694,093
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	$ 126,169	$ 299,641
Reconciliation adjustments:		
Depreciation and amortization	25,471	10,196
Changes in assets and liabilities:		
Accounts and pledges receivable	488,922	(88,625)
Prepaid expenses and other assets	(37,939)	(7,058)
Inventory	4,281	(2,164)
Accounts payable	137,587	14,978
Accrued expenses	6,811	6,530
Deferred revenue	(218,199)	172,664
Deferred pension payable	26,300	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 559,403	$ 406,162

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

NATIONAL HEALTH COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1. **Organization and Significant Accounting Policies**

Organization - The National Health Council, Inc. (the Council) provides national focus for sharing common concerns, evaluating needs, and pooling ideas and resources for national organizations in the health field. The Council is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Council has been designated a publicly supported organization under Section 170(b)(1)(A)(vi) of the same code.

Basis of Presentation - The financial statements have been presented in accordance with the *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations* published by the National Health Council, Inc. and the National Assembly of Health and Human Service Organizations.

The Council presents its financial statements in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*, issued by the Financial Accounting Standards Board (FASB). As such, the Council's net assets are reported on the basis of unrestricted, temporarily restricted, and permanently restricted.

Assets are temporarily restricted to the extent that their availability is restricted by donors based upon the passage of time or the occurrence of certain events. Such restrictions apply only to contributions and to grants considered contributions, and not to "exchange" transactions in which the Council provides a service or product to the funding agency. The Council had no permanently restricted net assets. The Council also conforms with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as support at the earlier of when they are received or unconditionally pledged.

The Council reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventory - The Council records its inventory of publications at the lower of cost or net realizable value for those publications that have an expected shelf life of more than one year. Cost is determined on a first-in, first-out basis.

Note 1. **Organization and Significant Accounting Policies** - (Continued)

Property and Equipment - Property and equipment is recorded at cost. The Council capitalizes assets whose costs are in excess of $500. Depreciation and amortization is computed using the straight-line method over estimated useful lives of three to ten years. Expenditures for maintenance and repairs are charged to expense as incurred.

When property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income or expense.

Functional Expense Allocations - Indirect expenses are allocated to various program and supporting services based upon the ratio of salaries charged to total salaries.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note 2. **Concentration of Credit Risk** - Financial instruments that potentially subject the Council to concentration of credit risk include cash deposits with commercial banks. The Council's cash management policies limit its exposure to concentration of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may exceed the FDIC insurable limit of $250,000 at times throughout the year.

Note 3. **Accounts and Pledges Receivable** - Accounts receivable represent amounts billed but not collected. Pledges receivable represent sponsorships pledged but not yet received. These items, which are generally uncollateralized, are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the payment history with members having outstanding balances and current relationships with them, it has concluded that realization losses, if any, on balances outstanding at year-end would be immaterial.

Note 4. **Property and Equipment** - Property and equipment consisted of the following at December 31:

	2008	2007
Property and equipment	$ 183,542	$ 115,680
Leasehold improvements	41,155	40,330
Subtotal	$ 224,697	$ 156,010
Less, Accumulated depreciation and amortization	123,694	98,223
Totals	$ 101,003	$ 57,787

Note 5. **Deferred Revenue** - Deferred revenue represents membership dues and royalties collected in advance for future periods.

Note 6. **Temporarily Restricted Net Assets** - Temporarily restricted net assets consist of contributions having donor-imposed purpose restrictions that will be met by the Council in a future period. Temporarily restricted net assets were for the following purposes as of December 31:

	2008	2007
Intellectual Property	$ 169,667	$ 95,883
Bio Similars	164,416	185,107
Price Controls/Innovation	121,841	154,454
Comparative Effectiveness	117,141	214,538
Comparative Effectiveness - Legislative Analysis	108,731	-
NHC/NIH Research Database	93,872	-
Voluntary Health Agency Leadership Conference	69,627	86,875
Washington Reps Retreat	38,000	-
Intellectual Property - Legislative Analysis	31,727	-
Patient-Centered Care	23,773	35,814
Congressional Briefings	15,008	16,141
Policy Briefing Series	12,834	16,942
National Advisory Commission	50	498
Government Relations Technical Assistance	-	90,668
Policy Development Fund	-	66,925
Office Furniture Underwriting	-	30,000
Totals	$ 966,687	$ 993,845

Note 7. **Retirement Plans** - The Council maintains a defined contribution retirement plan qualified under Internal Revenue Code Section 403(b) covering substantially all employees. Contributions by the Council are based on fixed percentages of compensation, up to 8% for the year ended December 31, 2008, determined by the participants' years of service.

The Council also maintains a deferred compensation plan under Internal Revenue Service Code Section 457(b). Highly compensated employees with a minimum of six months of service are eligible to participate.

Total expense under the 403(b) and 457(b) plans for the years ended December 31, 2008 and 2007 was $60,007 and $46,939, respectively.

Note 7. **Retirement Plans** - (Continued)

Effective January 1, 2008, the Council adopted a nonqualified "ineligible 457(f) plan" within the meaning of Section 457(f) of the Internal Revenue Code of 1986, as amended. Currently, the plan provides benefits to the Council's President. The Council credits the participant's deferred compensation account with annual contributions of $25,000 for five years beginning with the plan's effective date. The contributions, including earnings thereon, fully vest on January 1, 2013 (the vesting date), assuming the President is continuously employed by the Council during the five-year period. Total expense under this plan for 2008 was $26,300.

The Council has also established a supplemental tax deferred retirement plan under Section 403(b) of the Internal Revenue Code. Under the Plan, participants are permitted to contribute a portion of their compensation that accumulates on a tax-deferred basis.

Note 8. **Commitments** - In August 2006, the Council entered into an eight-year lease for office space expiring July 31, 2014. Monthly lease payments increase 2.50% on each anniversary of the lease. The Council is responsible for paying a pro rata share of real estate taxes and other operating expenses of the building during the year.

Occupancy expense was $175,476 and $162,676 for the years ended December 31, 2008 and 2007, respectively.

The Council has an operating lease for a copier. The monthly lease payments are $395.

Future minimum lease commitments are as follows:

Year ended December 31,	Office Lease	Copier Lease	Totals
2009	164,183	4,740	168,923
2010	168,319	4,740	173,059
2011	174,109	4,345	178,454
2012	181,449	-	181,449
2013	185,999	-	185,999
Thereafter	125,929	-	125,929
Totals	$ 999,988	$ 13,825	$ 1,013,813

Guarantee - In November 2001, the Council entered into an agreement with seven other organizations to act as guarantors on a loan for the Association for the Accreditation of Human Research Protection Programs, Inc. (AAHRPP), an unaffiliated not-for-profit organization. If AAHRPP defaults on the loan, the Council would be liable for 1.75% of the outstanding balance. As of December 31, 2008, the outstanding balance on the loan was $995,000, of which the Council would be liable for $17,413.