

Fanconi Anemia Research Fund, Inc.

**Report of Independent Auditor and Financial Statements
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)**

Fanconi Anemia Research Fund, Inc.
Year Ended December 31, 2017
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fanconi Anemia Research Fund, Inc., which comprise the statement of financial position as of December 31, 2017, 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.

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, 2017, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grants awarded on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Fanconi Anemia Research Fund, Inc.'s 2016 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated April 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Isler CPA
May 02, 2018

FINANCIAL STATEMENTS

Fanconi Anemia Research Fund, Inc.
Statement of Financial Position
December 31, 2017
(With Summarized Comparative Information December 31, 2016)

	ASSETS	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,018,030	\$ 1,880,563
Other current assets	2,422	-
Total current assets	1,020,452	1,880,563
Investments	6,692,185	5,196,872
Total assets	\$ 7,712,637	\$ 7,077,435
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,636	\$ 14,061
Grants payable, current	1,045,841	1,264,359
Accrued payroll	8,844	11,422
Total current liabilities	1,065,321	1,289,842
Grants payable, noncurrent	67,618	613,284
Total liabilities	1,132,939	1,903,126
NET ASSETS		
Unrestricted:		
Undesignated	3,917,786	3,251,943
Board designated	898,390	432,612
Temporarily restricted	1,763,522	1,489,754
Total net assets	6,579,698	5,174,309
Total net assets and liabilities	\$ 7,712,637	\$ 7,077,435

See accompanying notes to financial statements

Fanconi Anemia Research Fund, Inc.
Statement of Activities
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

	<u>David B. Frohnmayer Scientific Research Fund</u>				
	<u>Unrestricted</u>				2016 Comparative Total
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	
REVENUES AND SUPPORT					
Contributions and grants	\$ 1,613,398	\$ 648,733	\$ 1,000,000	\$ 3,262,131	\$ 3,096,737
Net investment income (loss)	457,421	-	-	457,421	194,200
Other income	<u>80,872</u>	<u>-</u>	<u>-</u>	<u>80,872</u>	<u>23,495</u>
Total revenue and support	<u>2,151,691</u>	<u>648,733</u>	<u>1,000,000</u>	<u>3,800,424</u>	<u>3,314,432</u>
RELEASE OF TEMPORARILY RESTRICTED NET ASSETS					
	<u>726,232</u>	<u>-</u>	<u>(726,232)</u>	<u>-</u>	<u>-</u>
EXPENSES					
Program services:					
Research	620,332	840,992	-	1,461,324	2,532,819
Family support	<u>310,338</u>	<u>-</u>	<u>-</u>	<u>310,338</u>	<u>260,652</u>
Total program services	<u>930,670</u>	<u>840,992</u>	<u>-</u>	<u>1,771,662</u>	<u>2,793,471</u>
Support services:					
Management and general	322,728	-	-	322,728	287,828
Fundraising	<u>300,645</u>	<u>-</u>	<u>-</u>	<u>300,645</u>	<u>197,469</u>
Total support services	<u>623,373</u>	<u>-</u>	<u>-</u>	<u>623,373</u>	<u>485,297</u>
Total expenses	<u>1,554,043</u>	<u>840,992</u>	<u>-</u>	<u>2,395,035</u>	<u>3,278,768</u>
CHANGE IN NET ASSETS	1,323,880	(192,259)	273,768	1,405,389	35,664
Net Assets, beginning of year	3,251,943	432,612	1,489,754	5,174,309	5,138,645
Transfer of board designated net assets	<u>(658,037)</u>	<u>658,037</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ 3,917,786</u>	<u>\$ 898,390</u>	<u>\$ 1,763,522</u>	<u>\$ 6,579,698</u>	<u>\$ 5,174,309</u>

See accompanying notes to financial statements

Fanconi Anemia Research Fund, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

	Program Services			Support Services			2017 Total Expenses	2016 Total Expenses
	Research	Family Support	Total Program Services	Management and General	Fundraising	Total Support Services		
Research grants	\$ 931,559	\$ -	\$ 931,559	\$ -	\$ -	\$ -	\$ 931,559	\$ 1,940,710
Scholarships	20,949	11,819	32,768	-	-	-	32,768	64,049
Conferences and meetings	276,256	136,317	412,573	33,599	1,270	34,869	447,442	370,320
Payroll	196,625	75,621	272,246	160,517	68,547	229,064	501,310	536,278
Special projects	6,886	20,753	27,639	376	37,179	37,555	65,194	69,525
Payroll tax and benefits	39,529	14,864	54,393	27,891	14,123	42,014	96,407	42,870
Printing	7,977	4,881	12,858	1,843	14,933	16,776	29,634	-
Postage	6,574	14,019	20,593	5,218	9,644	14,862	35,455	-
Professional fees	103	369	472	17,118	3,519	20,637	21,109	48,395
Supplies	18,690	4,385	23,075	7,425	49,264	56,689	79,764	-
Rent	16,080	5,886	21,966	1,472	5,886	7,358	29,324	-
Computer and equipment	19,973	6,135	26,108	15,162	6,365	21,527	47,635	-
Miscellaneous	378	4,163	4,541	3,579	40,355	43,934	48,475	889
Office expenses	6,146	4,247	10,393	42,321	2,705	45,026	55,419	161,505
Recruiting	15,140	5,495	20,635	1,600	15,395	16,995	37,630	-
Communications	-	-	-	-	-	-	-	43,957
Bank charges	-	-	-	286	-	286	286	270
Licenses and permits	-	-	-	-	5,064	5,064	5,064	-
Insurance	3,736	1,384	5,120	4,321	1,396	5,717	10,837	-
Awards and Grants	3,345	-	3,345	-	25,000	25,000	28,345	-
Less termination of previously awarded research grants	(117,500)	-	(117,500)	-	-	-	(117,500)	-
Contract Services	8,878	-	8,878	-	-	-	8,878	-
Total	\$ 1,461,324	\$ 310,338	\$ 1,771,662	\$ 322,728	\$ 300,645	\$ 623,373	\$ 2,395,035	\$ 3,278,768

See accompanying notes to financial statements.

Fanconi Anemia Research Fund, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,405,389	\$ 35,664
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Unrealized loss (gain) on investments	(360,312)	(131,550)
Donated securities received	-	(89,203)
Changes in:		
Other current assets	(2,422)	1,807
Prepaid expenses	-	1,126
Accounts payable	(3,425)	10,363
Vacation accrual	(2,578)	2,296
Grants payable	<u>(764,184)</u>	<u>917,192</u>
Net cash flow from operating activities	<u>272,468</u>	<u>747,695</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,135,001)	(1,061,422)
Proceeds from sale of investments	<u>-</u>	<u>800,000</u>
Net cash flow from investing activities	<u>(1,135,001)</u>	<u>(261,422)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(862,533)	486,273
Cash and cash equivalents, beginning of year	<u>1,880,563</u>	<u>1,394,290</u>
Cash and cash equivalents, end of year	<u>\$ 1,018,030</u>	<u>\$ 1,880,563</u>
Schedule of noncash investing activities:		
Investment income reinvested, net of fees	<u>\$ 94,457</u>	<u>\$ 61,422</u>

See accompanying notes to financial statements

Fanconi Anemia Research Fund, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities - Fanconi Anemia Research Fund, Inc. (the "Organization") is a nonprofit organization incorporated in the State of Oregon on February 27, 1989. The Organization was established to fund research into a cure or effective treatment for 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 accounting principles generally accepted in the United States ("GAAP"). 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 - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include amounts designated by the board of directors for specified purposes. During 2015 the board established the David B. Frohnmayer Scientific Research Fund. The board designated \$2 million of unrestricted net assets for the research fund. Donor contributions to the Fund are considered temporarily restricted.

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.

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, 2017 and 2016, the Organization had no permanently restricted net assets.

Cash and cash equivalents - For purposes of the Statement of Cash Flows, the Organization considers highly liquid investments, that are not held in brokerage accounts, that are available for current use with an initial maturity of three months or less to be cash equivalents. Total cash balances are insured by the FDIC up to \$250,000 per bank. Fanconi Anemia Research Fund, Inc. had bank deposits at December 31, 2017 that exceeded insured amounts by \$3,346,819. Of this amount \$564,343 is related to deposits held with Columbia Bank and the remaining \$2,782,476 is related to cash deposits held at Royal Bank of Canada.

Investments - Investments are carried at fair value. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities.

Fair value measurements - All of the Organization's financial instruments are considered Level 1 in the following fair value hierarchy. 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.

Fanconi Anemia Research Fund, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

NOTE 1 - 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 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 GAAP 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 exempt from income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and is not a private foundation within the meaning of the IRC and as an entity that qualifies for deductible contributions. Accordingly, no provision has been made for income taxes in the financial statements. The Organization considers any uncertain tax positions consistent with GAAP.

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, 2016, from which the summarized information was derived.

Subsequent events - The Organization has evaluated subsequent events through May 02, 2018 which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2 - INVESTMENTS

The Organization's investments, which are carried at fair value, consist of the following at December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
US equities	\$ 2,380,106	\$ 1,549,646
International equities	547,941	377,568
Tips bond ETF's	980,663	653,148
Cash, money market, and sweeps	<u>2,783,475</u>	<u>2,616,510</u>
Total investments	<u>\$ 6,692,185</u>	<u>\$ 5,196,872</u>

Investment gain of \$457,421 includes interest and dividend income of \$122,924 less fees of \$28,028 and a gain in value of \$362,525. The amount of cash, money market and sweeps of \$2,616,510 is not insured by FDIC or SPIC.

Fanconi Anemia Research Fund, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

NOTE 3 - 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 at December 31:

	2017	2016
Grants payable - current portion	\$ 1,045,841	\$ 1,264,359
Grants payable - noncurrent portion	67,618	613,284
Total	\$ 1,113,459	\$ 1,877,643

NOTE 4 - NET ASSETS

Board-designated. In 2015 the Board of Directors established the David B. Frohnmayer Scientific Research Fund (DBF Fund) and designated \$2 million of unrestricted net assets to ensure that there will be adequate resources for grant commitments and science expenses for each calendar year. The Organization recognizes certain donor support as designated for the DBF Fund. Resources are designated but not limited to funding for scientific research projects, the annual scientific symposium, and personnel costs for the Science Director position.

Temporarily restricted net assets. Temporarily restricted net assets include donor-restricted support received during the year specifically for cancer research within the David B. Frohnmayer Scientific Research Fund.

NOTE 5 - LEASES

The Organization rents office space under an agreement that is accounted for as an operating lease. The base rent is \$2,422 with an inflation adjustment based on the CPI for Portland with any increase not to exceed 3% per year. The original lease has been extended and currently expires in March 2020. The extension agreement includes a clause allowing for early termination with six months notice of intent. Rent expense related to the office space was \$29,324 for the year ended December 31, 2017.

The Organization also rents a copier under an agreement that is accounted for as an operating lease. The base rent is \$219. The initial terms of the lease is a 60 month lease period. The lease requires the lessee to notify the lessor at least 60 days prior to the end of the lease that they will be either purchasing the equipment at fair market value or will not be renewing the lease. Failure to do so will result in an automatic one-year renewal period. The lease is also non-cancelable for the full term of the lease. Rent expense related to the copier was \$1,885 for the year ended December 31, 2017.

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 100% match of employee contributions up to a maximum match of \$2,000 per year. Retirement plan expense was \$11,252 for the year.

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 the Organization 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

Fanconi Anemia Research Fund, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

Included in contributions and grants were \$1,558,303 of contributions attributable to the efforts of a related party fundraiser. These contributions comprise 48% of total contribution and grant revenue.

NOTE 9 -RECENTLY ISSUED ACCOUNTING GUIDANCE

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, representing the first time since the mid-1990s that financial reporting for not-for-profit organizations has been addressed. While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. The key elements of the ASU are as follows:

Net asset classifications are being reduced from three to two categories: with donor restrictions and without donor restrictions. Expanded disclosures about the nature and amount of any donor restrictions will be required. Expanded disclosures on any board designations of net assets without donor restrictions will also be required.

Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the balance sheet date.

The indirect or direct method of presenting the statement of cash flows will be allowed. However, the reconciliation of operating items no longer will be required when using the direct method.

ASU 2016-14 eliminates the requirement to disclose the unrealized gains and losses for the period related to equity securities held at the report date as previously required by ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

SUPPLEMENTARY INFORMATION

Fanconi Anemia Research Fund, Inc.
Schedule of Grants Awarded
Year Ended December 31, 2017

<u>Grant recipient</u>	<u>Grant payable at beginning of year</u>	<u>Grants awarded during the year</u>	<u>Grants paid during the year</u>	<u>Adjustments</u>	<u>Grant payable at end of year</u>	<u>Payable in next year</u>	<u>Payable after one year</u>
Oregon Health and Science University	\$ -	\$ 9,951	\$ (9,951)	\$ -	\$ -	\$ -	\$ -
Weinberg	-	190,940	(71,602)	-	119,338	95,470	23,868
Rowe	-	175,000	(65,625)	-	109,375	87,500	21,875
Glazer & Kupfer	-	112,500	(112,500)	-	-	-	-
Yigal	117,500	-	-	(117,500)	-	-	-
Yu	40,000	-	(40,000)	-	-	-	-
Woods	43,750	-	(43,750)	-	-	-	-
Shimanura	-	20,000	(20,000)	-	-	-	-
Corn	-	125,600	(125,600)	-	-	-	-
Flemming	147,259	-	(147,259)	-	-	-	-
D'Andrea	-	175,000	(65,625)	-	109,375	87,500	21,875
Surralles	100,000	-	(80,000)	-	20,000	20,000	-
Karras	100,000	-	(80,000)	-	20,000	20,000	-
Kajaste-Rudnitski	109,375	-	(87,500)	-	21,875	21,875	-
Wells	156,250	-	(125,000)	-	31,250	31,250	-
Alter (1)	75,500	-	(37,750)	-	37,750	37,750	-
Alter (2)	300,000	-	(150,000)	-	150,000	150,000	-
Dorsman	234,320	-	-	-	234,320	234,320	-
Deans	160,096	-	(91,483)	-	68,613	68,613	-
Dietrich and Velleuer*	114,574	-	(91,659)	-	22,915	22,915	-
Tong	179,019	-	(102,297)	-	76,722	76,722	-
Mallery	-	122,568	(30,642)	-	91,926	91,926	-
Total	<u>\$ 1,877,643</u>	<u>\$ 931,559</u>	<u>\$ (1,578,243)</u>	<u>\$ (117,500)</u>	<u>\$ 1,113,459</u>	<u>\$ 1,045,841</u>	<u>\$ 67,618</u>

* Service grant