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## **FINANCIAL REPORT**

**OSTEOGENESIS IMPERFECTA FOUNDATION, INC.**

YEARS ENDED JUNE 30, 2015 AND 2014

**OSTEOGENESIS IMPERFECTA FOUNDATION, INC.**

**FINANCIAL REPORT  
YEARS ENDED JUNE 30, 2015 AND 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Osteogenesis Imperfecta Foundation, Inc.  
Gaithersburg, Maryland

### Report on the Financial Statements

We have audited the accompanying financial statements of Osteogenesis Imperfecta Foundation, Inc., which comprise the statements of financial position of as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider 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 Osteogenesis Imperfecta Foundation, Inc. as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of expenses by services are presented for purposes of additional analysis and are 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.

*Thompson Greenspon*

Fairfax, Virginia  
November 18, 2015

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>Current Assets</b>  |                     |                     |
| Cash and cash equivalents                                      | \$ 188,831          | \$ 381,244          |
| Pledges receivable, net of allowance for uncollectible pledges | 416,949             | 296,934             |
| Investments  | 1,812,991           | 1,869,149           |
| Inventory  | 17,258              | 25,927              |
| Prepaid expenses   | 33,477              | 28,198              |
|  | <u>2,469,506</u>    | <u>2,601,452</u>    |
| <b>Fixed Assets</b>  |                     |                     |
| Furniture and equipment  | 172,879             | 151,176             |
| Accumulated depreciation                                       | (140,535)           | (128,129)           |
|  | <u>32,344</u>       | <u>23,047</u>       |
| <b>Other Assets</b>  |                     |                     |
| Long-term pledges receivable, net                              | 179,641             | 53,398              |
| Funds held in perpetual trust                                  | 15,500              | 15,500              |
| Deposits   | 6,762               | 6,762               |
|  | <u>201,903</u>      | <u>75,660</u>       |
| <b>Total Assets</b>  | <u>\$ 2,703,753</u> | <u>\$ 2,700,159</u> |

The Notes to Financial Statements are an integral part of these statements.

|   | <u>2015</u>                | <u>2014</u>                |
|---|----------------------------|----------------------------|
| <b>LIABILITIES AND NET ASSETS</b>       |                            |                            |
| <b>Current Liabilities</b>              |                            |                            |
| Accounts payable                        | \$ 68,878                  | \$ 64,396                  |
| Accrued payroll liabilities             | 36,914                     | 35,818                     |
| Deferred revenue                        | 1,470                      | 65,152                     |
| Deferred rent                           | 959                        | 2,302                      |
| Promises to give to others              | <u>198,252</u>             | <u>146,764</u>             |
| Total Current Liabilities               | 306,473                    | 314,432                    |
| <b>Long-term Liabilities</b>            |                            |                            |
| Deferred rent, net of current portion   | <u>-</u>                   | <u>959</u>                 |
| Total Liabilities                       | <u>306,473</u>             | <u>315,391</u>             |
| <b>Net Assets</b>                       |                            |                            |
| Unrestricted net assets                 | 1,717,226                  | 1,993,781                  |
| Temporarily restricted net assets       | 625,566                    | 336,499                    |
| Permanently restricted net assets       | <u>54,488</u>              | <u>54,488</u>              |
| Total Net Assets                        | <u>2,397,280</u>           | <u>2,384,768</u>           |
| <b>Total Liabilities and Net Assets</b> | <u><u>\$ 2,703,753</u></u> | <u><u>\$ 2,700,159</u></u> |

**OSTEOGENESIS IMPERFECTA FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2015 AND 2014**

|   | 2015                |                        |                        | 2014                |                     |                        |                        |                     |
|---|---------------------|------------------------|------------------------|---------------------|---------------------|------------------------|------------------------|---------------------|
|   | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               |
| <b>Support and Revenue</b>  |                     |                        |                        |                     |                     |                        |                        |                     |
| Contributions and grants  | \$ 348,190          | \$ 685,485             | \$ -                   | \$ 1,033,675        | \$ 397,749          | \$ 261,696             | \$ -                   | \$ 659,445          |
| Event revenue   | 368,184             | 15,000                 | -                      | 383,184             | 460,145             | 42,157                 | -                      | 502,302             |
| Investment income   | 107,090             | -                      | -                      | 107,090             | 292,180             | -                      | -                      | 292,180             |
| Direct mailing revenue  | 187,955             | -                      | -                      | 187,955             | 163,693             | -                      | -                      | 163,693             |
| Conference revenue  | 6,575               | 113,793                | -                      | 120,368             | 4,733               | 10,886                 | -                      | 15,619              |
| Product sales, less cost of goods sold of \$1,672 for 2015 and \$2,053 for 2014 | 4,445               | -                      | -                      | 4,445               | 877                 | -                      | -                      | 877                 |
| In-kind contributions   | 31,600              | -                      | -                      | 31,600              | 4,489               | -                      | -                      | 4,489               |
| Net assets released from restrictions   | 525,211             | (525,211)              | -                      | -                   | 335,850             | (335,850)              | -                      | -                   |
| <b>Total Support and Revenue</b>  | <b>1,579,250</b>    | <b>289,067</b>         | <b>-</b>               | <b>1,868,317</b>    | <b>1,659,716</b>    | <b>(21,111)</b>        | <b>-</b>               | <b>1,638,605</b>    |
| <b>Expenses</b>   |                     |                        |                        |                     |                     |                        |                        |                     |
| Program services  |                     |                        |                        |                     |                     |                        |                        |                     |
| Conferences   | 393,136             | -                      | -                      | 393,136             | 106,999             | -                      | -                      | 106,999             |
| Education and support   | 595,306             | -                      | -                      | 595,306             | 516,422             | -                      | -                      | 516,422             |
| Research  | 415,639             | -                      | -                      | 415,639             | 363,674             | -                      | -                      | 363,674             |
| Public awareness  | 48,856              | -                      | -                      | 48,856              | 59,227              | -                      | -                      | 59,227              |
| <b>Total Program Services</b>   | <b>1,452,937</b>    | <b>-</b>               | <b>-</b>               | <b>1,452,937</b>    | <b>1,046,322</b>    | <b>-</b>               | <b>-</b>               | <b>1,046,322</b>    |
| Support services  |                     |                        |                        |                     |                     |                        |                        |                     |
| General and administration  | 111,332             | -                      | -                      | 111,332             | 122,378             | -                      | -                      | 122,378             |
| Fundraising   | 291,536             | -                      | -                      | 291,536             | 387,515             | -                      | -                      | 387,515             |
| <b>Total Support Services</b>   | <b>402,868</b>      | <b>-</b>               | <b>-</b>               | <b>402,868</b>      | <b>509,893</b>      | <b>-</b>               | <b>-</b>               | <b>509,893</b>      |
| <b>Total Expenses</b>   | <b>1,855,805</b>    | <b>-</b>               | <b>-</b>               | <b>1,855,805</b>    | <b>1,556,215</b>    | <b>-</b>               | <b>-</b>               | <b>1,556,215</b>    |
| <b>Change in Net Assets</b>   | <b>(276,555)</b>    | <b>289,067</b>         | <b>-</b>               | <b>12,512</b>       | <b>103,501</b>      | <b>(21,111)</b>        | <b>-</b>               | <b>82,390</b>       |
| <b>Net Assets, beginning of year</b>  | <b>1,993,781</b>    | <b>336,499</b>         | <b>54,488</b>          | <b>2,384,768</b>    | <b>1,890,280</b>    | <b>357,610</b>         | <b>54,488</b>          | <b>2,302,378</b>    |
| <b>Net Assets, end of year</b>  | <b>\$ 1,717,226</b> | <b>\$ 625,566</b>      | <b>\$ 54,488</b>       | <b>\$ 2,397,280</b> | <b>\$ 1,993,781</b> | <b>\$ 336,499</b>      | <b>\$ 54,488</b>       | <b>\$ 2,384,768</b> |

The Notes to Financial Statements are an integral part of these statements.

**OSTEOGENESIS IMPERFECTA FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014**

|   | 2015              | 2014              |
|---|-------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>   |                   |                   |
| Change in net assets  | \$ 12,512         | \$ 82,390         |
| Adjustments to reconcile change in net assets<br>to net cash used by operating activities |                   |                   |
| Depreciation  | 12,405            | 10,732            |
| Unrealized loss (gain) on investments   | 74,990            | (161,215)         |
| Realized gain on investments  | (141,990)         | (88,028)          |
| Deferred rent   | (2,302)           | (2,302)           |
| (Increase) Decrease in  |                   |                   |
| Pledges receivable  | (246,258)         | 2,971             |
| Inventory   | 8,669             | (24)              |
| Prepaid expenses  | (5,279)           | (15,287)          |
| Increase (Decrease) in  |                   |                   |
| Accounts payable and accruals   | 5,578             | 19,955            |
| Deferred revenue  | (63,682)          | 65,152            |
| Promises to give to others  | 51,488            | (26,149)          |
|   | <u>(293,869)</u>  | <u>(111,805)</u>  |
| <b>Cash Flows from Investing Activities</b>   |                   |                   |
| Payments for the purchase of property   | (21,702)          | (8,707)           |
| Payments for the purchase of investments  | (356,330)         | (399,864)         |
| Proceeds from sale of investments   | 479,488           | 556,103           |
|   | <u>101,456</u>    | <u>147,532</u>    |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>                               | (192,413)         | 35,727            |
| <b>Cash and Cash Equivalents, beginning of year</b>                                       | <u>381,244</u>    | <u>345,517</u>    |
| <b>Cash and Cash Equivalents, end of year</b>   | <u>\$ 188,831</u> | <u>\$ 381,244</u> |

The Notes to Financial Statements are an integral part of these statements.



# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 1. DESCRIPTION OF THE FOUNDATION

Osteogenesis Imperfecta Foundation, Inc. (the Foundation or OIF) is a Georgia non-stock corporation incorporated in 1970 with the primary purpose of improving the quality of life for people affected by the bone disorder osteogenesis imperfecta (OI) through research into treatments and a cure, education, awareness, and mutual support. The Foundation's headquarters are located in Gaithersburg, Maryland.

The underlying categories represent the major program areas of the Foundation.

Public Awareness – OIF strives to build public awareness and generate additional support among people with OI, community organizations, government agencies, the general public, school personnel and medical professionals. The Foundation has a public service announcement, and partners with related organizations such as The U.S. Bone & Joint Decade, the National Organization for Rare Disorders, the National Bone Health Alliance, the Rare Disease Patient Network, the National Health Council, the Federal Working Group on Bone, and the OI Federation of Europe. In addition, OIF participates in Rare Disease Day activities, and each May sponsors OI Awareness Week. In 2015, OI Awareness Week volunteers in 35 states held fundraising events, secured proclamations declaring it OI Awareness Week at the local and state levels, and contributed their personal stories to more than 20 publications across the country.

The Foundation manages four social networking sites and continues to offer, through its website [www.oif.org](http://www.oif.org), links to sites that might be helpful or interesting to parents and young people living with OI, in addition to sites that help older adults with OI manage their disorder throughout their life through mutual support. The Foundation also maintains an official OIF Facebook page that provides information and resources to all ages and is updated daily.

The Foundation is committed to advocating on behalf of people with OI and has established an advocacy initiative. A grassroots effort focuses on educating legislators and their staffs about OI and the priorities of the Foundation in addition to advocating for increased funding for the National Institutes of Health (NIH). In early 2015, OIF volunteers visited various members of Congress to let them know how excited the OI community is about being chosen to participate as a Rare Disease Clinical Research Center site, funded by the NIH. Special emphasis was placed on thanking legislators for supporting funding that provides longitudinal studies like the OIF Linked Clinical Research Center program and the newly formed Brittle Bone Disorders Consortium.

Education and Support – The Foundation offers medically verified information related to OI. Topics include medical issues such as genetics, diagnosis and treatments. Additional topics focus on daily living strategies, school and employment. The Foundation's staff replies to requests for information via phone, internet, fax, social media and mail. Educational materials are available in print and electronically through the OIF website. Print materials include books, brochures, fact sheets and a quarterly newsletter. Electronic materials include a monthly email newsletter, and via the website, fact sheets, booklets and brochures. Information on osteogenesis imperfecta is written for a variety of audiences including medical professionals, parents and other family members, children, adults who have OI, and school professionals. On average, 25,000 people use the website each month. Foundation staff and volunteers respond to more than 6,500 direct inquiries a year. Information from these contacts is used to assess the need for new resources. The OIF website has been visited 300,000 times in search of information.

The Foundation sponsors a network of support groups across the United States. Support group activities provide opportunities for mutual support and increased community awareness. Currently, there are 42 active groups in 33 states. In addition, 26 volunteer resource people are active in 25 states.

# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 1. DESCRIPTION OF THE FOUNDATION (continued)

Family Conference – The Foundation's principal educational event is the Biennial National Conference on OI. The conference brings together adults who have OI, parents, other family members and leading medical experts. This conference provides the opportunity for attendees to have face-to-face meetings with experienced physicians, learn about the latest research, and interact with other people who are affected by OI.

The 2014 biennial OIF Conference was a success; it attracted approximately 500 people to Indianapolis, IN. The meeting began with the first ever Walk and Wheel for OI, which had approximately 200 walkers and wheelers showing their Unbreakable Spirit around the city of Indianapolis. A strong local community committee made the event and the conference a true success.

The next conference will be held in July 2016 in Orlando, FL. OIF expects a large turnout at this meeting because of the venue and the increased awareness the Foundation has received as part of the regional meeting initiative.

In January 2015, OIF held its first of three regional meetings scheduled for 2015. The meeting was held in Los Angeles, CA at the LA Shriners Hospital for Children. More than 170 people attended the day-long meeting filled with presentations from experts on OI-related medical issues and issues around daily living. The next two meetings were held in Stamford, CT and Minneapolis, MN. Together the regional meetings reached more than 400 people, and 70 percent of those that attended had never attended an OIF meeting before. This board-directed initiative has been very successful in reaching those with a new OI diagnosis or those who were unable to attend a national event.

Research – The Foundation funds grants to support research relevant to understanding and treating OI. Fellowships are awarded to post-doctoral trainees working on projects with clear relevance to OI. Seed grants are awarded for basic research and clinical studies to foster proof of concept studies. OIF hosts an annual Scientific Meeting to bring together leaders in clinical and basic research on a single topic related to OI. In addition, the Foundation participates in numerous research meetings sponsored by other organizations, including NIH. Every third year, OIF joins other OI associations at the International Scientific Congress on OI. The 12<sup>th</sup> International Scientific Congress on OI was held in October 2014 in Wilmington, DE. OIF played a key role in preparing and implementing the very successful three-day meeting. More than 250 scientists from around the world met to discuss new OI-related research and ways to improve treatment for those living with OI.

OIF also continued supporting two Michael Geisman Fellowships. Each of these studies examines specific genetic mutations that may someday lead to new treatments to strengthen bones, once they are better understood. Both researchers have been successful in moving their research forward. Their reports are available on the OIF website.

The Foundation, in partnership with the Children's Brittle Bone Foundation (CBBF), supports the Linked Clinical Research Centers (LCRC) project. The LCRC project has now successfully transitioned to the longitudinal study of the Brittle Bone Disorders Consortium (BBDC). The BBDC has 14 sites working on OI research including the natural history study. All contribute information to the central data management system. A registry of people with OI is part of this project. Due in part to the success of the LCRC project, the NIH awarded the Baylor College of Medicine a rare disease consortium grant to conduct OI-related research for a five-year period. OI is the first rare bone disease admitted to the NIH's Rare Diseases Clinical Research Network. The funds will support pilot projects as well as the core project, which is the longitudinal study of OI. This grant is the product of a very strong collaboration between the OI scientific community and OIF.

# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 1. DESCRIPTION OF THE FOUNDATION (continued)

Scientific Meetings – In April 2015, OIF held its annual scientific meeting in Chicago, IL. 70 researchers and physicians attended the meeting that focused on reviewing 15 years of science since the meeting was first held. Groups met by discipline and discussed where researchers have gone, and more importantly where the gaps are in OI-related research. OIF continues to lead in providing opportunities for medical professionals and scientists to meet to discuss new and innovative treatments that may ultimately benefit any person living with OI. It is important to keep all researchers current with the most up-to-date research on treatments that physicians will potentially use with their patients.

The Adult Health Initiative is another research activity of the Foundation. A survey of adults with OI was conducted in 2011. Follow-up activities included presentations at the 2012 OIF Scientific Meeting and a small working group that met at the 2013 scientific meeting to continue examining the needs of adults who have OI and identifying areas needing research. This is an ongoing project with the goal of developing care guidelines for adults who have OI. The Adult Health Initiative is an important part of the NIH Rare Diseases Clinical Research Network grant and will be a part of the first Quality of Life Survey for adults living with OI.

The Foundation also took the lead on presenting a large pre-event meeting at the 2014 American Society of Bone & Mineral Research (ASBMR) annual meeting in Houston, TX. The meeting, chaired by Medical Advisory Council (MAC) members Dr. Laura Tosi and Dr. Matthew Warman, continued the discussion about rare bone disease research and why it is important to all bone disease research. The meeting attracted over 300 scientists from around the world interested in rare bone disease research, and three publications were produced from the meeting.

Impact Grant Program – In partnership with CBBF, an annual competitive grant program has been established. It is designed to provide funding for items that will significantly improve the quality of life for a person who has OI and who has limited financial resources. Last year, funds were awarded for items like adapted vehicles, new mobility devices, computers, hearing aids, dental work and other products and services. The most recent funding cycle began in January 2015.

OIF continues to take the lead in developing programs that provide opportunities for scientific collaboration, mutual support for persons living with OI, and access to the most up-to-date and medically verified information about OI.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Cash and Cash Equivalents** (continued)

For purposes of the statements of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less. The Foundation currently maintains cash balances with several financial institutions located in Virginia. The Federal Deposit Insurance Corporation (FDIC) secures these accounts up to \$250,000 per depositor. At times throughout the year, cash and equivalents may exceed the established limits in these accounts. The Foundation has not experienced any losses from such accounts, and management believes the Foundation is not exposed to any significant credit risk related to bank accounts.

Donated securities or other assets that have no donor-imposed restrictions and that are immediately converted into cash are classified as cash from operating activities. During the year ended June 30, 2015, the Foundation received \$3,664 in donated stock that was immediately converted into cash and recognized as cash from operating activities in the accompanying statements of cash flows.

#### **Inventory**

Inventory is recorded at the lower of cost or market using the first-in, first-out (FIFO) method of inventory valuation. Inventory consists of books and videos to help children cope with OI, as well as small goods to promote OI awareness.

#### **Prepaid Expenses**

The Foundation records expenses incurred in advance for general operations and the Biennial National Conference as prepaid expenses.

#### **Pledges Receivable**

Pledges receivable represents amounts which have been promised but not yet received. Pledges are recorded at the original value less an estimate of uncollectible pledges. Pledges due beyond one year are discounted to reflect the present value of the pledge using the mid-term annual Applicable Federal Rate (AFR). AFR was 1.60 percent and 1.91 percent at June 30, 2015 and 2014, respectively.

#### **Fixed Assets**

The Foundation has a capitalization policy for qualifying assets in excess of \$1,000. Furniture and equipment are reported at cost. Assets and capital lease purchases are depreciated over a two- to ten-year estimated life using the straight-line method. Depreciation expense for the years ended June 30, 2015 and 2014 was \$12,405 and \$10,732, respectively.

#### **Investments**

Investments are accounted for at fair market value with any unrealized gains and losses reported in the statements of activities and changes in net assets.

#### **Fair Value**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). 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 FASB ASC 820 are described below:

# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Fair Value** (continued)

Level 1 – inputs to the valuation methodology are based upon unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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 markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. 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. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques (market, cost, or income approach). The market approach evaluates prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach evaluates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost). The income approach uses techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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.

The following describes the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

*Common stocks:* Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

*Corporate and municipal bonds:* Bonds are valued at the closing price reported in the active market in which the bond is traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### **Promises to Give to Others**

Research grants awarded prior to year end but not distributed are recorded as grants payable and expensed accordingly.

Pledges to give in future years are recorded as unrestricted support because it is believed that the intent of the donor is to support the Foundation's operations in the years the promises are made.

#### **Deferred Revenue**

The Foundation records income for conference fees which have been paid in advance as deferred revenue.

# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Net Assets**

Net assets are reported by the Foundation in accordance with generally accepted accounting principles. Accordingly, net assets have been reported using the following categories.

#### **Unrestricted**

Unrestricted net assets represent resources over which the Board of Directors has discretionary control, and are used to carry out operations of the Foundation in accordance with their by-laws. Unrestricted net assets have been reserved by the Board of Directors for future operations. For the years ended June 30, 2015 and 2014, the balance of the Board-designated net assets was \$1,717,226 and \$1,993,781, respectively.

#### **Temporarily Restricted**

Temporarily restricted net assets represent contributions and grants which have been restricted by donors for specific programs or activities. Restrictions which have been met by the passage of time or expenditure of net assets are reported as net assets released from restrictions on the statements of activities and changes in net assets. Temporarily restricted funds received and utilized in the same operating period are reported as temporarily restricted revenue and net assets released from restrictions on the statements of activities and changes in net assets. For the years ended June 30, 2015 and 2014, the Foundation received \$764,278 and \$314,739, respectively, in temporarily restricted assets. As of June 30, 2015 and 2014, temporarily restricted net assets were \$625,566 and \$336,499, respectively.

#### **Permanently Restricted**

Permanently restricted net assets represent contributions which have been restricted by donors indefinitely. The permanently restricted net assets have been identified by the Foundation and consist of an Endowment Fund. For the years ended June 30, 2015 and 2014, the Foundation did not receive any permanently restricted contributions. As of June 30, 2015 and 2014, permanently restricted net assets were \$54,488.

#### **Volunteer Event Revenue**

The Foundation receives a portion of its revenue from events hosted throughout the country by related and unrelated individuals and organizations. An event coordinator is available at the Foundation headquarters to help plan the event as well as answer questions the sponsoring individual or organization may have. The Foundation provides event training, which includes on-site collection of revenue. Revenue from these events is collected by the sponsoring individual or organization, which then remits that revenue to the Foundation. The Foundation's website and lockbox provide assistance to the sponsors in collection of revenue.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Donated Services and Materials**

Contributions of services are recognized if the services received create or enhance non-financial assets or require special skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. During 2015 and 2014, the Foundation received \$31,600 and \$4,489 in donated materials or services, respectively. The donated materials and services were primarily used for conferences in 2015.

# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Donated Services and Materials (continued)

In addition, the Foundation has estimated that total volunteer time donated during the years ended June 30, 2015 and 2014 was approximately \$270,380 and \$254,928, respectively, valued at \$23.07 and \$22.55 per hour, respectively. These services are not recorded in the accompanying financial statements as they did not meet the requirements as noted in the previous paragraph.

#### Income Taxes

The Foundation has received a favorable tax determination letter from the Internal Revenue Service stating that it is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to unrelated business income tax for activities conducted outside its tax-exempt purpose. During 2015 and 2014, the Foundation did not conduct unrelated business activities.

Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

The Foundation files an informational income tax return for Federal reporting purposes. Currently, the 2013, 2012 and 2011 income tax returns are open and subject to examination. The Foundation is not currently under audit by any income tax jurisdictions.

#### Subsequent Events

The date to which events occurring after June 30, 2015, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is November 18, 2015, which is the date on which the financial statements were available to be issued.

### 3. INVESTMENTS

Investments are stated at fair value for all equity securities for which fair value is readily determinable. The carrying value and cost are as follows at June 30:

|                  | 2015                |                     | 2014                |                     |
|------------------|---------------------|---------------------|---------------------|---------------------|
|                  | Cost                | Market              | Cost                | Market              |
| Common stocks    |                     |                     |                     |                     |
| Consumer stock   | \$ 186,654          | \$ 319,082          | \$ 207,354          | \$ 350,287          |
| Energy stock     | 84,694              | 91,835              | 101,131             | 147,762             |
| Financial stock  | 73,060              | 110,502             | 81,519              | 105,243             |
| Healthcare stock | 142,884             | 203,690             | 159,366             | 240,862             |
| Industrial stock | 150,018             | 227,859             | 131,265             | 217,219             |
| Technology stock | 137,067             | 234,656             | 143,307             | 248,842             |
| Subtotals        | <u>774,377</u>      | <u>1,187,624</u>    | <u>823,942</u>      | <u>1,310,215</u>    |
| Municipal bonds  | 487,188             | 493,985             | 555,230             | 558,934             |
| Corporate bonds  | 133,527             | 131,382             | -                   | -                   |
| Totals           | <u>\$ 1,395,092</u> | <u>\$ 1,812,991</u> | <u>\$ 1,379,172</u> | <u>\$ 1,869,149</u> |

# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 3. INVESTMENTS (continued)

Investment income included in the statements of activities and changes in net assets is as follows:

|   | 2015       | 2014       |
|---|------------|------------|
| Interest and dividends                                    | \$ 40,090  | \$ 42,937  |
| Net change in realized and unrealized gain on investments | 67,000     | 249,243    |
| Investment income, net                                    | \$ 107,090 | \$ 292,180 |

### 4. FAIR VALUE MEASUREMENTS

The following table summarizes Osteogenesis Imperfecta Foundation, Inc.'s financial assets that were measured at fair value on a recurring basis as of June 30:

|                  | 2015         |            |         | Total        |
|------------------|--------------|------------|---------|--------------|
|                  | Level 1      | Level 2    | Level 3 |              |
| Common stocks    |              |            |         |              |
| Consumer stock   | \$ 319,082   | \$ -       | \$ -    | \$ 319,082   |
| Energy stock     | 91,835       | -          | -       | 91,835       |
| Financial stock  | 110,502      | -          | -       | 110,502      |
| Healthcare stock | 203,690      | -          | -       | 203,690      |
| Industrial stock | 227,859      | -          | -       | 227,859      |
| Technology stock | 234,656      | -          | -       | 234,656      |
| Subtotal         | 1,187,624    | -          | -       | 1,187,624    |
| Municipal bonds  | -            | 493,985    | -       | 493,985      |
| Corporate bonds  | -            | 131,382    | -       | 131,382      |
| Total            | \$ 1,187,624 | \$ 625,367 | \$ -    | \$ 1,812,991 |

  

|                  | 2014         |            |         | Total        |
|------------------|--------------|------------|---------|--------------|
|                  | Level 1      | Level 2    | Level 3 |              |
| Common stocks    |              |            |         |              |
| Consumer stock   | \$ 350,287   | \$ -       | \$ -    | \$ 350,287   |
| Energy stock     | 147,762      | -          | -       | 147,762      |
| Financial stock  | 105,243      | -          | -       | 105,243      |
| Healthcare stock | 240,862      | -          | -       | 240,862      |
| Industrial stock | 217,219      | -          | -       | 217,219      |
| Technology stock | 248,842      | -          | -       | 248,842      |
| Subtotal         | 1,310,215    | -          | -       | 1,310,215    |
| Municipal bonds  | -            | 558,934    | -       | 558,934      |
| Total            | \$ 1,310,215 | \$ 558,934 | \$ -    | \$ 1,869,149 |

We evaluated the significance of transfers between the levels based upon the nature of the financial instrument and size of the transfer relative to the total investments. For the years ending June 30, 2015 and 2014, there were no transfers to or out of Levels 1, 2 or 3.



**OSTEOGENESIS IMPERFECTA FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**5. PLEDGES RECEIVABLE**

Pledges receivable consist of the following at June 30:

|   | 2015       | 2014       |
|---|------------|------------|
| Pledges due in less than one year         | \$ 418,558 | \$ 302,454 |
| Less: Allowance for uncollectible pledges | (1,609)    | (5,520)    |
| Net current pledges receivable            | 416,949    | 296,934    |
| Due in one to five years                  | 189,712    | 58,072     |
| Less: Discount at present value           | (10,071)   | (4,674)    |
| Net long-term pledges receivable          | 179,641    | 53,398     |
| Total pledges receivable                  | \$ 596,590 | \$ 350,332 |

**6. LINE OF CREDIT**

The Foundation had a \$100,000 line of credit with a commercial bank, which expires in July 2016. Outstanding borrowings bear interest at the Wall Street Journal Prime rate. There was no outstanding balance as of June 30, 2015 and 2014.

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at June 30:

|   | 2015       | 2014       |
|---|------------|------------|
| Adult health                            | \$ 34,276  | \$ 33,120  |
| Biennial Conference                     | -          | 27,719     |
| OI Resource Center                      | -          | 5,000      |
| Fundraising                             | -          | 3,000      |
| Impact Grant Program                    | 235,673    | 188,438    |
| BBDC                                    | 337,814    | 60,000     |
| OI research                             | 17,803     | 18,941     |
| Services to benefit hearing impaired    | -          | 281        |
| Total temporarily restricted net assets | \$ 625,566 | \$ 336,499 |

Temporarily restricted net assets are available for the following purposes at June 30:

|   | 2015       | 2014       |
|---|------------|------------|
| Conferences                             | \$ -       | \$ 27,719  |
| Education and support                   | 235,673    | 193,719    |
| Research                                | 389,893    | 112,061    |
| Fundraising                             | -          | 3,000      |
| Total temporarily restricted net assets | \$ 625,566 | \$ 336,499 |

# OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

### 8. PERMANENTLY RESTRICTED NET ASSETS

The Foundation was named as a beneficiary of a charitable remainder trust upon the death of the annuitant. As a result, \$15,500 was invested in a perpetual trust administered by a third party. The Foundation has the right to receive income earned on the asset. The principal asset is permanently restricted. The remaining \$38,988 is for lifetime memberships paid for in the 1990s that were designated as permanent endowments at the time of their contribution to the Foundation.

### 9. COMMITMENTS

The Foundation leases office space, which expires on November 30, 2015. The lease agreement provides for monthly payments of \$6,478. The lease provides for an annual escalation increase at a rate of three percent. The lease also requires that the Foundation pay their pro-rata share of any building operating expenses in excess of the agreed-upon amount. Under the terms of the lease, the Foundation received an abatement of rent for the first two months of the extended term. The abatement is amortized over the life of the five-year lease extension. Rent expense for the years ended June 30, 2015 and 2014 was \$74,482 and \$72,246, respectively.

In December 2014, the Foundation renewed its existing office space lease that is set to expire in November 2015. The new lease agreement provides for initial monthly payments of \$6,187 with an annual escalation increase at a rate of two percent, expiring on November 30, 2020. The lease also requires that the Foundation pay their pro-rata share of any building operating expenses in excess of the agreed-upon amount. Future minimum lease payments for this lease are included in the schedule below.

The Foundation has entered into several agreements for office equipment and support services.

Future minimum payments under all lease agreements are as follows:

| <u>Years ending June 30:</u> |                   |
|------------------------------|-------------------|
| 2016                         | \$ 80,283         |
| 2017                         | 77,440            |
| 2018                         | 78,492            |
| 2019                         | 80,024            |
| 2020                         | 80,802            |
| 2021                         | 33,483            |
| Total future payments        | <u>\$ 430,524</u> |

The Foundation has entered into an agreement with a human resources leasing group to provide all related human resource services for employees. The agreement is on a month-to-month basis and may be cancelled by the Foundation with 30 days written notice.

### 10. CONCENTRATION OF RISK

For the years ended June 30, 2015 and 2014, three entities accounted for 64 and 67 percent of pledges receivable, respectively. For the year ended June 30, 2015 one entity accounted for 11 percent of revenues. There was no concentration of revenues as of June 30, 2014.

### 11. RETIREMENT PLAN

The Foundation sponsors a 401(k) plan through its payroll service provider. The Foundation matches the first four percent of employee contributions. The contribution was \$21,917 and \$18,191 for the years ended June 30, 2015 and 2014, respectively.

**OSTEOGENESIS IMPERFECTA FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**12. RISKS AND UNCERTAINTIES**

The Foundation 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 such changes could materially affect the Foundation's investments and the amounts reported in the statements of financial position and the statements of activities and changes in net assets.

**SUPPLEMENTARY INFORMATION**

**OSTEOGENESIS IMPERFECTA FOUNDATION, INC.**

**SUPPLEMENTAL SCHEDULE OF EXPENSES BY SERVICES  
YEAR ENDED JUNE 30, 2015**

|   | Program Services        |                       |            |                  | Support Services           |             | Overall Total |
|---|-------------------------|-----------------------|------------|------------------|----------------------------|-------------|---------------|
|   | Conferences and Support | Education and Support | Research   | Public Awareness | General and Administration | Fundraising |               |
| Salaries and fringe benefits                    | \$ 101,755              | \$ 232,070            | \$ 78,794  | \$ 31,281        | \$ 443,900                 | \$ 90,789   | \$ 335,083    |
| Bank fees                                       | -                       | -                     | -          | -                | -                          | -           | 21,660        |
| Consulting fees                                 | -                       | -                     | 3,600      | -                | 3,600                      | -           | -             |
| Depreciation                                    | -                       | -                     | -          | -                | -                          | -           | 12,405        |
| Dues and subscriptions                          | -                       | 2,347                 | -          | -                | 2,347                      | -           | 210           |
| Equipment rental and maintenance                | -                       | -                     | -          | -                | -                          | 249         | 2,299         |
| Event expense                                   | 162,844                 | 2,675                 | -          | -                | 165,519                    | 112,824     | 112,824       |
| Grants and fellowships                          | -                       | 180,065               | 147,559    | 3,800            | 331,424                    | -           | -             |
| Information technology and web support          | -                       | 37,900                | 2,010      | -                | 39,910                     | 2,010       | 20,453        |
| Insurance                                       | -                       | -                     | -          | -                | -                          | 2,810       | 6,178         |
| Interest expense                                | -                       | -                     | -          | -                | -                          | 275         | 8,983         |
| Licenses and permits                            | -                       | -                     | -          | -                | -                          | 4,375       | 4,595         |
| Meetings and conferences                        | 20,098                  | 1,222                 | 93,133     | -                | 114,453                    | -           | 3,147         |
| Miscellaneous                                   | -                       | -                     | -          | -                | -                          | 234         | 322           |
| Occupancy                                       | -                       | -                     | -          | -                | -                          | -           | 74,482        |
| Office supplies                                 | 432                     | 75                    | -          | -                | 507                        | 6           | 13,735        |
| Postage and delivery                            | 346                     | 4,110                 | 129        | -                | 4,585                      | 6,635       | 8,204         |
| Printing and duplicating                        | 4,714                   | 13,046                | 1,140      | -                | 18,900                     | 2,906       | 5,356         |
| Professional fees                               | -                       | -                     | -          | -                | -                          | 600         | 38,456        |
| Survey  | -                       | -                     | 1,800      | -                | 1,800                      | -           | -             |
| Telephone                                       | 72                      | 165                   | 138        | 10               | 385                        | 23          | 8,118         |
| Travel  | 1,229                   | 1,309                 | 5,562      | 53               | 8,153                      | 10,443      | 12,212        |
| In-kind expenses                                | 24,300                  | 3,200                 | -          | 4,100            | 31,600                     | -           | -             |
| Total expenses, before indirect cost allocation | 315,790                 | 478,184               | 333,865    | 39,244           | 1,167,083                  | 234,179     | 688,722       |
| Indirect cost allocation                        | 77,346                  | 117,122               | 81,774     | 9,612            | 285,854                    | 57,357      | (285,854)     |
| Total Expenses                                  | \$ 393,136              | \$ 595,306            | \$ 415,639 | \$ 48,856        | \$ 1,452,937               | \$ 291,536  | \$ 402,868    |
|   |                         |                       |            |                  |                            |             | \$ 1,855,805  |

**OSTEOGENESIS IMPERFECTA FOUNDATION, INC.**

**SUPPLEMENTAL SCHEDULE OF EXPENSES BY SERVICES  
YEAR ENDED JUNE 30, 2014**

|   | Program Services        |                       |            |                  | Support Services           |             | Overall Total |
|---|-------------------------|-----------------------|------------|------------------|----------------------------|-------------|---------------|
|   | Conferences and Support | Education and Support | Research   | Public Awareness | General and Administration | Fundraising |               |
| Salaries and fringe benefits                    | \$ 68,962               | \$ 247,507            | \$ 47,638  | \$ 45,737        | \$ 233,883                 | \$ 125,388  | \$ 769,115    |
| Bank fees                                       | 373                     | -                     | -          | -                | 24,304                     | -           | 24,304        |
| Consulting fees                                 | -                       | 600                   | 2,500      | -                | -                          | 8,000       | 8,000         |
| Depreciation                                    | -                       | -                     | -          | -                | 10,732                     | -           | 10,732        |
| Dues and subscriptions                          | -                       | 2,345                 | -          | -                | 83                         | -           | 83            |
| Equipment rental and maintenance                | -                       | -                     | -          | -                | 1,599                      | 313         | 1,912         |
| Event expense                                   | 5                       | -                     | -          | -                | -                          | 136,124     | 136,124       |
| Grants and fellowships                          | -                       | 82,942                | 123,981    | -                | -                          | -           | 206,923       |
| Information technology and web support          | 125                     | 37,714                | 2,010      | -                | 19,186                     | 2,154       | 61,189        |
| Insurance                                       | -                       | -                     | -          | -                | 3,281                      | 1,805       | 5,086         |
| Interest expense                                | -                       | -                     | -          | -                | 4,272                      | 250         | 4,522         |
| Licenses and permits                            | -                       | -                     | -          | -                | -                          | 4,501       | 4,501         |
| Meetings and conferences                        | 12,323                  | 1,343                 | 102,755    | -                | 3,827                      | 26          | 120,274       |
| Miscellaneous                                   | -                       | -                     | -          | -                | 334                        | -           | 334           |
| Occupancy                                       | -                       | -                     | -          | -                | 72,246                     | -           | 72,246        |
| Office supplies                                 | -                       | 8                     | -          | -                | 16,027                     | 26          | 16,053        |
| Postage and delivery                            | -                       | 5,872                 | 15         | -                | 1,489                      | 7,020       | 14,396        |
| Printing and duplicating                        | 250                     | 18,891                | 90         | 519              | 2,540                      | 2,148       | 24,438        |
| Professional development                        | -                       | -                     | -          | -                | 198                        | -           | 198           |
| Professional fees                               | -                       | 365                   | 2,421      | -                | 34,305                     | 550         | 37,641        |
| Telephone                                       | 120                     | 347                   | 100        | -                | 7,975                      | 126         | 8,668         |
| Travel  | 1,407                   | 5,387                 | 2,516      | -                | 120                        | 9,726       | 19,156        |
| In-kind expenses                                | -                       | -                     | -          | -                | -                          | 4,489       | 4,489         |
| Total expenses, before indirect cost allocation | 83,565                  | 403,321               | 284,026    | 46,256           | 436,401                    | 302,646     | 1,556,215     |
| Indirect cost allocation                        | 23,434                  | 113,101               | 79,648     | 12,971           | (314,023)                  | 84,869      | (229,154)     |
| Total Expenses                                  | \$ 106,999              | \$ 516,422            | \$ 363,674 | \$ 59,227        | \$ 122,378                 | \$ 387,515  | \$ 1,556,215  |