

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

Financial Statements

December 31, 2016

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CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, 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 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 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 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.

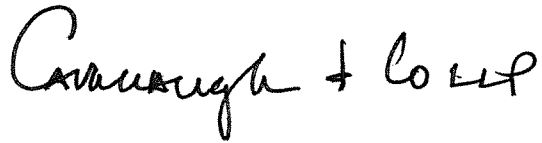
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2016, 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

We have previously audited International Waldenstrom's Macroglobulinemia Foundation, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Carrough + Co LLP". The signature is written in a cursive, flowing style.

Sarasota, Florida
January 12, 2018

International Waldenstrom's Macroglobulinemia Foundation, Inc.

Consolidated Statement of Financial Position
December 31, 2016

	<u>2016</u>	2015 Total (For Comparative Purposes Only)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,969,760	1,934,984
Legacies and contributions receivable, net	685,869	767,630
Other receivables	42,619	-
Prepaid expenses	4,085	13,994
Assets held for sale	40,000	40,000
Property and equipment, net	25,842	34,418
Deposits	<u>1,696</u>	<u>1,905</u>
 Total assets	 <u>\$ 3,769,871</u>	 <u>\$ 2,792,931</u>

<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 111,612	<u>30,815</u>
Total liabilities	<u>111,612</u>	<u>30,815</u>
 Net assets		
Unrestricted	1,475,473	790,703
Temporarily restricted	2,141,067	1,935,969
Permanently restricted	<u>41,719</u>	<u>35,444</u>
	<u>3,658,259</u>	<u>2,762,116</u>
 Total liabilities and net assets	 <u>\$ 3,769,871</u>	 <u>2,792,931</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, 2016

	2016			2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total (For Comparative Purposes Only)
Revenues, gains and support:				
Contributions	\$ 986,041	665,906	6,275	\$ 1,658,222
Legacies	89,351	500,130	-	589,481
Educational forum	158,054	-	-	158,054
Interest and dividend income	4,661	3,885	-	8,546
Special events	236,767	-	-	236,767
Net assets released from restrictions	964,823	(964,823)	-	-
Satisfaction of donor restrictions				
Total revenues, gains and support	2,439,697	205,098	6,275	2,651,070
Expenses:				
Program services	1,393,352	-	-	1,393,352
General and administration	121,174	-	-	121,174
Fund raising	240,401	-	-	240,401
Total expenses	1,754,927	-	-	1,754,927
Change in net assets	684,770	205,098	6,275	896,143
Net assets - beginning of year	790,703	1,935,969	35,444	2,762,116
Net assets - end of year	\$ 1,475,473	2,141,067	41,719	3,658,259

See accompanying notes to financial statements.

International Waldenstrom's Macroglobulinemia Foundation, Inc.

Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	2016			2015
	Program Services	General and Administration	Fund Raising	Total (For Comparative Purposes Only)
Accounting	\$ -	17,000	-	17,000
Bad debt provision	10,731	-	-	10,731
Bank charges	-	6,821	-	6,821
Board meetings and travel	37,071	8,629	17,505	63,205
Conferences	31,901	-	-	31,901
Contract labor	50,602	21,377	28	72,007
Depreciation and amortization	-	8,577	-	8,577
Education forum	160,183	-	-	160,183
Grant writing consultant	-	-	-	-
Insurance	-	5,865	-	5,865
International outreach	63,153	-	-	63,153
Internet	21,659	306	111	22,076
Occupancy	7,434	3,780	1,386	12,600
Office	14,128	6,661	3,416	24,205
Other	4,807	3,082	8,750	16,639
Payroll and related costs	48,260	36,678	180,880	265,818
Postage	7,291	936	11,841	20,068
Printing	28,916	1,462	8,294	38,672
Registration fees	-	-	8,190	8,190
Research grants	904,072	-	-	904,072
Support group	3,144	-	-	3,144
Total	\$ 1,393,352	121,174	240,401	1,754,927
				<u>1,364,627</u>

See accompanying notes to financial statements.

International Waldenstrom's Macroglobulinemia Foundation, Inc.

Consolidated Statement of Cash Flows

Year Ended December 31, 2016

	<u>2016</u>	<u>2015 Total (For Comparative Purposes Only)</u>
Cash flows from operating activities:		
Change in net assets	\$ 896,143	470,944
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	8,577	8,774
Permanently restricted contributions collected	(6,275)	(12,300)
Bad debt provision	10,731	-
(Increase) decrease in:		
Prepaid expenses and other	9,909	3,175
Legacies and contributions receivable	71,030	183,660
Other receivables	(42,619)	-
Deposits	208	(613)
Increase (decrease) in:		
Accounts payable	<u>80,797</u>	<u>(10,506)</u>
Net cash flows from operating activities	<u>1,028,501</u>	<u>643,134</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(5,952)</u>
Net cash flows from investing activities	<u>-</u>	<u>(5,952)</u>
Cash flows from financing activities:		
Permanently restricted contributions collected	<u>6,275</u>	<u>12,300</u>
Net cash flows from investing activities	<u>6,275</u>	<u>12,300</u>
Net increase in cash and cash equivalents	1,034,776	649,482
Beginning cash and cash equivalents	<u>1,934,984</u>	<u>1,285,502</u>
Ending cash and cash equivalents	<u>\$ 2,969,760</u>	<u>1,934,984</u>

See accompanying notes to financial statements.

International Waldenstrom's Macroglobulinemia Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2016

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 Directors.

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, 2016

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, 2016 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, 2016, the Foundation has recorded an allowance for uncollectible unconditional promises to give of \$36,099.

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, 2016 was approximately \$3 million.

International Waldenstrom's Macroglobulinemia Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2016

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 2016, the Foundation had approximately 63 volunteers who contributed approximately 11,048 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, 2016.

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, 2016. 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 2015 in the accompanying financial statements is included to provide a basis for comparison with 2016 and presents summarized totals only.

Advertising

The Foundation expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2016, totaled \$5,470.

International Waldenstrom's Macroglobulinemia Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2016

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, 2016. Contributions receivable as of December 31 are due as follows:

2017	\$ 296,288
2018	214,160
2019	104,496
2020	72,998
2021	56,415
2022	<u>7,341</u>
Total	751,698
Less	
Allowance	(36,099)
Discount	<u>(29,730)</u>
Net	<u>\$ 685,869</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 Directors 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>26,280</u>
Total property and equipment	53,358
Less: accumulated depreciation and amortization	<u>(27,516)</u>
Total	<u>\$ 25,842</u>

Note 5 – Temporarily Restricted Net Assets:

At December 31, 2016, the Foundation's temporarily restricted net assets are available for the following:

Research	\$ 2,009,641
Time restrictions	124,259
Program and supporting services	<u>7,167</u>
Total temporarily restricted net assets	<u>\$ 2,141,067</u>

International Waldenstrom's Macroglobulinemia Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2016

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 directors. 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, 2016, the balance in the endowment fund was \$41,590.

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, 2016.

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, 2016

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 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 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 \$311,048 was paid in 2015 and 2016. The unpaid balance on the grant as of December 31, 2016 was \$315,090 and is payable in various amounts through 2018.

International Waldenstrom's Macroglobulinemia Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2016

Note 10 – Commitments:

Research Grants

The Foundation's Board of Directors 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. 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:

2017	\$ 1,165,896
2018	680,372
2019	<u>29,000</u>
Total	<u>\$ 1,875,268</u>

Note 11 – Subsequent Events:

Subsequent events have been evaluated through January 12, 2018, which is the date the financial statements were available to be issued.