

INTERNATIONAL MYELOMA FOUNDATION

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

September 30, 2016



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

Independent Auditor’s Report

To the Board of Directors
International Myeloma Foundation
(A California Nonprofit Public Benefit Corporation)
North Hollywood, California

We have audited the accompanying financial statements of the International Myeloma Foundation (the Foundation) which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PARTNERS

- David J. Swan, CPA**
- David E. Blumenthal, CPA*†
- Stephan H. Wasserman, CPA**
- Robert O. Watts, CPA†
- Tracy Farryl Katz, ESQ., CPA†
- Nazfar B. Afshar, CPA†
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DIRECTORS

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FOUNDERS

- Donald L. Gursey, (1936-2007)
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Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the International Myeloma Foundation as of September 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gursey | Schneider LLP

February 24, 2017
Los Angeles, California

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
September 30, 2016

ASSETS

Cash and cash equivalents	\$ 1,389,912
Contributions, program grants, and other receivables	11,773,560
Prepaid expenses	765,178
Investments, at fair value	7,310,962
Property and equipment, net	537,245
Gift annuity investments, restricted cash	8,679
Intangible assets, net	<u>79,744</u>
TOTAL ASSETS	<u><u>\$ 21,865,280</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 806,174
Deferred program and educational grants	12,634,601
Gift annuity obligation	<u>6,028</u>
TOTAL LIABILITIES	<u>13,446,803</u>
NET ASSETS	
Unrestricted	5,827,417
Temporarily restricted	<u>2,591,060</u>
TOTAL NET ASSETS	<u>8,418,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 21,865,280</u></u>

See Accompanying Notes to Financial Statements

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Educational and program grants	\$ 16,518,387	\$ 3,037,320	\$ 19,555,707
General contributions	833,864	169,609	1,003,473
Fundraising programs	326,146	14,026	340,172
Donated services	600	-	600
Seminar fees and support group income	75,138	-	75,138
Fundraising events, net of direct benefit to donors of \$355,371	526,166	468,620	994,786
Realized and unrealized gains, net	200,061	-	200,061
Investment income	198,827	(1,073)	197,754
	<u>18,679,189</u>	<u>3,688,502</u>	<u>22,367,691</u>
Net assets released from restrictions	1,101,165	(1,101,165)	-
	<u>19,780,354</u>	<u>2,587,337</u>	<u>22,367,691</u>
FUNCTIONAL EXPENSES			
Program expenses	14,616,782	-	14,616,782
General supporting expenses	431,497	-	431,497
Fundraising	774,356	-	774,356
	<u>15,822,635</u>	<u>-</u>	<u>15,822,635</u>
CHANGE IN NET ASSETS	3,957,719	2,587,337	6,545,056
NET ASSETS - Beginning of year	<u>1,869,698</u>	<u>3,723</u>	<u>1,873,421</u>
NET ASSETS - End of year	<u>\$ 5,827,417</u>	<u>\$ 2,591,060</u>	<u>\$ 8,418,477</u>

See Accompanying Notes to Financial Statements

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended September 30, 2016

	Advocacy	Clinical Meetings	Education and Awareness	Info Line	Information Mailings	International	Myeloma Today	Nurse
Bank fees	\$ 1,228	\$ 2,122	\$ 3,106	\$ 801	\$ 322	\$ 2,540	\$ 1,008	\$ 1,011
Conference and meetings	-	525,607	292,858	-	-	335,506	-	212,163
Depreciation and amortization	2,528	-	2,712	2,528	2,528	2,528	2,528	2,528
Dues and subscriptions	17,401	-	2,797	-	-	-	-	-
Information technology	4,292	7,158	9,795	2,330	998	18,234	3,065	3,107
Insurance	1,569	2,550	3,863	1,011	414	3,294	1,273	1,519
Interest	-	-	-	-	-	-	-	-
Merchandise	-	-	-	-	-	-	-	-
Office	3,958	9,005	18,169	2,095	4,913	7,516	3,001	7,599
Payroll	233,761	55,890	473,551	258,584	73,947	274,282	234,407	72,832
Postage and shipping	311	-	7,765	-	6,344	2,628	44,711	4,270
Printing and publications	24,587	666	212,308	-	2,079	22,261	49,876	142,231
Professional services	153,721	30,551	265,943	1,558	819	240,171	36,573	4,397
Recruitment	-	-	-	-	-	-	-	-
Rent	1,934	3,320	24,581	25,420	15,793	7,021	12,828	648
Research grants awarded	-	-	-	-	-	-	-	-
Taxes	174	122	363	112	40	408	141	238
Telephone	5,859	6,866	65,503	5,071	903	7,643	4,752	8,477
Travel	11,983	53,727	93,331	-	-	217,356	-	13,614
Total	\$ 463,306	\$ 697,584	\$ 1,476,645	\$ 299,510	\$ 109,100	\$ 1,141,388	\$ 394,163	\$ 474,634

(Continued on next page)

See Accompanying Notes to Financial Statements

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended September 30, 2016

(Continued from previous page)

	Patient and Family Seminars	Research	Support Groups	Website	Total Program Expenses	General Supporting Expenses	Fundraising Expenses	Total Expenses
Bank fees	\$ 4,424	\$ 18,351	\$ 1,703	\$ 897	\$ 37,513	\$ 2,120	\$ 2,108	\$ 41,741
Conference and meetings	600,641	676,285	229,058	-	2,872,118	80,887	53,564	3,006,569
Depreciation and amortization	2,528	9,328	2,528	3,153	35,417	8,092	2,528	46,037
Dues and subscriptions	-	5,530	200	782	26,710	-	16,338	43,048
Information technology	12,605	54,581	4,745	10,210	131,120	5,916	5,999	143,035
Insurance	5,619	32,464	1,683	1,173	56,432	2,684	2,611	61,727
Interest	-	-	-	-	-	-	-	-
Merchandise	-	-	-	-	-	-	17,971	17,971
Office	21,196	223,366	25,084	5,605	331,507	6,343	20,096	357,946
Payroll	412,667	591,432	329,772	233,005	3,244,130	267,059	444,672	3,955,861
Postage and shipping	22,195	4,612	10,393	10	103,239	2,476	30,637	136,352
Printing and publications	72,391	3,677,017	4,241	-	4,207,657	-	68,568	4,276,225
Professional services	28,350	810,967	3,521	46,007	1,622,578	4,695	22,663	1,649,936
Recruitment	-	-	-	-	-	12,274	-	12,274
Rent	32,120	43,623	4,372	32,757	204,417	33,005	32,073	269,495
Research grants awarded	-	544,738	-	-	544,738	-	-	544,738
Taxes	647	3,509	165	130	6,049	342	300	6,691
Telephone	11,116	57,998	14,815	2,295	191,298	5,604	10,406	207,308
Travel	129,338	354,506	126,708	1,296	1,001,859	-	43,822	1,045,681
Total	\$ 1,355,837	\$ 7,108,307	\$ 758,988	\$ 337,320	\$ 14,616,782	\$ 431,497	\$ 774,356	\$ 15,822,635

See Accompanying Notes to Financial Statements

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended September 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 6,545,056
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation and amortization expense	46,037
Realized and unrealized gains, net	(200,061)
Increase in assets:	
Contributions, program grants, and other receivables	(6,061,128)
Prepaid expenses	(103,338)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	80,167
Deferred program and educational grants	<u>(427,327)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(120,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(7,386,670)
Proceeds from sale of investments	6,574,670
Purchases of intangible assets	(26,878)
Purchases of property and equipment	<u>(346,984)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(1,185,862)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,306,456)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,696,368</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 1,389,912</u></u>

See Accompanying Notes to Financial Statements

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2016

NOTE 1 — NATURE OF ORGANIZATION

The International Myeloma Foundation (the “Foundation”) is a California nonprofit public benefit corporation organized for the purpose of improving the quality of life of myeloma patients while working towards prevention and a cure.

Research: The Foundation is the leader in globally collaborative myeloma research. The Foundation has implemented the Black Swan Research Initiative ® (“BSRI”), a breakthrough approach to finding a cure for myeloma. Led by a multi-national consortium of leading myeloma experts, BSRI is dedicated to developing new curative therapies for myeloma. Leading myeloma experts are harnessing new technologies and the latest myeloma treatments to find a pathway to a cure. The Foundation supports lab-based research and has awarded over 118 grants to top senior and junior research scientists since 1995. In addition, the Foundation brings together the world’s leading experts in the most successful and unique way through the International Myeloma Working Group, which is publishing in prestigious medical journals, charting the course to a cure, mentoring the next generation of innovative investigators, and improving lives through better care.

Education: The Foundation’s educational Patient and Family Seminars, Medical Center Workshops, and Regional Community Workshops are held around the world. These meetings provide up-to-date information presented by leading myeloma specialists and research scientists directly to myeloma patients and their families. The Foundation also promotes education to doctors and nurses. The Foundation’s library of more than 100 publications, for patients, caregivers, and healthcare professionals, is updated annually and available free of charge. Publications are available in more than 20 languages.

Support: The Foundation’s toll-free InfoLine at (800) 452 – CURE (2873) is staffed by InfoLine coordinators who answer questions and provide support and information via phone and e-mail to thousands of patients and families each year. The Foundation sustains a network of more than 150 support groups and offers training for hundreds of dedicated patients, caregivers, and nurses who volunteer to lead these groups in their communities.

Advocacy: The Foundation’s Advocacy program trains and supports concerned individuals to advocate on health issues that affect the myeloma community. Working both at the state and federal level, the Foundation leads two coalitions to advocate for parity in insurance coverage. Thousands of Foundation-trained advocates make a positive impact each year on issues critical to the myeloma community.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2016

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation — The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Classes of Net Assets — The Foundation recognizes contributions, including unconditional promises to give, as revenue in the period in which they are received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* — Net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties. The Foundation received educational grants that are received to support specific educational programs and support activities of the Foundation. Unrestricted contributions (including educational grants) whose programmatic purposes and commitments arise in future periods are deferred and recognized as income in the period such programs and activities are provided.
- *Temporarily Restricted Net Assets* — Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and / or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Restricted support is classified as unrestricted support when the restrictions are met in the same reporting period. Temporarily restricted net assets represent net assets held to fulfill future restricted programs and charitable gift annuity obligations.
- *Permanently Restricted Net Assets* — Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity by the Foundation. The Foundation did not have any permanently restricted net assets at September 30, 2016.

Use of Estimates — The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents — The Foundation considers highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Contributions and Program Grants — Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor or provided for future periods are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program grants may consist of fee-for-service benefits, or provide for other reciprocal arrangements where the Foundation is obligated to provide benefit to the donor. Revenues from such program grants that contain reciprocal arrangements are deferred and recognized as revenue when the obligations have been performed or benefit has been provided, generally through the incurrence of related program costs.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2016

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Contributions, Program Grants, and Other Receivables — Receivables represent primarily amounts due from pharmaceutical companies for research, educational, or other program grants, or general support contributions. The Foundation considers these receivables fully collectible; accordingly, no allowance for doubtful accounts is required.

Receivable are expected to be received as follows:

Due within one year	\$ 5,106,893
Due within one to five years	<u>6,666,667</u>
Total receivables	<u><u>\$ 11,773,560</u></u>

These amounts are not discounted to reflect present value as such adjustment would not be material.

Investments — The Foundation accounts for its investments at fair value, determined by quoted market prices. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporary or permanently restricted by donors to a specified purpose or future period.

Property and Equipment — Purchased property and equipment is capitalized at cost or, if contributed, at fair value at the date of contribution. Ordinary repairs and maintenance are expensed in the year incurred. Computer software developed for internal use is capitalized. Depreciation of property and equipment is computed using the straight-line method based upon the estimated useful lives of the assets as follows:

Computer equipment	5 years
Furniture and equipment	5 years
Computer software	5 years
Leasehold improvements	Lesser of useful life or lease term

Intangible Assets — Intangible assets consist of legal costs paid to secure the rights to various Foundation trademarks used both domestically and internationally. The costs of these intangible assets are being amortized on a straight-line basis over the life of the trademark and are stated at cost net of accumulated amortization. The Foundation estimates a ten-year useful life for its trademarks.

Impairment of Long-Lived Assets — Long-lived assets such as property and equipment and intangible assets are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. Further, long-lived assets held for sale are to be stated at the lower cost or fair market value less costs to sell.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2016

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Contributed Goods and Services — Contributed services are recognized by the Foundation if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The accompanying statement of activities reflects \$600 of donated professional meeting space rental for a support group meeting during the year ended September 30, 2016.

Functional Expenses — The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes — The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation evaluates its tax positions and recognize a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. If such issues exist, the Foundation’s policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense. The Foundation did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

The Foundation’s federal income tax and informational returns for tax years 2013 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California remain subject to examination by the California Franchise Tax Board for years 2012 and subsequent.

Foreign Currency — The Foundation’s functional currency for all operations worldwide is the U.S. dollar. Nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at exchange rates in effect at the end of the year. Statement of activity accounts are translated at actual or average rates for the year. Gains and losses resulting from foreign currency transactions are included in the current statement of activities. Aggregate foreign currency translation and transaction losses included in the statement of activities are not material. At September 30, 2016, the Foundation holds less than \$5,000 of foreign currency denominated assets and no foreign currency denominated liabilities.

Concentration of Credit Risk — Financial instruments that potentially expose the Foundation to a concentration of credit risk consist primarily of cash and cash equivalents, investments and contributions.

The Foundation maintains its cash and cash equivalents with high-credit, quality financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) insures cash up to \$250,000 per institution and the Securities Insurance Corporation (“SIPC”) protects investments up to \$500,000 per investor. In the normal course of operations, such cash and investment balances exceed the FDIC and SIPC insurance limits. However, the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and investment.

There are five pharmaceutical company donors that accounted for approximately 77% of total revenues during the year ended September 30, 2016.

One pharmaceutical company donor accounted for approximately 85% of the contribution receivable as of September 30, 2016.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2016

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Effect of Recently Issued Accounting Standards — In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, “*Revenue from Contracts with Customers*,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2018. Early adoption is permitted, although not prior to fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on the Foundation’s financial statements and related disclosures and has not yet selected a transition method.

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, “*Leases*” (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the Foundation’s financial statements and related disclosures.

Finally, on August 18, 2016, FASB issued new rules for nonprofit organizations under ASU 2016-14 “*Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*” (“NFP”). This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets. Four changes in ASU 2016-14 are:

- (1) The existing three-class system of classifying net asset as unrestricted, temporarily restricted and permanently restricted will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.
- (2) The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards’ policies or decisions to reduce or spend from these funds.
- (3) NFPs will be required to disclose in financial statement notes quantitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.
- (4) Finally, NFP’s may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2016

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

The effective date of ASU 2016-14 will be for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this ASU is permitted.

Subsequent Events — Management has reviewed subsequent events through February 24, 2017, the date that the financial statements were available to be issued.

NOTE 3 — INVESTMENTS

The Foundation's investments are reported at fair value in the accompanying statement of financial position. Fair value is defined as the price that would be received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tiered hierarchy is employed to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly.

Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Investments consist of the following at September 30, 2016:

	Fair value	Cost or Amortized Cost
Certificates of deposits	\$ 1,417,031	\$ 1,415,167
Equity securities	1,436,888	1,301,688
Mutual funds	1,841,092	1,781,439
Fixed maturities	2,615,951	2,608,692
Total investments	<u>\$ 7,310,962</u>	<u>\$ 7,106,986</u>

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2016

NOTE 3 — INVESTMENTS — (CONTINUED)

As of September 30, 2016, the Foundation's investments were classified by level within the valuation hierarchy as follows:

	Total	Fair Value Hierarchy Designation		
		Level 1	Level 2	Level 3
Certificates of deposits	\$ 1,417,031	\$ -	\$ 1,417,031	\$ -
Equity securities	1,436,888	1,436,888	-	-
Mutual funds	1,841,092	1,841,092	-	-
Fixed maturities	2,615,951	-	2,615,951	-
Total investments	<u>\$ 7,310,962</u>	<u>\$ 3,277,980</u>	<u>\$ 4,032,982</u>	<u>\$ -</u>

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2016:

Computer equipment	\$ 322,636
Computer software	402,489
Furniture and equipment	79,001
Leasehold improvements	<u>13,246</u>
	817,372
Less accumulated depreciation	<u>(280,127)</u>
Net property and equipment	<u>\$ 537,245</u>

Depreciation expense for the year ended September 30, 2016 was \$40,473.

NOTE 5 — INTANGIBLE ASSETS

Intangible assets consist of the following at September 30, 2016:

Trademarks	\$ 91,636
Less accumulated amortization	<u>(11,892)</u>
Net intangible assets	<u>\$ 79,744</u>

Amortization expense for the year ended September 30, 2016 was \$5,564.

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NOTE 5 — INTANGIBLE ASSETS — (CONTINUED)

The estimated amortization expense for the next five years and thereafter is expected to be as follows:

<u>Years Ending September 30,</u>		
2017	\$	6,276
2018		6,276
2019		6,276
2020		6,276
2021		6,276
Thereafter		<u>48,364</u>
	<u>\$</u>	<u>79,744</u>

NOTE 6 — COMMITMENTS AND CONTINGENCIES

Operating Leases — The Foundation leases its office space and office equipment under non-cancelable operating lease agreements. The office space lease agreement expires in December 2021, and the equipment lease agreements expire in June 2017.

The future minimum rental and equipment lease payments required under such leases at September 30, 2016 are as follows:

<u>Years Ending September 30,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 214,504	\$ 10,281	\$ 224,785
2018	220,939	-	220,939
2019	237,615	-	237,615
2020	244,743	-	244,743
2021	252,085	-	252,085
2022	<u>63,953</u>	<u>-</u>	<u>63,953</u>
	<u>\$ 1,233,839</u>	<u>\$ 10,281</u>	<u>\$ 1,244,120</u>

Rent expense (including parking, maintenance, and other occupancy charges) for the year ended September 30, 2016 was \$269,495.

Executive Contract — The Foundation has a five-year employment contract with its president at \$210,000 annually. The contract expires on October 1, 2020.

Grants — The Foundation funds several research grants each year. These awards are for doctors or researchers doing work in the field of multiple myeloma. These grants are awarded annually as one-year awards and are accrued when approved by the Board. During the year ended September 30, 2016, the Foundation awarded \$544,738 in grants. The payment of research grants is subject to the grant recipient performing the proposed work, providing a report, and submitting request for payment.

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NOTE 6 — COMMITMENTS AND CONTINGENCIES — (CONTINUED)

Contractual Commitments — The Foundation contracts with university research institutions to provide specific research projects. These amounts are awarded on executory contracts that require specific performance and project activities. The Foundation has future minimum commitments to fund research projects that are summarized as follows:

<u>Year Ending September 30,</u>	
2017	\$ 1,554,900
2018	940,473
2019	502,836
2020	<u>227,177</u>
	<u><u>\$ 3,225,386</u></u>

Line of Credit — The Foundation maintains a \$400,000 revolving line of credit that renews on a month-to-month basis. The interest rate on outstanding borrowings varies with the lender's prime rate plus one percent, which was approximately 4.25% at September 30, 2016. There were no outstanding borrowings at any time during the year ended September 30, 2016.

NOTE 7 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2016 consist of the following:

Research programs	\$ 1,367,597
Education and awareness	646,300
Charitable gift annuity program, net	2,651
All other programs	<u>574,512</u>
Temporarily restricted net assets	<u><u>\$ 2,591,060</u></u>

Research Programs — The Foundation receives temporarily restricted donations from general contributions, member events, pharmaceutical support, and its annual gala earmarked for research purposes.

Education and Awareness — The Foundation receives temporarily restricted donations to fund various collaborative meetings and educational teleconferences throughout the year.

Charitable Gift Annuity Program — The Foundation provides charitable gift annuities to donors. The gift annuities require an annuity to be paid to the donor or the donor's beneficiary, funded by donated assets, over a designated period of time or the beneficiary's lifetime, with the remainder resulting in a contribution to the Foundation. The liability is recorded based on the terms of the gift, the difference between the present value of the estimated liability and the fair value of the assets, and is recognized as revenue at the time of the gift. During the year ended September 30, 2016, the Foundation did not issue any additional charitable gift annuities. Sufficient assets are maintained to meet the annuity requirements stipulated by California state law.

All Other Programs — Restricted support for all other programs include support for the advocacy, international educational meetings and Myeloma Today publications.

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NOTE 7 — TEMPORARILY RESTRICTED NET ASSETS – (CONTINUED)

The following is a summary of annuity assets and liabilities at September 30, 2016:

Gift annuity assets: restricted cash	\$ 8,679
Present value of gift annuity obligation	<u>(6,028)</u>
Temporarily restricted net assets	<u>\$ 2,651</u>

NOTE 8 — RELATED PARTY TRANSACTION

One member of the board of directors of the Foundation also serves as a research consultant. Amount paid to his company totaled \$154,500 for the year ended September 30, 2016.