

**INTERNATIONAL F.O.P. ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

## TABLE OF CONTENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7 - 11

# JEFF HOFFMAN, CPA

---

1220 Kenwood Ave  
Winter Park, FL 32789

407-645-4995 office  
407-718-3453 cell

## 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, 2012 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 2011 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, 2012 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.

*Joe Hadden, CPA*

April 25, 2013

INTERNATIONAL F.O.P. ASSOCIATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012  
(WITH COMPARATIVE TOTALS FOR 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,538,808	\$ 116,368		\$ 1,655,176	\$ 1,366,876
Contributions receivable	22,185			22,185	10,044
Interest receivable					470
Prepaid expenses	2,201			2,201	3,103
Certificates of deposit					25,000
Investments	217,999			217,999	166,000
Deposits on leased property	950			950	950
Property and equipment, net	16,583			16,583	18,591
<b>TOTAL ASSETS</b>	<b>\$ 1,798,726</b>	<b>\$ 116,368</b>		<b>\$ 1,915,094</b>	<b>\$ 1,591,034</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accrued expenses	\$ 9,743	\$		\$ 9,743	\$ 12,166
<b>Net assets</b>	<b>1,788,983</b>	<b>116,368</b>		<b>1,905,351</b>	<b>1,578,868</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,798,726</b>	<b>\$ 116,368</b>		<b>\$ 1,915,094</b>	<b>\$ 1,591,034</b>

See Notes to Financial Statements

INTERNATIONAL F.O.P. ASSOCIATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE TOTALS FOR 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
<b>Revenue and public support</b>					
Contributions	\$ 169,185	\$ 143,953	\$	\$ 313,138	\$ 457,420
Membership dues	7,100			7,100	4,800
Total contributions and dues	176,285	143,953		320,238	462,220
Special events	224,767	420,875		645,642	395,057
Goods contributed to events	34,633	2,034		36,667	1,981
Direct donor benefit costs	(15,165)	(2,430)		(17,595)	(15,112)
Other event expenses	(39,539)	(26,903)		(66,442)	(6,803)
Total special events net of expenses	204,696	393,576		598,272	375,123
Net assets released from restrictions	425,534	(425,534)			
Investment income	9,471			9,471	11,784
Sales and service fees	2,162			2,162	1,451
Non-operating gains	6,160			6,160	(1,861)
Total other	443,327	(425,534)		17,793	11,374
Contributed goods and services	4,389			4,389	2,282
Total revenue and public support	828,697	111,995		940,692	850,999
<b>Expenses</b>					
Medical research	420,248			420,248	462,298
Public awareness	18,610			18,610	20,333
Education and support	37,851			37,851	44,963
Management and general	72,818			72,818	115,538
Fundraising	64,682			64,682	51,509
Total expenses	614,209			614,209	694,641
Change in net assets	214,488	111,995		326,483	156,358
Net assets, beginning of year	1,574,495	4,373		1,578,868	1,422,510
Net assets, end of year	\$ 1,788,983	\$ 116,368	\$	\$ 1,905,351	\$ 1,578,868

See Notes to Financial Statements

**INTERNATIONAL F.O.P. ASSOCIATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE TOTALS FOR 2011)**

	Program Services				Support Services			Combined Totals	
	Medical Research	Public Awareness	Education & Support	Total Program Services	Management & General	Fundraising	Total Support Services	2012	2011
Compensation:									
Salaries & benefits	1,959	7,205	15,411	24,575	34,076	26,985	61,061	85,636	100,678
Payroll taxes	163	601	1,285	2,049	2,843	2,251	5,094	7,143	10,997
	2,122	7,806	16,696	26,624	36,919	29,236	66,155	92,779	111,675
Annual Report - Medical	2,941	(75)		2,941				2,941	1,419
Awareness merchandise				(75)		(75)	(75)	(150)	
Conference & seminars									
Depreciation	159	585	1,252	1,996	2,769	2,193	4,962	6,958	6,547
Dues & subscriptions									625
Fundraising									
Insurance	78	287	615	980	1,359	7,069	7,069	7,069	11,816
LIFE awards			5,285	5,285		1,077	2,436	3,416	3,443
Medical binders			1,674	1,674				5,285	3,872
Medical research awards	413,439			413,439				1,674	7,207
Meetings	347	1,278	2,734	4,359	6,045	4,787	10,832	413,439	430,852
Office expense & supplies			1,027	1,027	5,653		5,653	15,191	19,889
Outsourcing	349	1,285	2,748	4,382	6,077	4,812	10,889	6,680	12,714
Postage & shipping	74	913		987	1,125	1,686	2,811	15,271	14,504
Printing & publications		693		693		2,145	2,145	3,798	7,827
Professional fees	146	538	1,152	1,836	2,547	2,017	4,564	2,838	3,214
Rent & utilities	393	1,447	3,095	4,935	6,846	5,420	12,266	6,400	6,500
Scientific Meeting								17,201	15,709
Technology	148	544	1,163	1,855	2,572	2,037	4,609	6,464	30,010
Telephone	52	191	410	653	906	717	1,623	2,276	2,601
Travel						1,561	1,561	1,561	640
Website		3,118		3,118				3,118	3,577
<b>Total functional expenses</b>	<b>\$ 420,248</b>	<b>\$ 18,610</b>	<b>\$ 37,851</b>	<b>\$ 476,709</b>	<b>\$ 72,818</b>	<b>\$ 64,682</b>	<b>\$ 137,500</b>	<b>\$ 614,209</b>	<b>\$ 694,641</b>

See Notes to Financial Statements

INTERNATIONAL F.O.P. ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 326,483	\$ 156,358
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,958	6,547
Donated stock included in contributions	(10,670)	(482)
Unrealized (gains) losses on investments	(6,160)	1,861
Changes in assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	(12,142)	(2,239)
Consignment receivable		500
Interest receivable	470	651
Prepaid expenses	902	(2,334)
Increase (decrease) in:		
Accrued expenses	(2,422)	208
Deferred revenue		(50,000)
Net cash provided by operating activities	<u>303,419</u>	<u>111,070</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,951)	(1,701)
Purchase of investments	(39,265)	
Proceeds from sale of investments	<u>29,097</u>	<u>82,333</u>
Net cash used in investing activities	<u>(15,119)</u>	<u>80,632</u>
Net increase in cash	288,300	191,702
Cash at beginning of year	<u>1,366,876</u>	<u>1,175,174</u>
Cash at end of year	<u>\$ 1,655,176</u>	<u>\$ 1,366,876</u>

See Notes to Financial Statements



**INTERNATIONAL F.O.P. ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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, 2012, the IFOPA has no such unrelated business income.

**INTERNATIONAL F.O.P. ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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, 2011 from which the summarized financial information is derived.

**INTERNATIONAL F.O.P. ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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 \$217,998 at December 31, 2012. The cost basis of these investments is \$225,339 at December 31, 2012.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2012, consist of the following:

Office equipment	Useful Life - 7 years	\$ 30,460
Website	Useful Life - 5 years	21,490
Less accumulated depreciation		<u>(35,367)</u>
		<u>\$ 16,583</u>

Depreciation expense is \$6,958 for the year ended December 31, 2012.

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2012 are available for the following purposes:

L.I.F.E. Award	\$ 8,309
Medical Research	<u>108,059</u>
	<u>\$116,368</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, 2012**

**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 \$15,060 for 2012. Minimum lease payments for 2013 and 2014 are \$15,759 and \$5,304 respectively.

**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 \$36,667 for 2012. Auction and drawing proceeds total \$79,244 for 2012.

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, 2012**

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	\$ 68,343	\$68,343		
Bond fund	149,655		\$149,655	
	<u>\$217,998</u>	<u>\$68,343</u>	<u>\$149,655</u>	