
***INTERNATIONAL F.O.P.
ASSOCIATION, INC.***
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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Independent Auditors' Report

Board of Directors
International F.O.P. Association, Inc.
Kansas City, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of International F.O.P. Association, Inc., (the Association) which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 International F.O.P. Association, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

RubinBrown LLP

June 1, 2022

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

| | Assets | |
|---|---------------------|---------------------|
| | December 31, | |
| | 2020 | 2019 |
| Current Assets | | |
| Cash and cash equivalents | \$ 687,699 | \$ 661,512 |
| Cash equivalents held in investment portfolio | 186,168 | 16,620 |
| Other receivables | 22,840 | 8,937 |
| Investments | 3,875,999 | 4,128,627 |
| Promises to give | 227,265 | 690,647 |
| Other current assets | 96,763 | 29,159 |
| Total Current Assets | 5,096,734 | 5,535,502 |
| Property And Equipment, Net | 1,278 | 1,706 |
| Promises To Give, Net | 63,647 | 50,000 |
| Other Long-Term Assets, Net | 294,414 | 188,353 |
| Total Assets | \$ 5,456,073 | \$ 5,775,561 |
| Liabilities And Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 114,707 | \$ 242,638 |
| Grants payable | 426,459 | 32,000 |
| Total Current Liabilities | 541,166 | 274,638 |
| Net Assets | | |
| Without donor restrictions | 2,777,011 | 3,011,349 |
| With donor restrictions | 2,137,896 | 2,489,574 |
| Total Net Assets | 4,914,907 | 5,500,923 |
| Total Liabilities And Net Assets | \$ 5,456,073 | \$ 5,775,561 |

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For The Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Revenues, Gains And Other Support | | | |
| Support: | | | |
| Contributions | \$ 924,196 | \$ 1,186,731 | \$ 2,110,927 |
| Noncash contributions | 117,811 | — | 117,811 |
| Special Events | | | |
| Special events revenue | 16,037 | — | 16,037 |
| Less: costs of direct benefits to donors | (53,079) | — | (53,079) |
| Investment income, net | 336,279 | — | 336,279 |
| Other revenue | 20,242 | — | 20,242 |
| Net assets released from restrictions | 1,538,409 | (1,538,409) | — |
| Total Revenues, Gains And Other Support | 2,899,895 | (351,678) | 2,548,217 |
| Expenses | | | |
| Program services | 2,533,988 | — | 2,533,988 |
| Management and general | 414,700 | — | 414,700 |
| Fundraising | 185,545 | — | 185,545 |
| Total Expenses | 3,134,233 | — | 3,134,233 |
| Change In Net Assets | (234,338) | (351,678) | (586,016) |
| Net Assets - Beginning Of Year | 3,011,349 | 2,489,574 | 5,500,923 |
| Net Assets - End Of Year | \$ 2,777,011 | \$ 2,137,896 | \$ 4,914,907 |

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For The Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Revenues, Gains And Other Support | | | |
| Support: | | | |
| Contributions | \$ 1,832,048 | \$ 1,356,016 | \$ 3,188,064 |
| Noncash contributions | 157,434 | — | 157,434 |
| Special Events | | | |
| Special events revenue | 47,479 | — | 47,479 |
| Less: costs of direct benefits to donors | (71,540) | — | (71,540) |
| Investment income, net | 263,641 | — | 263,641 |
| Other revenue | 57,653 | — | 57,653 |
| Net assets released from restrictions | 1,973,562 | (1,973,562) | — |
| Total Revenues, Gains And Other Support | 4,260,277 | (617,546) | 3,642,731 |
| Expenses | | | |
| Program services | 2,433,905 | — | 2,433,905 |
| Management and general | 340,522 | — | 340,522 |
| Fundraising | 171,774 | — | 171,774 |
| Total Expenses | 2,946,201 | — | 2,946,201 |
| Change In Net Assets | 1,314,076 | (617,546) | 696,530 |
| Net Assets - Beginning Of Year | 1,697,273 | 3,107,120 | 4,804,393 |
| Net Assets - End Of Year | \$ 3,011,349 | \$ 2,489,574 | \$ 5,500,923 |

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

| | For The Year Ended December 31, 2020 | | | |
|--|--------------------------------------|---------------------------|-------------|--------------|
| | Program Services | Management And General | Fundraising | Total |
| Personnel expenses | \$ 590,692 | \$ 157,864 | \$ 121,061 | \$ 869,617 |
| Office and general | 43,526 | 57,432 | 18,343 | 119,301 |
| Professional fees | 514,811 | 115,561 | 30,857 | 661,229 |
| Website and software subscriptions | 162,026 | 13,715 | 6,960 | 182,701 |
| Travel, conferences, and meetings | 109,863 | 27,824 | 2,497 | 140,184 |
| Grants to organizations and individual awards | 1,111,070 | — | — | 1,111,070 |
| Event costs | — | — | 53,079 | 53,079 |
| Other | 2,000 | (2,915) | 5,827 | 4,912 |
| | 2,533,988 | 369,481 | 238,624 | 3,142,093 |
| Depreciation and amortization | — | 45,219 | — | 45,219 |
| Total expenses by function | 2,533,988 | 414,700 | 238,624 | 3,187,312 |
| Less: Cost of direct benefit to donors | — | — | (53,079) | (53,079) |
| Total expenses included in expenses section of Statement Of Activities And Changes In Net Assets | \$ 2,533,988 | \$ 414,700 | \$ 185,545 | \$ 3,134,233 |

| | For The Year Ended December 31, 2019 | | | |
|--|--------------------------------------|---------------------------|-------------|--------------|
| | Program Services | Management And General | Fundraising | Total |
| Personnel expenses | \$ 484,232 | \$ 131,449 | \$ 81,010 | \$ 696,691 |
| Office and general | 49,049 | 47,345 | 18,624 | 115,018 |
| Professional fees | 763,213 | 113,064 | 44,073 | 920,350 |
| Website and software subscriptions | 92,202 | 6,472 | 6,237 | 104,911 |
| Travel, conferences, and meetings | 395,772 | 20,484 | 9,443 | 425,699 |
| Grants to organizations and individual awards | 613,554 | — | — | 613,554 |
| Event costs | — | — | 71,540 | 71,540 |
| Other | 39 | 12,209 | 12,056 | 24,304 |
| | 2,398,061 | 331,023 | 242,983 | 2,972,067 |
| Depreciation and amortization | 35,844 | 9,499 | 331 | 45,674 |
| Total expenses by function | 2,433,905 | 340,522 | 243,314 | 3,017,741 |
| Less: Cost of direct benefit to donors | — | — | (71,540) | (71,540) |
| Total expenses included in expenses section of Statement Of Activities And Changes In Net Assets | \$ 2,433,905 | \$ 340,522 | \$ 171,774 | \$ 2,946,201 |

INTERNATIONAL F.O.P. ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

| | For The Years Ended December 31, | |
|--|-------------------------------------|--------------------|
| | 2020 | 2019 |
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (586,016) | \$ 696,530 |
| Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 45,219 | 45,674 |
| Net realized and unrealized gain on investments | (254,934) | (174,998) |
| Changes in assets and liabilities: | | |
| Other receivables | (13,903) | 158,735 |
| Promises to give | 449,735 | 789,593 |
| Other current assets | (67,604) | (24,052) |
| Accounts payable and accrued expenses | (127,931) | (136,736) |
| Grants payable | 394,459 | (340,574) |
| Net Cash Provided By (Used In) Operating Activities | (160,975) | 1,014,172 |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (1,110) | — |
| Purchases of other long-term assets | (149,742) | (20,567) |
| Purchases of investments | (552,253) | (2,153,565) |
| Proceeds from sale of investments | 1,059,815 | 946,247 |
| Net Cash Provided By (Used In) Investing Activities | 356,710 | (1,227,885) |
| Net Increase (Decrease) In Cash And Cash Equivalents | 195,735 | (213,713) |
| Cash And Cash Equivalents - Beginning Of Year | 678,132 | 891,845 |
| Cash And Cash Equivalents - End Of Year | \$ 873,867 | \$ 678,132 |
| Cash And Cash Equivalents Are Included Within The Following Captions On The Statement Of Financial Position | | |
| Cash and cash equivalents | \$ 687,699 | \$ 661,512 |
| Cash equivalents held in investment portfolio | 186,168 | 16,620 |
| Total Cash And Cash Equivalents Included Within The Statement Of Financial Position | \$ 873,867 | \$ 678,132 |

INTERNATIONAL F.O.P. ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 And 2019

1. Nature Of Association

International F.O.P. Association, Inc. (the Association) is a not-for-profit Florida corporation incorporated in June 1988. The Association was established to fund medical research, education, and communication for those afflicted by the rare genetic condition, Fibrodysplasia Ossificans Progressiva (F.O.P.). The Association'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 accompanying financial statements have been prepared on the accrual basis of accounting.

New Accounting Principle

Effective January 1, 2020, the Association adopted Accounting Standards Update (ASU) 2014-09, along with subsequently issued additional clarifying standards, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosure regarding nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration including change orders and claims are recognized and whether revenues should be recognized at a point in time or over time. The implementation did not have a material impact on the Association's financial statements.

Basis Of Presentation

Financial statement presentation follows the requirements of U.S. generally accepted accounting principles. Under these principles, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

Notes To Financial Statements *(Continued)*

Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations, as well as net assets designated by the Board for specific purposes.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time, or net assets subject to donor-imposed stipulations that neither expire by the passage of time nor by actions of the Association.

Estimates And Assumptions

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. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Association considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted of money market accounts. The Association maintains cash balances at banks in excess of federally insured limits at various times during the year and has not experienced any losses in such accounts.

Investments

Investments are reported at fair value. 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. Investment income (loss) includes dividends, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments. Investment income is reported as increase in net assets without donor restrictions unless the use is restricted by explicit donor stipulations or by law.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

Notes To Financial Statements *(Continued)*

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Other Receivables

Other receivables are carried at original amounts less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a regular basis. The Association's management determines the allowance for doubtful accounts by identifying troubled balances and by using historical experience applied to an aging of these balances. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes that substantially all receivables are collectible and therefore, has not established an allowance for doubtful accounts as of December 31, 2020 or 2019.

Promises To Give

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, less an allowance for uncollectible promises. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promises are received. Amortization of the discount is included in contribution revenue.

Property And Equipment

Property and equipment are recorded at cost, if acquired by purchase, or at the estimated fair value at the date of receipt, if acquired by donation. Depreciation of property and equipment are provided over the following estimated useful lives on a straight-line basis:

| | |
|-------------------------------------|--------------|
| Furnishings, fixtures and equipment | 5 to 7 years |
|-------------------------------------|--------------|

Other Long-Term Assets

Other long-term assets of the Association are recorded at cost and amortized over the following estimated useful life on a straight-line basis:

| | |
|---------|---------|
| Website | 5 years |
|---------|---------|

Contributions And Support

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until the conditions upon which they depend have been met.

The Association reports gifts of cash and other assets as public support without donor restriction or with donor restriction, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. The Association has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

In-Kind Contributions And Donated Services

Donated materials are reflected as in-kind contribution revenue in the accompanying statement of activities and changes in net assets at their estimated fair value with an offsetting charge to expense. Only donated services that create or enhance a nonfinancial asset, or require specialized skills and would typically need to be purchased if not provided by donation, are reflected in the financial statements. In 2020 and 2019, \$117,811 and \$157,434, respectively, of donated medical research and video production services were reflected in noncash contributions on the statement of activities and changes in net assets.

Special Events

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Amounts received in advance of the event are recorded as deferred revenue (for the fair value of direct benefits to donors) or refundable advances (for contribution income).

Grants

The Association awards research grants annually to universities, both nationally and throughout the world. Grants are expensed during the year in which they are approved by the Board of Directors and when all required conditions have been met.

Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the Association expects to use the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. If the loan proceeds are fully utilized to pay qualified expenses during the 24-week measurement period, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Association.

In April 2020, the Association received a loan totaling \$92,500 under the PPP provided by Commerce Bank. The loan bore interest at 1.0%, with principal and interest payments deferred for the first six months following the measurement period. After that, the loan and interest would be paid back over a period of 18 months, if the loan was not forgiven under the terms of the PPP.

The Association is following the guidance in Accounting Standards Codification Topic 958-605, *Not-for-Profit Entities – Revenue Recognition* (ASC 958-605).

When it applied for the loan, the Association believed it would qualify to have the loan forgiven under the terms of the PPP, and therefore considered the loan to be substantively a conditional contribution by the SBA. The Association performed an initial calculation for PPP loan forgiveness, and expected that the PPP loan would be forgiven in full because (1) the Association had, prior to December 31, 2020, utilized all of the proceeds for payroll and other qualified expenses and (2) the Association believed it would continue to comply with other terms and conditions necessary for forgiveness. Under the provisions of ASC 958-605, a conditional contribution is recognized as revenue when the condition or conditions are substantially met. As such, the Association has recognized the PPP loan as a contribution for the full amount of \$92,500, which is included in contributions on the statement of activities and changes in net assets. No liability for the PPP loan is reflected on the statement of financial position.

On June 28, 2021, the Association received notice from Commerce Bank and the SBA that the PPP loan was fully forgiven in the amount of \$92,500 and the Association would not be responsible to make additional payments.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

Notes To Financial Statements *(Continued)*

Functional Expenses

Expenses are charged to programs and support services on the basis of management's estimates. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Salaries and wages are charged to program expense and support expense on the basis of periodic time studies. Other expenses that are common to several programs are allocated on a pro rata basis to the programs they benefit.

Income Taxes

The Association is exempt from income taxes on related, exempt income under Section 501(c)(3) of the Internal Revenue Code (IRC) as a not-for-profit organization.

Reclassifications

Certain 2019 balances have been reclassified, where appropriate, to conform with the 2020 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

3. Promises To Give

Unconditional promises to give are collectible as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|-------------------|
| In one year or less | \$ 227,265 | \$ 690,647 |
| Between one and two years | <u>75,000</u> | <u>50,000</u> |
| | 302,265 | 740,647 |
| Less: discount to present value | <u>(11,353)</u> | <u>—</u> |
| | <u>\$ 290,912</u> | <u>\$ 740,647</u> |

The promises to give are reported net of a discount rate of 2.0% to the present value of future cash flows.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

Notes To Financial Statements *(Continued)***4. Property And Equipment**

Property and equipment consist of the following at December 31:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-----------------|-----------------|
| Furnishings, fixtures and equipment | \$ 12,023 | \$ 10,913 |
| Accumulated depreciation | (10,745) | (9,207) |
| | <u>\$ 1,278</u> | <u>\$ 1,706</u> |

Depreciation expense for the years ended December 31, 2020 and 2019 was \$1,538 and \$1,992, respectively.

5. Other Long-Term Assets

Other long-term assets consist of the following at December 31:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Website | \$ 218,405 | \$ 218,405 |
| Accumulated amortization | (101,550) | (57,869) |
| Total amortizable assets | 116,855 | 160,536 |
| Software in progress - donor database | 22,244 | 13,169 |
| Software in progress - mobile app | 14,648 | 14,648 |
| Software in progress - PROMPT Tool | 130,149 | — |
| Software in progress - Ability Toolbox | 10,518 | — |
| | <u>\$ 294,414</u> | <u>\$ 188,353</u> |

Amortization expense for the years ended December 31, 2020 and 2019 was \$43,681 and \$43,681, respectively.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

Notes To Financial Statements *(Continued)*

6. Investments

Investment securities and unrealized appreciation (depreciation) are as follows at December 31:

| | 2020 | | |
|--|---------------------|---------------------|-------------------------|
| | Cost | Fair Value | Unrealized Appreciation |
| Exchange Traded Funds - Corporate Bonds | \$ 2,430,651 | \$ 2,522,409 | \$ 91,758 |
| Exchange Traded Funds - U.S. Treasuries | 164,637 | 167,018 | 2,381 |
| Exchange Traded Funds - International Equity | 563,384 | 725,760 | 162,376 |
| Exchange Traded Funds - Other | 389,599 | 460,812 | 71,213 |
| | <u>\$ 3,548,271</u> | <u>\$ 3,875,999</u> | <u>\$ 327,728</u> |

| | 2019 | | |
|--|---------------------|---------------------|--|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Marketable Securities - Equities | \$ 1,603 | \$ 2,469 | \$ 866 |
| Exchange Traded Funds - Corporate Bonds | 3,036,106 | 3,069,648 | 33,542 |
| Exchange Traded Funds - U.S. Treasuries | 329,549 | 328,120 | (1,429) |
| Exchange Traded Funds - International Equity | 537,405 | 618,150 | 80,745 |
| Exchange Traded Funds - Other | 115,169 | 110,240 | (4,929) |
| | <u>\$ 4,019,832</u> | <u>\$ 4,128,627</u> | <u>\$ 108,795</u> |

Investment return is summarized as follows:

| | 2020 | 2019 |
|------------------------------|-------------------|-------------------|
| Interest and dividend income | \$ 81,345 | \$ 88,643 |
| Realized gain (loss) | 36,001 | (8,338) |
| Unrealized gain | 218,933 | 183,336 |
| | <u>\$ 336,279</u> | <u>\$ 263,641</u> |

The Association follows an established framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under these rules are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology and inputs used for assets measured at fair value:

Marketable Securities And Exchange Traded Funds

Marketable securities and exchange traded funds are reported at fair value as determined based on quoted market prices in actively traded markets for identical assets. Marketable securities and exchange traded funds are classified as level 1 securities.

During 2020 and 2019, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Association's assets.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

Notes To Financial Statements (Continued)**7. Net Assets With Donor Restrictions**

Net assets include the following donor restrictions:

| | 2020 | 2019 |
|-------------------------------|---------------------|---------------------|
| Medical research | \$ 1,239,165 | \$ 1,341,146 |
| L.I.F.E. Award | 56,627 | 66,054 |
| ACT for FOP Grant program | 448,990 | 327,999 |
| Gene therapy research | 118,364 | — |
| Awareness: Tin Soldiers | 175,682 | 61,311 |
| Patient Registry | 39,615 | 612,458 |
| Awareness: Pediatric Campaign | 49,480 | — |
| Family services | 3,744 | — |
| Prevalence Project | 6,229 | 80,606 |
| | \$ 2,137,896 | \$ 2,489,574 |

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the following restricted purposes or by occurrence of events as specified by donors:

| | 2020 | 2019 |
|---------------------------|---------------------|---------------------|
| Medical research | \$ 667,705 | \$ 812,495 |
| L.I.F.E. Award | 10,407 | 11,527 |
| ACT for FOP Grant program | 151,766 | 131,745 |
| Clinical Trials Education | — | 30,000 |
| Awareness: Tin Soldiers | 61,311 | 392,762 |
| Patient Registry | 572,843 | 575,702 |
| Prevalence Project | 74,377 | 19,331 |
| | \$ 1,538,409 | \$ 1,973,562 |

8. Liquidity And Availability Of Resources

The Association strives to maintain bank account balances sufficient to cover 3 months of general expenditures with an additional 6 months of general expenditures maintained in the form of cash and/or short-term investment grade bonds having a maximum maturity of 5 years. All additional financial assets are invested in a combination of equities and bond index exchange traded funds.

INTERNATIONAL F.O.P. ASSOCIATION, INC.

Notes To Financial Statements *(Continued)*

As of December 31, 2020 and 2019, the Association has the following liquid assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

| | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|
| Cash and cash equivalents | \$ 687,699 | \$ 661,512 |
| Cash equivalents held in investment portfolio | 186,168 | 16,620 |
| Other receivables | 22,840 | 8,937 |
| Investments | 3,875,999 | 4,128,627 |
| Promises to give, net | 290,912 | 740,647 |
| Total financial assets | 5,063,618 | 5,556,343 |
| Less: Assets subject to donor restrictions | 2,137,896 | 2,489,574 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 2,925,722 | \$ 3,066,769 |

9. Commitments

As of December 31, 2020, the Association had approved the following grants to be paid once stated conditions are met by the grantee:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2021 | \$ 202,291 |
| 2022 | 292,769 |
| | \$ 495,060 |

10. Concentrations

In 2019, approximately 27% of total revenues, gains, and other support was received from one donor. No concentrations noted in 2020.

11. Risks And Uncertainties

In January 2020, a novel strain of coronavirus (COVID-19) spread through China as well as other countries worldwide including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak in the United States as a national emergency. In compliance with government mandates, since March 2020, the Association has had to modify its operations and programming, which could affect the Organization's support and revenue. The continued outbreak of the COVID-19 virus is also likely to have a further negative impact in 2021 on the economy, which in the future, might impact the Association's ability to fundraise. All of these factors could have a significant impact on the Association's financial results in 2021 and beyond.

The Association has taken steps to strengthen its financial position and maintain liquidity and flexibility, including monitoring investments to minimize losses, revising the budget, conducting events in a virtual format, and reducing operating expenses.

As the COVID-19 pandemic is complex and continues to evolve, it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Association, results of its operations, its financial position, and cash flows.