

Report of Independent Auditors and  
Financial Statements

**Fanconi Anemia Research Fund, Inc.**

December 31, 2010 (With Summarized Comparative  
Information for 2009)

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## **FINANCIAL STATEMENTS**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Fanconi Anemia Research Fund, Inc.

We have audited the accompanying statement of financial position of Fanconi Anemia Research Fund, Inc. (a Not-For-Profit Organization) as of December 31, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and in our report dated March 3, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Fanconi Anemia Research Fund, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

Eugene, Oregon  
March 15, 2011

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
(With Summarized Comparative Information for the Year Ended December 31, 2009)

<u>ASSETS</u>	DECEMBER 31,	
	2010	For Comparative Purposes Only 2009
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 440,745	\$ 545,146
Contributions receivable	30,000	180,000
Prepaid expenses	2,135	2,227
Total current assets	472,880	727,373
EQUIPMENT, net	12,528	2,017
OTHER ASSETS, net	16,461	20,852
INVESTMENTS	4,542,570	4,413,630
Total assets	\$ 5,044,439	\$ 5,163,872
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,564	\$ 8,929
Grants payable - current	314,972	775,263
Total current liabilities	325,536	784,192
GRANTS PAYABLE - LONG-TERM	119,358	210,270
Total liabilities	444,894	994,462
<b>NET ASSETS</b>		
Unrestricted	4,540,320	4,130,985
Temporarily restricted	59,225	38,425
Total net assets	4,599,545	4,169,410
Total liabilities and net assets	\$ 5,044,439	\$ 5,163,872

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**STATEMENT OF ACTIVITIES**  
(With Summarized Comparative Information for the Year Ended December 31, 2009)

	YEARS ENDED DECEMBER 31,			
	Unrestricted	Temporarily Restricted	2010 Total	For Comparative Purposes Only 2009 Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions and grants	\$ 1,246,060	\$ 557,850	\$ 1,803,910	\$ 1,693,921
Investment income	139,545	-	139,545	187,424
Realized and unrealized loss on investments	(42,672)	-	(42,672)	(1,196)
Other income	2,505	-	2,505	9
	<u>1,345,438</u>	<u>557,850</u>	<u>1,903,288</u>	<u>1,880,158</u>
Net assets released from restrictions				
Satisfaction of program restrictions	537,050	(537,050)	-	-
Total revenue, gains and other support	<u>1,882,488</u>	<u>20,800</u>	<u>1,903,288</u>	<u>1,880,158</u>
<b>EXPENSES</b>				
Program services				
Research	994,250	-	994,250	1,653,430
Family support	232,841	-	232,841	334,927
Total program services	<u>1,227,091</u>	<u>-</u>	<u>1,227,091</u>	<u>1,988,357</u>
Support services				
Management and general	95,957	-	95,957	111,633
Fundraising	150,105	-	150,105	92,796
Total support services	<u>246,062</u>	<u>-</u>	<u>246,062</u>	<u>204,429</u>
Total expenses	<u>1,473,153</u>	<u>-</u>	<u>1,473,153</u>	<u>2,192,786</u>
CHANGE IN NET ASSETS	409,335	20,800	430,135	(312,628)
NET ASSETS, beginning of year	<u>4,130,985</u>	<u>38,425</u>	<u>4,169,410</u>	<u>4,482,038</u>
NET ASSETS, end of year	<u>\$ 4,540,320</u>	<u>\$ 59,225</u>	<u>\$ 4,599,545</u>	<u>\$ 4,169,410</u>

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
(With Summarized Comparative Information for the Year Ended December 31, 2009)

	YEARS ENDED DECEMBER 31,							For Comparative	
	Program Services			Support Services			Purposes Only		
			Total			Total	2010	2009	
	Research	Family Support	Program Services	Management & General	Fund-raising	Support Services	Total Expenses	Total Expenses	
Research grants	\$ 457,213	\$ -	\$ 457,213	\$ -	\$ -	\$ -	\$ 457,213	\$ 1,135,663	
Conferences & meetings	310,904	57,203	368,107	8,453	-	8,453	376,560	455,864	
Payroll	104,214	90,999	195,213	29,007	22,406	51,413	246,626	227,031	
Special projects	-	-	-	-	97,638	97,638	97,638	23,983	
Payroll tax and benefits	24,976	21,813	46,789	5,984	5,985	11,969	58,758	42,885	
Postage	14,101	16,486	30,587	5,571	4,663	10,234	40,821	58,263	
Printing	9,247	17,590	26,837	-	3,823	3,823	30,660	61,996	
Research materials	30,457	-	30,457	-	-	-	30,457	19,667	
Supplies	7,499	6,686	14,185	-	4,797	4,797	18,982	19,038	
Rent	6,593	6,593	13,186	2,826	2,826	5,652	18,838	18,838	
Accounting	-	-	-	18,518	-	18,518	18,518	19,227	
Miscellaneous	7,867	3,766	11,633	5,170	-	5,170	16,803	26,049	
Computer and equipment	8,094	2,002	10,096	1,407	1,821	3,228	13,324	11,465	
Office expenses	527	2,891	3,418	3,552	2,095	5,647	9,065	11,349	
Physician recruiting	8,880	-	8,880	-	-	-	8,880	5,134	
Bank charges	-	-	-	7,861	-	7,861	7,861	2,550	
Depreciation and amortization	-	-	-	6,143	-	6,143	6,143	6,049	
Advertising	-	4,311	4,311	-	-	-	4,311	3,325	
License & permits	-	-	-	-	4,051	4,051	4,051	4,449	
Telephone	678	2,011	2,689	604	-	604	3,293	8,812	
Research awards	3,000	-	3,000	-	-	-	3,000	4,000	
Publications	-	490	490	103	-	103	593	21,873	
Maintenance	-	-	-	556	-	556	556	150	
Insurance	-	-	-	202	-	202	202	581	
Legal	-	-	-	-	-	-	-	4,545	
<b>Total</b>	<b>\$ 994,250</b>	<b>\$ 232,841</b>	<b>\$ 1,227,091</b>	<b>\$ 95,957</b>	<b>\$ 150,105</b>	<b>\$ 246,062</b>	<b>\$ 1,473,153</b>	<b>\$ 2,192,786</b>	

See accompanying notes.

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**STATEMENT OF CASH FLOWS**  
(With Summarized Comparative Information for the Year Ended December 31, 2009)

	YEARS ENDED DECEMBER 31,	
	2010	For Comparative Purposes Only 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 430,135	\$ (312,628)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	6,143	6,049
Realized and unrealized loss on investments	42,672	1,196
Changes in:		
Contributions receivable	150,000	528,289
Prepaid expenses	92	61
Accounts payable	1,635	(2,509)
Grants payable	(551,203)	(252,635)
Net cash from operating activities	79,474	(32,177)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,309,254)	(1,551,424)
Proceeds from sale of investments	2,137,642	1,896,555
Purchase of equipment	(12,263)	-
Net cash from investing activities	(183,875)	345,131
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(104,401)	312,954
CASH AND CASH EQUIVALENTS, beginning of year	545,146	232,192
CASH AND CASH EQUIVALENTS, end of year	\$ 440,745	\$ 545,146

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(With Summarized Comparative Information for the Year Ended December 31, 2009)**

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**NOTE 1 - DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fanconi Anemia Research Fund, Inc. (the "Organization") is a non-profit organization incorporated in the State of Oregon on February 27, 1989. The organization is exempt from income taxes under Internal Revenue Code 501(c)(3) and is not a private foundation. The Organization was established to fund research into a cure or effective treatment of victims of Fanconi Anemia and to offer support services to affected families. The primary funding sources are contributions from individuals and foundations.

The Organization's current programs consist of the following:

Research - This program supports various scientific studies, which may lead to a cure or effective treatment for Fanconi Anemia, and education on the progress of current research.

Family Support - This program provides support to Fanconi Anemia families through education and networking.

***Basis of presentation*** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Fanconi Anemia Research Fund, Inc. and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are 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 actions of the Organization and/or the passage of time. When a 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. The Organization had temporarily restricted net assets of \$59,225 and \$38,425 as of December 31, 2010 and 2009.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2010 and 2009, the Organization had no permanently restricted net assets.

***Comparative financial information*** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(With Summarized Comparative Information for the Year Ended December 31, 2009)**

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**NOTE 1 - DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and cash equivalents* - For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

*Investments* - Investments in certificates of deposit and taxable bonds with readily determinable fair value are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or losses are reported as increases or decreases in unrestricted net assets unless the income on investments has been restricted by donors.

*Fair Value of financial instruments* - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data;

Level 3 - Significant unobservable inputs for assets or liabilities.

The fair values of the Organization's financial instruments fall within Level 1 of the valuation hierarchy.

*Equipment* - The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$5,000 and having a useful life of more than one year. Purchased equipment is recorded at cost. Donated equipment is recorded at its estimated fair market value on the date of gift. The cost and accumulated depreciation of equipment sold or otherwise disposed of are eliminated from the accounts and the resulting gains or losses are reflected in revenue and expenses.

Depreciation is computed over the estimated useful lives of the equipment using the straight-line method.

*Other assets* - Patents are amortized on a straight-line basis over seventeen years. Amortization expense amounted to \$4,391 for the years ended December 31, 2010 and 2009.

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(With Summarized Comparative Information for the Year Ended December 31, 2009)**

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**NOTE 1 - DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Contributions* - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

*Donated materials and services* - The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its program services and fundraising campaigns. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied. Donated materials and supplies are reflected as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Expense allocation* - The expenses of the Organization are categorized as either program services or supporting services. Program services include direct and indirect costs related to providing the services and activities for which purpose the Organization exists. Supporting services include administration and fundraising activities. Administration expenses relate to the overall direction of the Organization, including board activities, general record keeping, business management and budgeting. Fundraising expenses relate to the solicitation of contributions to support organizational goals.

*Income taxes* - Fanconi Anemia Research Fund, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of the Internal Revenue Code and as an entity that qualifies for deductible contributions. Accordingly, no provision has been made for income taxes in the financial statements pursuant to Accounting Standards Codification (ASC) 740, *Income Taxes*. The Organization generally evaluates any uncertain tax positions consistent with the accounting and disclosure requirements of ASC 450, *Contingencies*.

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(With Summarized Comparative Information for the Year Ended December 31, 2009)**

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**NOTE 1 - DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Subsequent Events* - Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through March 15, 2011 which is the date the financial statements were available to be issued.

**NOTE 2 - INVESTMENTS**

In accordance with the Organization's investment policy, a staggering or laddering of investment maturity dates is spread over a three year period. The investments shall be laddered so that approximately 25% of the total reaching maturity each year will mature in each quarter of that year. The Board of Directors must approve any investments with a maturity of longer than three years.

The Organization's investments are comprised of federally insured taxable bonds and bank deposits as of December 31, 2010. Investment balances were \$4,542,570 as of December 31, 2010 and \$4,413,630 as of December 31, 2009.

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(With Summarized Comparative Information for the Year Ended December 31, 2009)

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**NOTE 3 - EQUIPMENT**

Equipment consists of the following:

	DECEMBER 31,	
	2010	2009
Office equipment	\$ 90,803	\$ 78,540
Less accumulated depreciation	78,275	76,523
	\$ 12,528	\$ 2,017

**NOTE 4 - GRANTS PAYABLE**

The Organization has entered into contracts for grants to researchers that will be made in installments over the terms of the contracts. Accordingly, the grant payments are classified as current and long-term as follows:

	DECEMBER 31,	
	2010	2009
Grants payable - current portion	\$ 314,972	\$ 775,263
Grants payable - long-term portion	119,358	210,270
	\$ 434,330	\$ 985,533

**NOTE 5 - LEASES**

The Organization rents office space under an agreement that is accounted for as an operating lease. The base rent is \$1,475 with an inflation adjustment based on the CPI for Portland with any increase not to exceed 3% per year. A five year extension of the original lease agreement was entered into during January 2010 with expiration in March 2015. The extension agreement includes a clause that allows for early termination with six months notice of intent. Rent expense for the years ended December 31, 2010 and 2009 was \$18,838 for each year.

**FANCONI ANEMIA RESEARCH FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(With Summarized Comparative Information for the Year Ended December 31, 2009)**

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**NOTE 6 - RETIREMENT PLAN**

The Organization has an IRS Section 403(b)(7) plan (“Fanconi Anemia Research Fund, Inc. Retirement Plan”) that covers eligible employees, as defined by the plan. Employees are eligible immediately upon becoming employed and may elect to have elective deferrals up to the maximum amount allowed by law to the plan each year, but not less than \$200 annually. The employer provides a 50% match of employee contributions up to a maximum match of \$1,000 per year. Retirement plan expense was \$1,014 and \$1,000 for the years ended December 31, 2010 and 2009, respectively.

**NOTE 7 - COMMITMENTS**

The Organization has entered into several contractual agreements securing hotel accommodations for future conferences. These agreements often contain cancellation clauses that would require Fanconi Anemia Research Fund, Inc. to pay some portion of the contracted fees if a future conference were cancelled or relocated. The possibility of cancellation of future conferences is remote and the potential financial impact of cancellation has been deemed to be not material. Therefore, no liability has been accrued.

**NOTE 8 - CONCENTRATIONS**

Financial instruments which potentially subject the Organization to credit risk consist of cash and cash equivalents. The Organization’s cash balances are with reputable banks and periodically exceed insured limits. The Organization does not believe it is exposed to any significant credit risk on cash, and has not experienced any losses in such accounts.

Included in contributions and grants were \$604,370 of contributions attributable to the efforts of a single fundraiser. These contributions comprise 31.8% of total 2010 revenue. Expenses related to this single fundraiser were \$4,900.