



INTERNATIONAL F.O.P. ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014





REPORT OF INDEPENDENT AUDITORS

The Board of Directors
International F.O.P. Association, Inc.
Casselberry, Florida

We have audited the financial statements of International F.O.P. Association, Inc. ("the Organization"), which comprise the statement of financial position as of December 31, 2014, 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 Organization'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 Organization'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.

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, 2014, 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.

Batts Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
August 11, 2015

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

ASSETS

ASSETS

Cash and cash equivalents	\$	959,246
Investments		2,441,149
Other assets		75,324
Furniture and equipment, net		<u>10,385</u>

Total assets \$ 3,486,104

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	<u>87,504</u>
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Total liabilities 87,504

NET ASSETS

Unrestricted		2,048,619
Temporarily restricted		<u>1,349,981</u>

Total net assets 3,398,600

Total liabilities and net assets \$ 3,486,104

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Special events revenue	\$ 198,654	\$ 589,783	\$ 788,437
Direct events expenses	<u>(46,506)</u>	<u>(28,403)</u>	<u>(74,909)</u>
Net special events revenue	152,148	561,380	713,528
Contributions and grants	172,863	859,510	1,032,373
Noncash contributions	42,435	2,362	44,797
Other income	5,915	—	5,915
Investment income, net	48,202	—	48,202
Net assets released from restrictions	<u>760,882</u>	<u>(760,882)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>1,182,445</u>	<u>662,370</u>	<u>1,844,815</u>
Expenses			
Program activities			
Medical research	757,962	—	757,962
Education and support	41,116	—	41,116
Public awareness	<u>38,037</u>	<u>—</u>	<u>38,037</u>
Total program activities	<u>837,115</u>	<u>—</u>	<u>837,115</u>
Supporting activities			
General and administrative	94,259	—	94,259
Fundraising	<u>60,975</u>	<u>—</u>	<u>60,975</u>
Total supporting activities	<u>155,234</u>	<u>—</u>	<u>155,234</u>
Total expenses	<u>992,349</u>	<u>—</u>	<u>992,349</u>
CHANGE IN NET ASSETS	190,096	662,370	852,466
NET ASSETS - Beginning of year	<u>1,858,523</u>	<u>687,611</u>	<u>2,546,134</u>
NET ASSETS - End of year	<u>\$ 2,048,619</u>	<u>\$ 1,349,981</u>	<u>\$ 3,398,600</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2014

	Program Activities				Supporting Activities			Total
	Medical Research	Education and Support	Public Awareness	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	
Compensation								
Salaries and benefits	\$ 17,896	\$ 22,026	\$ 13,766	\$ 53,688	\$ 55,064	\$ 28,908	\$ 83,972	\$ 137,660
Payroll taxes	1,325	1,631	1,019	3,975	4,077	2,140	6,217	10,192
Total compensation	19,221	23,657	14,785	57,663	59,141	31,048	90,189	147,852
Annual report - medical	2,262	—	—	2,262	—	—	—	2,262
Conference and seminars	2,943	—	1,775	4,718	—	—	—	4,718
Depreciation	830	1,021	638	2,489	2,554	1,341	3,895	6,384
Drug Development Forum	159,224	—	—	159,224	—	—	—	159,224
Fundraising	—	—	—	—	—	6,380	6,380	6,380
Insurance	393	484	303	1,180	1,210	635	1,845	3,025
LIFE awards	—	2,920	—	2,920	—	—	—	2,920
Medical binders	—	2,955	—	2,955	—	—	—	2,955
Medical research awards	391,676	—	—	391,676	—	—	—	391,676
Meetings	1,374	1,691	1,057	4,122	4,228	2,220	6,448	10,570
Office expense and supplies	358	985	—	1,343	6,865	—	6,865	8,208
Outsourcing	154,019	1,325	828	156,172	3,313	1,739	5,052	161,224
Patient registry	1,154	—	—	1,154	—	—	—	1,154
Postage and shipping	58	—	2,298	2,356	1,756	4,037	5,793	8,149
Printing and publications	1,015	—	9,687	10,702	—	5,257	5,257	15,959
Professional fees	11,234	1,040	650	12,924	2,600	1,365	3,965	16,889
Rent and utilities	2,339	2,879	1,799	7,017	7,197	3,779	10,976	17,993
Technology	1,303	1,604	1,002	3,909	4,009	2,105	6,114	10,023
Telephone	451	555	347	1,353	1,386	728	2,114	3,467
Travel	8,108	—	—	8,108	—	341	341	8,449
Website	—	—	2,868	2,868	—	—	—	2,868
Total functional expenses	\$ 757,962	\$ 41,116	\$ 38,037	\$ 837,115	\$ 94,259	\$ 60,975	\$ 155,234	\$ 992,349

The Accompanying Notes are an Integral
Part of These Financial Statements

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2014

OPERATING CASH FLOWS	
Change in net assets	\$ 852,466
Adjustments to reconcile change in net assets to net operating cash flows	
Depreciation	6,384
Net gain on investments	(14,198)
Change in other assets	(2,644)
Change in accounts payable and accrued expenses	<u>70,496</u>
Net operating cash flows	<u>912,504</u>
INVESTING CASH FLOWS	
Proceeds from sales of investments	208,743
Investment in patient registry	(71,461)
Purchases of investments	(2,218,265)
Purchases of furniture and equipment	<u>(6,256)</u>
Net investing cash flows	<u>(2,087,239)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,174,735)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>2,133,981</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 959,246</u></u>

The Accompanying Notes are an Integral
Part of These Financial Statements

INTERNATIONAL F.O.P ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE A – NATURE OF ACTIVITIES

International F.O.P. Association, Inc. (“the Organization”) is a not-for-profit Florida corporation. 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Investments

Investments are recorded at estimated fair value.

Furniture and equipment

Furniture and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements. The Organization has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America. Federal and state tax authorities may generally examine the Organization’s income tax positions or (if applicable) returns for periods of approximately three to six years.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated fair value of investments and useful lives of furniture and equipment. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial statement reporting and disclosure subsequent events through August 11, 2015, the date as of which the financial statements were available to be issued.

INTERNATIONAL F.O.P ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE C - CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

During 2014, approximately 63% of the Organization's revenue came from a small group of donors.

The Organization's investments are held by a single custodian.

NOTE D - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States ("GAAP") define fair value for an investment as the price an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 - unadjusted quoted market prices in active markets for identical items

Level 2 - other significant observable inputs (such as quoted prices for similar items)

Level 3 - significant unobservable inputs

The estimated fair value of assets measured on a recurring basis at December 31, 2014, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange-traded funds	\$ 2,313,616	\$ 2,313,616	\$ —	\$ —
Real estate investment trust	108,540	108,540	—	—
Debt securities	<u>18,993</u>	<u>18,993</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 2,441,149</u>	<u>\$ 2,441,149</u>	<u>\$ —</u>	<u>\$ —</u>

INTERNATIONAL F.O.P ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity during 2014 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Grants and</u> <u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Medical research	\$ 678,025	\$ 1,244,327	\$ (756,808)	\$ 1,165,544
Patient registry	—	170,435	(1,154)	169,281
L.I.F.E. Award	<u>9,586</u>	<u>8,490</u>	<u>(2,920)</u>	<u>15,156</u>
Total	<u>\$ 687,611</u>	<u>\$ 1,423,252</u>	<u>\$ (760,882)</u>	<u>\$ 1,349,981</u>

NOTE F - OPERATING LEASES

The Organization leases building space under a noncancelable operating lease agreement. Rent expense (including common area maintenance and other charges) related to such leases was approximately \$17,000 during 2014.

Future minimum rental payments under noncancelable operating leases are approximately as follows:

<u>Year Ending</u> <u>December 31,</u>	
2015	\$ 21,000
2016	22,000
2017	22,000
2018	<u>11,000</u>
Total	<u>\$ 76,000</u>

NOTE G - COMMITMENTS

As of December 31, 2014, the Organization had approved a partial grant totaling approximately \$122,000 to be paid during the year ending December 31, 2015.

Subsequent to December 31, 2014, the Organization approved the remainder of the grant totaling approximately \$366,000 to be paid during the year ending December 31, 2015.