



INTERNATIONAL F.O.P. ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of International F.O.P. Association, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2015 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International F.O.P. Association, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BKHM, P.A.

Winter Park, Florida
July 1, 2016

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

Current assets:	
Cash and cash equivalents	\$ 590,915
Receivables	53,392
Investments	3,367,603
Prepaid expenses	37,789
Other assets, current	54,645
	<hr/>
Total current assets	4,104,344
Furnishings, fixtures and equipment, net of accumulated depreciation	7,007
Other assets, non-current	79,272
Intangible assets, net of accumulated amortization	10,037
	<hr/>
Total assets	<u>\$ 4,200,660</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 235,047
Deferred revenues	77,780
	<hr/>
Total liabilities	312,827
Net assets:	
Unrestricted	2,119,792
Temporarily restricted	1,768,041
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Total net assets	3,887,833
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Total liabilities and net assets	<u>\$ 4,200,660</u>

See accompanying notes to financial statements.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Special events revenue	\$ 183,169	\$ 620,683	\$ 803,852
Less: Costs of direct benefits to donors	(45,736)	(93,588)	(139,324)
Net special events revenue	137,433	527,095	664,528
Contributions	266,195	635,299	901,494
Noncash contributions	91,656	64,281	155,937
Other income	11,308	-	11,308
Net assets released from restrictions:			
Satisfaction of program restrictions	808,615	(808,615)	-
Total support, revenue and net assets released from restrictions	1,315,207	418,060	1,733,267
Expenses:			
Program services:			
Medical research	900,938	-	900,938
Public awareness	38,921	-	38,921
Education and support	56,008	-	56,008
Total program services	995,867	-	995,867
Supporting services:			
Management and general	148,329	-	148,329
Fundraising	88,173	-	88,173
Total supporting services	236,502	-	236,502
Investment loss, net	11,665	-	11,665
Total expenses	1,244,034	-	1,244,034
Change in net assets	71,173	418,060	489,233
Net assets at beginning of year	2,048,619	1,349,981	3,398,600
Net assets at end of year	\$ 2,119,792	\$ 1,768,041	\$ 3,887,833

See accompanying notes to financial statements.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services			Supporting Services		Total
	Medical Research	Public Awareness	Education and Support	Management and General	Fundraising	
Compensation:						
Salaries and benefits	\$ 12,920	\$ 11,485	\$ 27,277	\$ 54,553	\$ 37,326	\$ 143,561
Payroll taxes	935	831	1,975	3,949	2,702	10,392
	<u>13,855</u>	<u>12,316</u>	<u>29,252</u>	<u>58,502</u>	<u>40,028</u>	<u>153,953</u>
Annual report - medical	2,018	-	-	-	-	2,018
Awareness merchandise	-	-	-	-	1,229	1,229
Conferences and seminars	-	6,641	-	-	-	6,641
Depreciation and amortization expe	276	245	583	1,165	797	3,066
Fundraising costs	-	-	-	-	5,766	5,766
Insurance	368	327	776	1,553	1,062	4,086
L.I.F.E. awards	-	-	2,732	-	-	2,732
Medical binders	-	-	1,005	-	-	1,005
Medical research awards	540,975	-	-	-	-	540,975
Meetings	1,858	1,651	3,922	7,843	5,366	20,640
Office expense and supplies	475	-	933	4,670	-	6,078
Outsourcing	157,390	904	2,147	4,294	2,938	167,673
Patient registry	160,656	-	-	-	-	160,656
Postage and shipping	141	650	212	424	5,405	6,832
Printing and publications	11	5,752	24	48	5,846	11,681
Professional fees	5,840	856	2,033	4,066	2,782	15,577
Recruitment costs	-	-	-	40,986	-	40,986
Rent and utilities	1,907	1,695	4,025	8,051	5,509	21,187
Strategic planning	2,862	2,544	6,042	12,084	8,268	31,800
Technology	759	675	1,603	3,205	2,193	8,435
Telephone	341	303	719	1,438	984	3,785
Travel	11,206	-	-	-	-	11,206
Website	-	4,362	-	-	-	4,362
Total expenses	<u>\$ 900,938</u>	<u>\$ 38,921</u>	<u>\$ 56,008</u>	<u>\$ 148,329</u>	<u>\$ 88,173</u>	<u>\$ 1,232,369</u>

See accompanying notes to financial statements.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 489,233
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	3,066
Net realized and unrealized loss on investments	106,026
Net changes in assets and liabilities:	
Receivables	9,988
Prepaid expenses	(35,670)
Other assets	(60,712)
Accounts payable and accrued expenses	147,543
Deferred revenues	77,780
	<hr/>
Net cash provided by operating activities	737,254

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(1,331,151)
Proceeds from sales of investments	298,671
Purchases of intangible assets	(9,725)
	<hr/>
Net cash used for investing activities	(1,042,205)
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Net decrease in cash	(304,951)
Cash and cash equivalents at beginning of year	895,866
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Cash and cash equivalents at end of year	\$ 590,915

See accompanying notes to financial statements.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

1 DESCRIPTION OF ORGANIZATION

International F.O.P. Association, Inc. (“the Organization”) is a not-for-profit Florida corporation and was incorporated in June 1988. The Organization was established to support medical research, education, and communication for those afflicted by the rare genetic condition, Fibrodysplasia Ossificans Progressiva (F.O.P.). The Organization’s mission is to fund research to find a cure for F.O.P. while supporting individuals and their families through education, public awareness, and advocacy.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted – net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.
- Permanently restricted – net assets required to be maintained in perpetuity with only the income to be used for the Organization’s activities due to donor-imposed restrictions.

As of December 31, 2015, the Organization had no permanently restricted net assets.

Cash and cash equivalents

Cash and cash equivalents are considered to be all highly liquid investments with an original maturity of less than 90 days when purchased.

Investments

Investments are recorded at estimated fair value.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Furnishings, fixtures, equipment and depreciation

Furnishings, fixtures and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance costs which do not extend asset lives are expensed in the period incurred.

Depreciation is determined using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furnishings, fixtures and equipment	5-7

Other assets

Other assets include the patient registry platform and various deposits. The patient registry platform is amortized on a straight-line basis over the contractual life, which is three years. The deposits are stated at cost.

Support and revenue

All items of support and revenue are stated on the accrual basis. Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified as unrestricted when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed. Contributions with restrictions that are met during the fiscal year are recorded as unrestricted support. Support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions that are not fulfilled in the accounting period. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. All expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, that is, the expiration of the donor-imposed stipulated purpose or the elapsing of the specified time period, are reported as net assets released from restrictions. The Organization does not release a restricted asset from restricted funds until it is ready to be placed into service. Once placed into service, the asset is released from restricted funds over the asset's useful life.

Contributions received for fundraising events are recorded as deferred revenue until the event is held.

Non-cash contributions and contributed services

Material non-cash contributions are recorded at their estimated fair value as revenue and expense at the time the items are placed into service or utilized.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Contributed services are reported as contributions at their fair value if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition, the appropriate value of donated services of individuals is recorded as an expense when such services qualify for cost reimbursement from third-party providers.

Functional allocation of expenses

All expenses are stated on the accrual basis and are presented in a functionalized statement. Allocation of expenses to program services and supporting services are based on personnel time and actual expenses incurred for the related activities.

Financial instruments and concentration of credit risk

The Organization's financial instruments consist principally of cash and cash equivalents, receivables, investments, prepaid expenses, other assets, and accounts payable and accrued expenses. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The fair value of the Organization's cash and cash equivalents and investments was determined based on Level 1 inputs. The Organization does not have any financial instruments in the Level 2 or Level 3 categories. The Organization believes that the recorded values of all the other financial instruments approximate their current fair values because of their nature and relatively short maturity dates or durations.

There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for these assets or liabilities for the year ended December 31, 2015.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Financial instruments which potentially expose the Organization to a concentration of credit risk consist primarily of cash and cash equivalents. The Organization deposits its cash with major banks. Deposits totaling approximately \$204,000 were not fully guaranteed by the FDIC as of December 31, 2015. The Organization has historically not experienced losses on its bank cash deposits.

Income taxes

The Organization is exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is reflected in the accompanying financial statements.

The Organization has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The Organization assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the Organization believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the financial statements, as the Organization believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold. With few exceptions, the Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012.

Use of estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events

The Organization has evaluated subsequent events through July 1, 2016, the date these financial statements were available to be issued.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 INVESTMENTS

Investments consist of the following as of December 31, 2015:

Equity securities	\$ 506
Exchange-traded funds	3,271,421
Real estate investment trust	<u>95,676</u>
	<u>\$ 3,367,603</u>

4 OTHER ASSETS

Other assets primarily consist of payments made toward the development of a patient registry platform by a third party vendor to compile patient data and facilitate research. Other assets of approximately \$164,000 are being amortized over the initial three year life of the contract ending in May 2018. The net balance as of December 31, 2015 is approximately \$132,000 with the current year expense included in the accompanying financial statements as patient registry expense.

5 FURNISHINGS, FIXTURES AND EQUIPMENT

Furnishings, fixtures and equipment consist of the following as of December 31, 2015:

Furnishings, fixtures and equipment	\$ 17,679
Less accumulated depreciation	<u>(10,672)</u>
	<u>\$ 7,007</u>

Depreciation expense for the year ended December 31, 2015 amounted to \$2,407.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

6 INTANGIBLE ASSETS

Major classifications of intangible assets as of December 31, 2015 are summarized as follows:

Website	\$ 21,490
Less accumulated amortization	<u>(21,178)</u>
Total amortizable intangible assets	312
Construction in progress - new website	<u>9,725</u>
	<u><u>\$ 10,037</u></u>

Amortization expense related to intangible assets totaled approximately \$659 for the year ended December 31, 2015.

Future amortization expense for intangible assets as of December 31, 2015 is as follows:

2016	\$ 960
2017	1,945
2018	1,945
2019	1,945
2020	1,945
Thereafter	1,297

7 NET ASSET CLASSIFICATIONS

Temporarily restricted net assets are available for the following purposes or periods:

Periods after December 31, 2015:	
Medical research	\$ 1,518,412
Patient registry	137,518
L.I.F.E. Award	17,524
Competitive research grant	<u>94,587</u>
Total temporarily restricted net assets	<u><u>\$ 1,768,041</u></u>

INTERNATIONAL F.O.P. ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

8 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors during the fiscal year:

Costs of direct benefits to donors:	
Medical research	\$ 93,588
Total net assets released from special events revenue	93,588
Purpose restriction accomplished:	
Medical research	774,120
Patient registry	31,763
L.I.F.E. Award	2,732
Total net assets released from program restrictions	808,615
Total net assets released from restrictions	\$ 902,203

9 COMMITMENTS AND CONTINGENT LIABILITIES

Legal matters

In the normal course of conducting its business, the Organization occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Lease commitments

The Organization leases building space under a noncancelable operating lease agreement. The lease requires monthly payments of \$1,744 and matures in June 2018. Total rent expense for the year ended December 31, 2015 was \$21,187.

Future minimum lease payments required by the lease as of December 31, 2015 are as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2016	\$ 20,928
2017	20,928
2018	10,464
Total	\$ 52,320

INTERNATIONAL F.O.P. ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Grant commitments

As of December 31, 2015, the Organization had approved a research grant totaling approximately \$530,000 to be paid during the year ending December 31, 2016 once stated conditions are met.

As of December 31, 2015, the Organization had approved competitive research grants to several third party organizations totaling approximately \$125,000. Certain conditions of these grants have been met as of December 31, 2015, approximately \$20,000 has been paid to the various organizations and approximately \$35,000 has been recorded as accounts payable and accrued expenses in the accompanying financial statements. The remaining portion of these grants are considered commitments at year-end, totaling approximately \$70,000, and will be disbursed based on upon certain conditions being met by the grantee.