

**International Waldenstrom's
Macroglobulinemia Foundation, Inc.
and Affiliate**

**Financial Statements
Year Ended December 31, 2017**



BRYANS & GRAMUGLIA
CPAs, LLC

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
December 31, 2017**

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Independent Auditors' Report

To the Boards of Directors
International Waldenstrom's Macroglobulinemia
Foundation, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of International Waldenstrom's Macroglobulinemia Foundation, Inc. and Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2017 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the consolidated 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 entities' 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Waldenstrom's Macroglobulinemia Foundation, Inc. and Affiliate as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bryans & Gramuglia CPAs, LLC

Albany, New York

August 28, 2018

**International Waldenstrom's Macroglobulinemia
Foundation, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2017**

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,844,450
Legacies and contributions receivable - current, net	447,850
Prepaid expenses	9,705
Total Current Assets	<u>3,302,005</u>

Property and Equipment

Office equipment	11,805
Software	13,068
Website	26,280
Total	<u>51,153</u>
Less accumulated depreciation	26,621
Net Property and Equipment	<u>24,532</u>

Other Assets

Legacies and contributions receivable - long-term, net	469,117
Assets held for sale	16,000
Deposits	1,345
Total Other Assets	<u>486,462</u>

TOTAL ASSETS	<u>\$ 3,812,999</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 27,281
Accrued expenses	79,195
Total Current Liabilities (See Note 9)	<u>106,476</u>

Long-Term Liabilities (See Note 9)

Total Liabilities	<u>-</u>
	<u>106,476</u>

Net Assets

Unrestricted	957,082
Temporarily restricted	2,700,843
Permanently restricted	48,598
Total Net Assets	<u>3,706,523</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,812,999</u>
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**International Waldenstrom's Macroglobulinemia
Foundation, Inc. and Affiliate
Consolidated Statement of Activities
For the Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions	\$ 516,896	\$ 2,156,413	\$ 7,000	\$ 2,680,309
Legacies	6,280	-	-	6,280
Educational forum	114,669	-	-	114,669
Interest and dividend income	3,821	5,788	-	9,609
Net assets released from restrictions	2,246,555	(2,246,555)	-	-
Total Support and Revenue	<u>2,888,221</u>	<u>(84,354)</u>	<u>7,000</u>	<u>2,810,867</u>
Expenses				
Program services	2,239,666	-	-	2,239,666
General and administration	150,829	-	-	150,829
Fundraising	348,109	-	-	348,109
Total Expenses	<u>2,738,604</u>	<u>-</u>	<u>-</u>	<u>2,738,604</u>
Change in Net Assets Before Impairment	149,617	(84,354)	7,000	72,263
Impairment of Assets Held For Sale	24,000	-	-	24,000
Change in Net Assets	<u>125,617</u>	<u>(84,354)</u>	<u>7,000</u>	<u>48,263</u>
Net Assets, Beginning of Year, as Originally Reported	1,475,474	2,141,067	41,719	3,658,260
Prior Period Adjustments	(644,009)	644,130	(121)	-
Net Assets, Beginning of Year, as Restated	<u>831,465</u>	<u>2,785,197</u>	<u>41,598</u>	<u>3,658,260</u>
Net Assets, End of Year	<u>\$ 957,082</u>	<u>\$ 2,700,843</u>	<u>\$ 48,598</u>	<u>\$ 3,706,523</u>

See accompanying notes to consolidated financial statements.

**International Waldenstrom's Macroglobulinemia
Foundation, Inc. and Affiliate
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017**



	<u>Program Services</u>	<u>General & Administration</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 29,238	\$ -	\$ 29,238
Bad debt expense	29,860	-	-	29,860
Bank charges	15,693	-	-	15,693
Board meetings and travel	36,557	9,565	22,150	68,272
Conferences	20,948	-	-	20,948
Contract labor	49,395	19,500	-	68,895
Depreciation	5,322	3,798	-	9,120
Education forum	194,840	-	-	194,840
Insurance	-	1,688	-	1,688
International outreach	11,607	-	-	11,607
Internet and web	9,706	11,690	-	21,396
Occupancy	7,434	3,780	1,386	12,600
Office	4,255	15,798	659	20,712
Other	928	1,998	21,243	24,169
Payroll and related costs	72,453	51,888	273,246	397,587
Postage	10,258	1,886	6,618	18,762
Printing	35,318	-	12,511	47,829
Registration fees	-	-	10,296	10,296
Research grants (See Note 9)	1,720,661	-	-	1,720,661
Support group	14,431	-	-	14,431
	<u>14,431</u>	<u>-</u>	<u>-</u>	<u>14,431</u>
Total Functional Expenses	<u><u>\$ 2,239,666</u></u>	<u><u>\$ 150,829</u></u>	<u><u>\$ 348,109</u></u>	<u><u>\$ 2,738,604</u></u>

See accompanying notes to consolidated financial statements.

**International Waldenstrom's Macroglobulinemia
Foundation, Inc. and Affiliate
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017**

Cash Flows From Operating Activities	
Change in Net Assets	\$ 48,263
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	9,120
Bad debt expense	29,860
Impairment of assets held for sale	24,000
(Increase) decrease in assets:	
Legacies and contributions receivable	(224,892)
Other receivables	(24,746)
Prepaid expenses	(5,620)
Deposits	352
Increase (decrease) in liabilities:	
Accounts payable	23,370
Accrued expenses	2,794
Net Cash Provided (Used) by Operating Activities	<u>(117,499)</u>
Cash Flows From Investing Activities	
Acquisition of property, plant and equipment	<u>(7,811)</u>
Net Cash Provided (Used) by Investing Activities	<u>(7,811)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(125,310)
Cash and Cash Equivalents, Beginning of Year	<u>2,969,760</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,844,450</u></u>

**International Waldenstrom's Macroglobulinemia
Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

1. NATURE OF OPERATIONS

International Waldenstrom's Macroglobulinemia Foundation, Inc. (the Foundation) is a not-for-profit corporation organized on July 21, 1998 to offer mutual support and encouragement to the Waldenstrom's Macroglobulinemia community and others with an interest in the disease, to provide information and educational programs that address patients' concerns, and to promote and support research leading to better treatments, and ultimately, a cure. See Note 9 for research grant commitments.

Placid Point Rd., LLC ("Placid Point") is a wholly-owned subsidiary of the Foundation and was formed to hold land donated to the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used to prepare the accompanying consolidated financial statements follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and Placid Point (the Foundation and Affiliate). All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Foundation and Affiliate considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Prepaid Expenses

Prepaid expenses consist of expenditures made prior to the year-end for goods or services that will be received in future years.

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment and Depreciation

The Foundation and Affiliate capitalizes individual property and equipment items greater than \$1,000 with a useful life of two or more years. Lesser amounts are expensed. Property and equipment purchased using Foundation and Affiliate funds are stated at acquisition cost less accumulated depreciation. Donated assets are recorded at fair market value at the date of donation less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

	<u>Years</u>
Office equipment	2-5
Software	5
Website	5

Depreciation expense was \$9,120 for the year ended December 31, 2017.

Maintenance and repairs are charged to operations when incurred; betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Net Assets – Unrestricted

Unrestricted net assets represent resources over which the Boards of Directors has discretionary control. The resources can be used to carry out the operations of the Foundation and Affiliate in accordance with their by-laws.

Net Assets – Temporarily Restricted

Temporarily restricted net assets result from contributions whose use by the Foundation and Affiliate is limited by donor-imposed stipulations that either expire through the passage of time or can be fulfilled and removed by the actions of the Foundation and Affiliate pursuant to those stipulations.

Net Assets – Permanently Restricted

Permanently restricted net assets result from contributions whose use by the Foundation and Affiliate is permanently restricted by donor-imposed stipulations.

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions

The Foundation and Affiliate reports contributions as unrestricted support when a donor makes an unconditional promise to give and if they are received without donor stipulations that limit the use of the donated assets. Donor restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

The Foundation and Affiliate reports donor restricted contributions as unrestricted support whenever the restrictions are met in the same year the contributions are received.

Legacies and Contributions Receivable, Net

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the promises are received. Amortization of the discounts is included as support until the conditions are substantially met. Conditional promises to give are not included as support until the conditions are substantially met.

The Foundation and Affiliate's legacies and contributions receivable at December 31, 2017 consist of unconditional promises to give and legacies which conditions have been substantially met. The Foundation and Affiliate uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. As of December 31, 2017, the Foundation and Affiliate has recorded an allowance for uncollectible unconditional promises to give of \$45,068.

The Foundation and Affiliate has received communications from various individuals that the Foundation and Affiliate has been included as a beneficiary in their wills, revocable trusts or other investments. Since these contributions can be rescinded during the donor's lifetime and are conditional, the Foundation and Affiliate has not recorded contribution revenue in the accompanying consolidated financial statements. The total estimated value of these potential intended gifts as of December 31, 2017 was approximately \$5,657,000.

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributed Services

The Foundation and Affiliate generally pays for services requiring specific expertise. No amounts have been reflected in the consolidated financial statements for donated services since management does not believe any donated services requiring specific expertise to materially affect the consolidated financial statements. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation and Affiliate, but these services do not meet the criteria for recognition as contributed services. Management has estimated that during 2017, the Foundation and Affiliate had approximately 200 volunteers who contributed approximately 37,000 hours.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising

The Foundation and Affiliate expenses advertising costs in the year they occur. Advertising expense was \$-0- for the years ended December 31, 2017.

Assets Held for Sale

Assets held for sale of \$16,000 consisted of two parcels of land donated to the Foundation in 2013. These parcels of land were originally recorded at fair market value based on an independent appraisal in the amount of \$40,000.

The Foundation and Affiliate reviewed its assets held for sale in 2017 for impairment, as the assets will be subsequently sold in 2018, and the carrying amount of the assets did not appear recoverable. In determining whether there was an impairment of assets held for sale, the Foundation and Affiliate compared the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. An impairment of in the amount of \$24,000 was recognized during the year ended December 31, 2017.

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Income Taxes

The International Waldenstrom's Macroglobulinemia Foundation, Inc. is a not-for-profit organization and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Placid Point Rd., LLC is a single member limited liability company that will be taxed as a disregarded entity. Therefore, for tax purposes all profits and losses will flow through the LLC to International Waldenstrom's Macroglobulinemia Foundation, Inc.

The Financial Accounting Standards Board (FASB) issued FASB ASC 740-10 which requires entities to disclose in their consolidated financial statements the nature of any uncertainty in their tax position. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. However, the Foundation and Affiliate have no knowledge of events or circumstances that would jeopardize its tax-exempt status.

The Foundation and Affiliate implemented FASB ASC 740-10 and its current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The Foundation and Affiliate have not recognized any benefits from uncertain tax positions in 2017 and believes they have no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the consolidated statements of financial position date.

The Foundation and Affiliate evaluated their tax position and concluded that all of the positions taken by the Foundation and Affiliate would more likely than not be sustained upon examination, based on technical merits. The information returns of the Foundation and Affiliate for the years ended December 31, 2014, 2015, and 2016 are subject to examination by tax authorities, generally for three years after they were filed.

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

3. LEGACIES AND CONTRIBUTIONS RECEIVABLE

Unconditional promises to give as of December 31, 2017 are as follows:

Receivable in less than one year	\$ 512,293
Receivable in one to five years	490,748
Total Unconditional Promises to Give	<u>1,003,041</u>
Less: Discount to Present Value	41,006
Less: Allowance for Unconditional Promises to Give	<u>45,068</u>
Net Unconditional Promises to Give	916,967
Less: Legacies and Contributions Receivable – Current, Net	<u>447,850</u>
Legacies and Contributions Receivable – Long-Term, Net	<u>\$ 469,117</u>

The rates used to evaluate the discount to net present value on long-term promises to give range from 4.26% to 4.7%.

4. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017, the Foundation and Affiliate's temporarily restricted net assets are as follows:

Research	\$ 2,548,722
Time restrictions	148,318
Program and supporting services	<u>3,803</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,700,843</u>

5. ENDOWMENT FUND

Permanently restricted net assets consist of the Dr. Robert A. Kyle and Mrs. Charlene M. Kyle Endowment Research Fund to provide financial assistance to the Foundation (IWFMF). Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift to be held and invested by the Foundation indefinitely and income from the fund is to be expended as determined by the gifting agreement or on research initiatives determined by the Board of Directors. As of December 31, 2017, the balance in the endowment fund was \$48,598.

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

5. ENDOWMENT FUND

Interpretation of Relevant Law

The Board of Trustees of the endowment has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the FUPMIFA.

In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Foundation and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Foundation; and
- 7) The investment policies of the Foundation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. There were no deficiencies as of December 31, 2017.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchase power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to ensure the ability to meet regular expected current and future cash flow needs on a timely basis.

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

5. ENDOWMENT FUND

Return Objectives and Risk Parameters

The Foundation expects its endowment funds, over time to provide an average rate of return of approximately 4% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments (55 – 60%) to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The funds will use the moving average method (3 year moving average based on market value) of determining year-to-year spending in order to smooth out the effects of distributions from the aggregate portfolio.

6. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation and Affiliate to concentrations of credit risk are primarily cash and cash equivalents and contributions and legacies receivable. The Foundation and Affiliates' financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits. The Foundation and Affiliate places its cash and cash equivalents with local financial institutions. Although the Foundation and Affiliate manages its credit risk through diversification, at times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. The Foundation and Affiliate has not experienced any losses in such accounts and do not believe they are exposed to any significant credit risk on cash and cash equivalents.

7. OPERATING LEASE

The Foundation entered into an operating lease agreement for premises. The lease term is for three years commencing September 1, 2015 and ending on August 31, 2018. The lease agreement calls for monthly rental payments of \$1,050. The total lease for 2018 is scheduled to be \$8,400.

**International Waldenstrom's
Macroglobulinemia Foundation, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2017**

8. RELATED PARTY TRANSACTIONS

During 2015, the Foundation entered into a research award agreement with a clinic where a member of the board of trustees is employed. The total research grant was for \$626,136 of which \$520,765 was paid during the years ended December 31, 2015, 2016 and 2017. The unpaid balance on the grant as of December 31, 2017 was \$105,371 and is payable in various amounts through 2018.

9. RESEARCH GRANTS

The Foundation's Board of Director's approve multi-year agreements for research which require progress reports every six months and/or other conditions in the grant agreements. Progress reports are reviewed and approved by the Foundation's research committee and agreements may be terminated at the discretion of the Board of Directors for nonperformance (actual termination would be an extremely rare occurrence). Research grant expense is recognized in the period when the conditions of the grant agreement are substantially met. Research grant expense was \$1,720,661 for the year ended December 31, 2017. If conditions are satisfied for the current multi-year agreements in effect for research, the future amounts estimated to be paid under the agreements are as follows:

2018	\$ 1,658,978
2019	<u>744,000</u>
Total	<u>\$ 2,402,978</u>

Since the amounts are conditional due to the progress reports being submitted, they are not included as liabilities on the consolidated statement of financial position (page 3).

10. PRIOR PERIOD ADJUSTMENT

Net assets as of December 31, 2016 have been reclassified between the unrestricted and temporarily restricted net asset classifications to properly reflect the restrictions imposed by the donors.

11. EVALUATION OF SUBSEQUENT EVENTS

The Foundation and Affiliate has evaluated subsequent events through August 28, 2018, the date which the financial statements were available to be issued.

