

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

**Financial Statements**

**December 31, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
International Waldenstrom's Macroglobulinemia Foundation, Inc.

### ***Report on Financial Statements***

We have audited the accompanying consolidated financial statements of International Waldenstrom's Macroglobulinemia Foundation, Inc. ("the Organization"), a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the 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 of 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 entity's 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 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 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. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

Other auditors have previously audited the International Waldenstrom's Macroglobulinemia Foundation, Inc.'s 2014 consolidated financial statements, and their report dated July 1, 2015, expressed an unmodified opinion on those audited consolidated financial statements.

A handwritten signature in cursive script, reading "Cavanaugh & Co LLP".

Sarasota, Florida  
December 21, 2016

International Waldenstrom's Macroglobulinemia Foundation, Inc.

Consolidated Statement of Financial Position

December 31, 2015

	<u>2015</u>	2014 Total (For Comparative Purposes Only)
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,934,984	1,285,502
Legacies and contributions receivable, net	767,630	951,290
Prepaid expenses	13,994	17,168
Assets held for sale	40,000	40,000
Property and equipment, net	34,418	37,240
Deposits	<u>1,905</u>	<u>1,292</u>
 Total assets	 <u>\$ 2,792,931</u>	 <u>\$ 2,332,492</u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 30,815	<u>41,321</u>
Total liabilities	<u>30,815</u>	<u>41,321</u>
 Net assets:		
Unrestricted	790,703	542,987
Temporarily restricted	1,935,969	1,725,040
Permanently restricted	<u>35,444</u>	<u>23,144</u>
Total net assets	<u>2,762,116</u>	<u>2,291,171</u>
 Total liabilities and net assets	 <u>\$ 2,792,931</u>	 <u>2,332,492</u>

See accompanying notes to financial statements.

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

**Consolidated Statement of Activities and Changes in Net Assets**  
Year Ended December 31, 2015

	2015			Total	2014 Total (For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenues, gains and support:</b>					
Contributions	\$ 379,840	971,230	12,300	1,363,370	1,811,360
Legacies	250,279	58,853	-	309,132	212,385
Educational forum	158,250	-	-	158,250	114,994
Interest and dividend income	1,771	3,048	-	4,819	3,780
Net assets released from restrictions					
Satisfaction of donor restrictions	<u>822,202</u>	<u>(822,202)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and support	<u>1,612,342</u>	<u>210,929</u>	<u>12,300</u>	<u>1,835,571</u>	<u>2,142,519</u>
<b>Expenses:</b>					
Program services	1,006,555	-	-	1,006,555	1,133,303
General and administration	141,736	-	-	141,736	238,503
Fund raising	<u>216,336</u>	<u>-</u>	<u>-</u>	<u>216,336</u>	<u>170,130</u>
Total expenses	<u>1,364,627</u>	<u>-</u>	<u>-</u>	<u>1,364,627</u>	<u>1,541,936</u>
Change in net assets	247,715	210,929	12,300	470,944	600,583
Net assets - beginning of year	<u>542,988</u>	<u>1,725,040</u>	<u>23,144</u>	<u>2,291,172</u>	<u>1,690,589</u>
Net assets - end of year	<u>\$ 790,703</u>	<u>1,935,969</u>	<u>35,444</u>	<u>2,762,116</u>	<u>2,291,172</u>

See accompanying notes to financial statements.

International Waldenstrom's Macroglobulinemia Foundation, Inc.

Consolidated Statement of Functional Expenses  
Year Ended December 31, 2015

	2015			2014
	Program Services	General and Administration	Fund Raising	Total (For Comparative Purposes Only)
Accounting	\$ -	9,511	-	9,511
Bad debt provision	-	-	-	-
Bank charges	-	15,245	-	15,245
Board meetings and travel	30,226	6,505	20,472	57,203
Conferences	25,117	-	-	25,117
Contract labor	54,896	23,191	30	78,117
Depreciation and amortization	-	8,774	-	8,774
Education forum	132,982	-	-	132,982
Grant writing consultant	-	-	3,170	3,170
Insurance	-	5,676	-	5,676
International outreach	1,230	-	-	1,230
Internet	14,525	205	75	14,805
Occupancy	7,316	3,720	1,364	12,400
Office	10,885	5,614	2,879	19,378
Other	550	1,406	16,015	17,971
Payroll and related costs	34,808	49,661	136,402	220,871
Postage	10,639	5,277	4,984	20,900
Printing	37,749	6,951	22,366	67,066
Registration fees	-	-	8,579	8,579
Research grants	643,797	-	-	643,797
Support group	1,835	-	-	1,835
<b>Total</b>	<b>\$ 1,006,555</b>	<b>141,736</b>	<b>216,336</b>	<b>1,364,627</b>
				<b>1,541,936</b>

See accompanying notes to financial statements.

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

**Consolidated Statement of Cash Flows**

Year Ended December 31, 2015

	2015	2014 Total (For Comparative Purposes Only)
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 470,944	600,583
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	8,774	6,970
Permanently restricted contributions collected	(12,300)	(1,200)
Bad debt provision	-	48,707
(Increase) decrease in:		
Prepaid expenses	3,175	(7,102)
Legacies and contributions receivable	183,660	(370,487)
Deposits	(613)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,506)	14,959
Deferred revenue	-	(11,393)
	<u>643,134</u>	<u>281,037</u>
<b>Net cash flows from operating activities</b>		
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(5,952)</u>	<u>(34,891)</u>
<b>Net cash flows from investing activities</b>	<u>(5,952)</u>	<u>(34,891)</u>
<b>Cash flows from financing activities:</b>		
Permanently restricted contributions collected	<u>12,300</u>	<u>1,200</u>
<b>Net cash flows from investing activities</b>	<u>12,300</u>	<u>1,200</u>
Net increase in cash and cash equivalents	649,482	247,346
Beginning cash and cash equivalents	<u>1,285,502</u>	<u>1,038,156</u>
Ending cash and cash equivalents	<u>\$ 1,934,984</u>	<u>1,285,502</u>

See accompanying notes to financial statements.



**International Waldenstrom's Macroglobulinemia Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2015

**Note 1 – Organization and Summary of Significant Accounting Policies:**

Nature of Organization

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

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

Principles of Consolidation

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

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the *Accounting Standards Codification* for Not-for-Profit Entities. Accordingly, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted – Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets restricted by donor to be maintained permanently by the Foundation.

Cash and Cash Equivalents

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

**International Waldenstrom's Macroglobulinemia Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2015

**Note 1 – Foundation and Summary of Significant Accounting Policies – Continued:**

Property and Equipment

It is the Foundation's policy to capitalize property and equipment with a cost over \$1,000. Property and equipment is capitalized at cost, except for donated assets, which are recorded at their fair market value at the time of the gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated on the straight-line method over their estimated useful lives of three to five years.

Deferred Revenue

Revenues received in advance of providing required services or conferences are deferred until the service or conference has been provided.

Contributions

Contributions are recorded as revenue when received or promised unconditionally. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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. Conditional contributions are recognized as revenue when the conditions have been substantially met.

Legacies and Contributions Receivable

The Foundation's legacies and contributions receivable at December 31, 2015 consist of unconditional promises to give and legacies which conditions have been substantially met. The Foundation 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, 2015, the Foundation has recorded an allowance for uncollectible unconditional promises to give of \$42,678.

The Foundation has received communications from various individuals that the Foundation 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 has not recorded contribution revenue in the accompanying consolidated financial statements. The total estimated value of these intended gifts as of December 31, 2015 was approximately \$3 million.

**International Waldenstrom's Macroglobulinemia Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2015

**Note 1 – Foundation and Summary of Significant Accounting Policies – Continued:**

Contributed Services

The Foundation generally pays for services requiring specific expertise. No amounts have been reflected in the financial statements for donated services since management does not believe any donated services requiring specific expertise to materially affect the accompanying financial statements. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. Management has estimated that during 2015, the Foundation had approximately 208 volunteers who contributed approximately 23,143 hours.

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 Foundation is generally exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. There was no income tax liability for the year ended December 31, 2015.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Foundation had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2015. The Foundation's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

Functional Allocation of Expenses

The costs of providing the various programs and other 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.

Comparative Financial Information

The financial information shown for 2014 in the accompanying financial statements is included to provide a basis for comparison with 2015 and presents summarized totals only.

Advertising

The Foundation expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2015, totaled \$4,830.

International Waldenstrom's Macroglobulinemia Foundation, Inc.

Notes to Consolidated Financial Statements

December 31, 2015

**Note 2 - Legacies and Contributions Receivable:**

Contributions receivable include unconditional promises to give and are recorded net of allowance for uncollectible promises and are discounted to present value at rates ranging from 2.90% to 4.12%. Legacies receivable consist of contributions which conditions have been substantially met. There were no legacies receivable as of December 31, 2015. Contributions receivable as of December 31 are due as follows:

2016	\$	332,395
2017		267,650
2018		186,304
2019		58,075
2020		10,240
2021		300
Total		<u>854,964</u>
Less		
Allowance		(42,768)
Discount		<u>(44,966)</u>
Net	\$	<u>767,630</u>

**Note 3 - Assets Held for Sale:**

Assets held for sale of \$40,000 consist of two parcels of land donated to the Foundation in 2013. These assets have been recorded at fair value based on an independent appraisal. The Foundation's Board of Trustees have approved the sale of the land.

**Note 4 – Property and Equipment:**

Property and equipment consists of the following:

Office equipment	\$	14,010
Software		13,068
Website		<u>50,051</u>
Total property and equipment		77,129
Less: accumulated depreciation and amortization		<u>(42,711)</u>
Total	\$	<u>34,418</u>

**Note 5 – Temporarily Restricted Net Assets:**

At December 31, 2015, the Foundation's temporarily restricted net assets are available for the following:

Research	\$	1,743,792
Time restrictions		185,010
Program and supporting services		<u>7,167</u>
Total temporarily restricted net assets	\$	<u>1,935,969</u>

**International Waldenstrom's Macroglobulinemia Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2015

**Note 6 - Endowment Fund:**

Permanently restricted net assets consist of the Dr. Robert A. Kyle and Mrs. Charlene M. Kyle Endowment Research Fund established to provide financial assistance on an annual basis for activities, strategies, people and programs associated with the Foundation as determined by the Board of Trustees. 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 on initiatives for the research fund. As of December 31, 2015, the balance in the endowment fund was \$35,444.

**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 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 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, 2015.

**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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets that exceeds inflation by at least 1% while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time to provide an average rate of return of approximately 4% percent annually. Actual returns in any given year may vary from this amount.

**International Waldenstrom's Macroglobulinemia Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2015

**Note 6 – Endowment Fund – Continued:**

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 to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution up to 8% annually. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Note 7 – Concentrations:**

Financial instruments that potentially subject the Foundation to concentrations of credit risk are primarily cash and cash equivalents and contributions receivable. The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits. The Association places its cash and cash equivalents with local financial institutions. Although the Foundation 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 has not experienced any losses in such accounts and does not believe it is exposed to significant credit risk on cash and cash equivalents.

**Note 8 - Operating Lease:**

The Foundation has 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. Total lease payments for the years 2016 and 2017 are scheduled to be \$12,600 and \$9,450 for 2018.

**Note 9 – 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 \$626,138 of which \$103,351 was paid in 2015. The unpaid balance on the grant as of December 31, 2015 was \$522,787 and is payable in various amounts through 2018.

**International Waldenstrom's Macroglobulinemia Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2015

**Note 10 - Commitments**

Ed Forum Hotel

The Foundation entered into an agreement with a hotel for the 2016 Education Forum. The Agreement includes penalties in the event the Foundation cancels its reservation. These penalties range from a loss of \$5,000 for a deposit up to \$49,000 in liquidated damages depending on the date of cancellation.

Research Grants

The Foundation's Board of Trustees 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 Trustees for nonperformance. Research grants expense is recognized in the period when the conditions of the grant agreement are substantially met. If such conditions are satisfied, the amounts estimated to be paid under the agreements are as follows:

2016	\$	828,114
2017		293,288
2018		<u>115,372</u>
Total	\$	<u>1,236,774</u>

**Note 11 – Subsequent Events:**

Subsequent events have been evaluated through December 21, 2016, which is the date the financial statements were available to be issued.