

INTERNATIONAL F.O.P. ASSOCIATION, INC.

FINANCIAL REPORT

DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
International F.O.P. Association, Inc.
Oviedo, Florida

I have audited the accompanying statement of financial position of the International F.O.P. Association, Inc. (a nonprofit organization) as of December 31, 2013 and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Association's 2012 audited financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

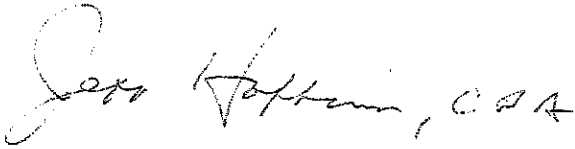
My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement. In making those risk assessments I considered information relevant to the entity in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly in all material respects the financial position of The International FOP Association, Inc. as of December 31, 2013 and the changes in net assets, cash flows and functional expenses for the year ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Jerry Hoffman, CPA". The signature is written in black ink and is positioned above the date.

May 7, 2014

INTERNATIONAL F.O.P. ASSOCIATION, INC.
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2013
 (WITH COMPARATIVE TOTALS FOR 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2013	2012
ASSETS					
Cash and cash equivalents	\$ 1,398,544	\$ 687,611	\$	\$ 2,086,155	\$ 1,655,176
Contributions receivable	47,826			47,826	22,185
Prepaid expenses	269			269	2,201
Investments	417,429			417,429	217,999
Deposits on leased property	950			950	950
Property and equipment, net	10,513			10,513	16,583
TOTAL ASSETS	\$ 1,875,531	\$ 687,611	\$	\$ 2,563,142	\$ 1,915,094
LIABILITIES AND NET ASSETS					
Liabilities					
Accrued expenses	\$ 17,008	\$	\$	\$ 17,008	\$ 9,743
Net assets	1,858,523	687,611		2,546,134	1,905,351
TOTAL LIABILITIES AND NET ASSETS	\$ 1,875,531	\$ 687,611	\$	\$ 2,563,142	\$ 1,915,094

See Notes to Financial Statements

INTERNATIONAL F.O.P. ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2013	2012
Revenue and public support					
Contributions	\$ 158,578	\$ 439,476	\$	\$ 598,054	\$ 313,138
25th Anniversary Income	49,084			49,084	
Membership dues	6,850			6,850	7,100
Total contributions and dues	214,512	439,476		653,988	320,238
Special events	184,470	644,541		829,011	645,642
Goods contributed to events	47,891	44,420		92,311	36,667
Direct donor benefit costs					(17,595)
Other event expenses	(48,935)	(68,608)		(117,543)	(66,442)
Total special events net of expenses	183,426	620,353		803,779	598,272
Net assets released from restrictions	488,586	(488,586)			
Investment income	7,357			7,357	9,471
Sales and service fees	3,228			3,228	2,162
Non-operating gains	4,055			4,055	6,160
Total other	503,226	(488,586)		14,640	17,793
Contributed goods and services	6,269			6,269	4,389
Total revenue and public support	907,433	571,243		1,478,676	940,692
Expenses					
Medical research	484,802			484,802	420,248
Public awareness	19,980			19,980	18,610
Education and support	169,061			169,061	37,851
Management and general	99,099			99,099	72,818
Fundraising	64,951			64,951	64,682
Total expenses	837,893			837,893	614,209
Change in net assets	69,540	571,243		640,783	326,483
Net assets, beginning of year	1,788,983	116,368		1,905,351	1,578,868
Net assets, end of year	\$ 1,858,523	\$ 687,611	\$	\$ 2,546,134	\$ 1,905,351

See Notes to Financial Statements

INTERNATIONAL F.O.P. ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	Program Services				Support Services			Combined Totals	
	Medical Research	Public Awareness	Education & Support	Total Program Services	Management & General	Fundraising	Total Support Services	2013	2012
Compensation:									
Salaries & benefits	\$ 3,871	\$ 8,161	\$ 32,455	\$ 44,487	\$ 56,533	\$ 29,372	\$ 85,905	\$ 130,392	\$ 85,636
Payroll taxes	330	695	2,764	3,789	4,814	2,501	7,315	11,104	7,143
	4,201	8,856	35,219	48,276	61,347	31,873	93,220	141,496	92,779
25th Anniversary			110,437	110,437				110,437	
Annual Report - Medical	1,556			1,556				1,556	2,941
Awareness merchandise	1,280	1,280		2,560		1,280	1,280	2,560	(150)
Conference & seminars	6,180			6,180				6,180	
Depreciation	224	472	1,879	2,575	3,273	1,701	4,974	7,549	6,958
Fundraising	97	205	814	1,116	1,418	5,606	5,606	7,069	7,069
Insurance			3,723	3,723		737	2,155	3,271	3,416
LIFE awards			804	804				3,723	5,285
Medical binders								804	1,674
Medical research awards	462,520			462,520				462,520	413,439
Meetings	363	765	3,041	4,169	5,297	2,752	8,049	12,218	15,191
Office expense & supplies			1,081	1,081	4,704		4,704	5,785	6,680
Outsourcing	447	942	3,745	5,134	6,524	3,390	9,914	15,048	15,271
Patient Registry	1,100			1,100				1,100	
Postage & shipping	915	353		1,268	2,048	3,457	5,505	6,773	3,798
Printing & publications		1,833		1,833		6,215	6,215	8,048	2,838
Professional fees	6,400	407	1,618	8,425	2,818	1,464	4,282	12,707	6,400
Rent & utilities	533	1,124	4,471	6,128	7,788	4,046	11,834	17,962	17,201
Technology	198	418	1,663	2,279	2,896	1,505	4,401	6,680	6,464
Telephone	68	142	566	776	986	512	1,498	2,274	2,276
Travel						413	413	413	1,561
Website		3,183		3,183				3,183	3,118
Total functional expenses	\$ 484,802	\$ 19,980	\$ 169,061	\$ 673,843	\$ 99,099	\$ 64,951	\$ 164,050	\$ 837,893	\$ 614,209

See Notes to Financial Statements

INTERNATIONAL F.O.P. ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 640,783	\$ 326,483
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,549	6,958
Donated stock included in contributions		(10,670)
Unrealized (gains) losses on investments	(4,055)	(6,160)
Changes in assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	(25,641)	(12,142)
Interest receivable		470
Prepaid expenses	1,932	902
Increase (decrease) in:		
Accrued expenses	7,265	(2,422)
Deferred revenue		
Net cash provided by operating activities	627,833	303,419
Cash flows from investing activities:		
Purchase of property and equipment	(1,479)	(4,951)
Purchase of investments	(249,550)	(39,265)
Proceeds from sale of investments	54,175	29,097
Net cash used in investing activities	(196,854)	(15,119)
Net increase in cash	430,979	288,300
Cash at beginning of year	1,655,176	1,366,876
Cash at end of year	\$ 2,086,155	\$ 1,655,176

See Notes to Financial Statements

INTERNATIONAL F.O.P. ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The International F.O.P. Association, Inc. (the IFOPA) is a 501(c)(3) not-for-profit organization established in 1988 in the State of Florida. The IFOPA supports those afflicted by the rare genetic condition Fibrodysplasia Ossificans Progressiva (FOP) and their families by instilling hope worldwide while searching for a cure. The IFOPA's mission is fund research to find a cure for FOP while supporting individuals and their families through education, public awareness and advocacy.

A summary of the IFOPA's significant accounting policies follows:

Basis of Accounting – The financial statements of the IFOPA are prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other liabilities.

Financial Statement Presentation - The financial statements are prepared on the accrual basis of accounting. The IFOPA has adopted Financial Accounting Standards Board *FASB ASC 958-205, Financial Statements of Not-for-Profit Organizations*. Under *FASB ASC 958-205*, net assets, revenues, expenses, gains and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by action or the passage of time. When a donor stipulation expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that are maintained permanently.

Income Taxes – The IFOPA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The IFOPA is not considered to be a private foundation. Income which is not related to exempt purposes, less applicable deductions, may be subject to federal corporate income taxes. For the year ended December 31, 2013, the IFOPA has no such unrelated business income.

INTERNATIONAL F.O.P. ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Cash Equivalents – Cash equivalents are highly liquid investments with a maturity of three months or less.

Certificates of Deposit – Certificates of deposit with a maturity of more than three months.

Investments – Investments in debt and equity securities are carried at fair value. The cost assigned to investments received by gift is the fair value at the date the gift is received. The net realized and unrealized gains (losses) on investments are reflected in the statement of activities.

Property and Equipment – Property and equipment are stated at cost and are capitalized when cost exceeds \$500. Donated assets are capitalized at the estimated fair market value at date of receipt. Depreciation is computed on the straight line method over the estimated useful lives of the assets, which range from 3 to 7 years. The cost of maintenance and repairs is recorded as expense as incurred; significant renewals and betterments are capitalized.

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

Contributed Goods and Services – Contributed goods are reflected as contributions in the statement of activities at their estimated value at date of receipt. Contributed services are reflected in the statement of activities at the fair value of the services received. The contributions of services are recognized if the services received either (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided.

Awards and Grants – Awards and grants are recorded as expense in the year for which they are designated, with continuation subject to certain performance requirements.

Functional Allocation – The cost of providing the IFOPA's various programs and supporting services are summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Comparative Data – The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State of America. Accordingly, such financial information should be read in conjunction with the IFOPA's financial statements for the year ended December 31, 2012 from which the summarized financial information is derived.

INTERNATIONAL F.O.P. ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Subsequent Events – Subsequent events have been evaluated through the date on the Auditor’s Report, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are reported at fair market value of \$417,429 at December 31, 2013. The cost basis of these investments is \$413,808 at December 31, 2013.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013, consist of the following:

Office equipment	Useful Life - 7 years	\$ 31,939
Website	Useful Life - 5 years	21,490
Less accumulated depreciation		<u>(42,916)</u>
		<u>\$ 10,513</u>

Depreciation expense is \$7,549 for the year ended December 31, 2013.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 are available for the following purposes:

L.I.F.E. Award	\$ 9,586
Medical Research	<u>678,025</u>
	<u>\$687,611</u>

NOTE 5 – FUNCTIONAL EXPENSES

Direct expenses are charged to program or support services based on specific identification. Indirect expenses are allocated based on estimated salary costs required to perform various functions and activities.

INTERNATIONAL F.O.P. ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

During the ordinary course of business, the IFOPA's cash and cash equivalents, and investment balances may exceed FDIC and SIPC insurance limits. The accounts are closely monitored by management. The IFOPA has not experienced any losses on such cash accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 7 – RISKS AND UNCERTAINTIES

The IFOPA invests in various types of marketable securities. Such investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is possible that changes in the values of these securities may occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

NOTE 8 – LEASING ACTIVITIES

The IFOPA rents office space under an operating lease expiring on April 30, 2014. Rent expense is \$15,759 for 2013. Minimum lease payments through April 30, 2014 are \$5,304. While negotiating a new operating lease, the IFOPA rents office space on a month to month basis at a monthly rent expense of \$1,366.

NOTE 9 – CONTRIBUTED GOODS AND SERVICES

Non-cash assets are donated to the IFOPA for the use in major special event fund raisers. These items are used in auctions and drawings during the special events. The fair value of donated items totals \$92,311 for 2013. Auction and drawing proceeds total \$51,628 for 2013.

The IFOPA receives donated services from many volunteers who assist in fundraising, education, and various programs. No amounts are recognized in the financial statements since these services do not meet the criteria for recognition as contributed services.

INTERNATIONAL F.O.P. ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 10 - FAIR VALUE MEASUREMENT

The IFOPA has various investments reported in the accompanying statement of assets, liabilities and net assets. *FASB ASC 820-10-50-1 through 50-3* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels which are:

Level 1: Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Level 2: Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets.

Level 3: Financial assets and liabilities valued using Level 3 inputs are primarily valued using management's judgment or estimation, since there is little, if any, market activity.

The schedule below details the level of the IFOPA's financial investments.

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$417,429	\$417,429		
	<u>\$417,429</u>	<u>\$417,429</u>		