

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

September 30, 2017



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
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, 2017, 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
- Marie Ambrosino
- Gary L. Krausz, CPA†
- Keith S. Dolabson, CPA
- James M. Good, CPA†
- Brian J. Gray, CPA
- Kristin L. Webster, CPA
- Kristina M. Fujisaki, CPA†
- Kristen L. Gillespie, CPA*†
- Shannon Ward, CPA
- Natalie J. Murvin, CPA†
- Alexandra A. Peais, CPA

DIRECTORS

- Stacey S. Summers, CPA
- Greg W. Getzinger, CPA

FOUNDERS

- Donald L. Gursey, (1936-2007)
- Stanley B. Schneider, CPA



1888 Century Park East, Suite 900
Los Angeles, CA 90067

310 552 0960 ph
310 557 3468 fx



www.gursey.com

**Accredited in Business Valuation*

†Certified in Financial Forensics

An Independent Member of
DFK International

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, 2017, 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 20, 2018
Los Angeles, California

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
September 30, 2017

ASSETS

Cash and cash equivalents	\$	1,871,136
Restricted cash, gift annuity investment		8,261
Investments, at fair value		5,315,517
Contributions, program grants, and other receivables		10,184,182
Prepaid expenses		894,936
Property and equipment, net		878,776
Intangible assets, net		<u>100,757</u>
TOTAL ASSETS	\$	<u>19,253,565</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	1,731,656
Deferred program and educational grants		9,434,342
Gift annuity obligation		<u>5,354</u>
TOTAL LIABILITIES		<u>11,171,352</u>

NET ASSETS

Unrestricted		7,929,306
Temporarily restricted		<u>152,907</u>
TOTAL NET ASSETS		<u>8,082,213</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>19,253,565</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Educational and program grants	\$ 7,794,976	\$ 5,144,611	\$ 12,939,587
General contributions	869,654	179,124	1,048,778
Fundraising programs	325,540	3,777	329,317
Seminar fees and support group income	59,198	-	59,198
Fundraising events, net of direct benefit to donors of \$413,826	337,523	627,074	964,597
Realized and unrealized gains, net	177,284	-	177,284
Investment income	169,842	255	170,097
	<u>9,734,017</u>	<u>5,954,841</u>	<u>15,688,858</u>
Net assets released from restrictions	<u>8,392,994</u>	<u>(8,392,994)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>18,127,011</u>	<u>(2,438,153)</u>	<u>15,688,858</u>
FUNCTIONAL EXPENSES			
Program expenses	14,392,302	-	14,392,302
General supporting expenses	647,853	-	647,853
Fundraising	984,967	-	984,967
TOTAL FUNCTIONAL EXPENSES	<u>16,025,122</u>	<u>-</u>	<u>16,025,122</u>
CHANGE IN NET ASSETS	2,101,889	(2,438,153)	(336,264)
NET ASSETS - Beginning of year	<u>5,827,417</u>	<u>2,591,060</u>	<u>8,418,477</u>
NET ASSETS - End of year	<u>\$ 7,929,306</u>	<u>\$ 152,907</u>	<u>\$ 8,082,213</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, 2017

	Advocacy	Clinical Meetings	Education and Awareness	Info Line	Information Mailings	International	Myeloma Today	Nurse
Bank fees	\$ 1,670	\$ 879	\$ 6,138	\$ 1,393	\$ 618	\$ 4,038	\$ 1,700	\$ 1,528
Conference and meetings	-	73,074	295,154	-	-	272,436	3,015	364,580
Depreciation and amortization	6,512	-	6,512	6,512	6,512	6,512	6,512	9,546
Dues and subscriptions	8,113	-	4,050	3	2	6	3	1
Information technology	5,256	2,353	16,801	3,780	1,677	10,945	4,778	4,125
Insurance	1,745	664	6,248	1,420	652	4,185	1,786	1,476
Merchandise	-	-	-	-	-	-	-	-
Office	4,822	2,721	38,833	2,701	1,593	24,193	3,611	10,109
Payroll	336,203	71,326	608,008	295,994	77,619	197,097	239,142	146,212
Postage and shipping	325	10	3,551	-	4,374	2,129	48,210	3,187
Printing and publications	386	1,570	196,112	-	-	22,505	27,604	19,856
Professional services	158,773	38,496	475,152	2,587	1,127	232,221	3,337	15,172
Recruitment	-	-	-	-	-	-	-	-
Rent	2,069	4,012	34,746	27,384	13,189	7,335	13,448	1,314
Research grants awarded	-	-	-	-	-	-	-	-
Taxes	236	45	362	142	50	599	245	247
Telephone	9,498	1,588	31,799	2,622	1,184	8,572	5,159	7,379
Travel	20,700	15,654	93,048	-	-	253,105	-	48,351
Total	\$ 556,308	\$ 212,392	\$ 1,816,514	\$ 344,538	\$ 108,597	\$ 1,045,878	\$ 358,550	\$ 633,083

(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, 2017

(Continued from previous page)

	Patient and Family Seminars	Research	Support Groups	Website	Total Program Expenses	General Supporting Expenses	Fundraising Expenses	Total Expenses
Bank fees	\$ 3,721	\$ 21,042	\$ 2,261	\$ 1,271	\$ 46,259	\$ 3,751	\$ 3,204	\$ 53,214
Conference and meetings	488,257	594,861	223,714		2,315,091	72,708	72,283	2,460,082
Depreciation and amortization	6,512	36,019	6,512	8,752	106,413	13,015	6,512	125,940
Dues and subscriptions	11	1,374	4	804	14,371	217	16,252	30,840
Information technology	10,118	57,268	6,125	3,439	126,665	10,166	8,698	145,529
Insurance	4,040	30,457	3,014	1,202	56,889	3,732	3,261	63,882
Merchandise	-	-	-	-	-	-	13,966	13,966
Office	21,419	126,126	38,476	12,386	286,990	7,345	44,806	339,141
Payroll	378,224	660,049	390,574	236,553	3,637,001	407,244	517,647	4,561,892
Postage and shipping	15,065	8,757	7,964	-	93,572	3,569	108,393	205,534
Printing and publications	72,389	3,199,358	5,773	-	3,545,553	-	32,246	3,577,799
Professional services	25,146	1,214,431	4,473	7,011	2,177,926	22,603	77,597	2,278,126
Recruitment	-	-	-	-	-	55,455	-	55,455
Rent	24,930	46,621	3,947	29,437	208,432	34,865	35,929	279,226
Research grants awarded	-	525,387	-	-	525,387	-	-	525,387
Taxes	426	3,007	190	128	5,677	495	406	6,578
Telephone	7,261	52,170	15,995	2,345	145,572	7,022	14,093	166,687
Travel	137,104	416,234	114,662	1,646	1,100,504	5,666	29,674	1,135,844
Total	\$ 1,194,623	\$ 6,993,161	\$ 823,684	\$ 304,974	\$ 14,392,302	\$ 647,853	\$ 984,967	\$ 16,025,122

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (336,264)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation and amortization expense	125,939
Realized and unrealized gains, net	(177,284)
(Increase) decrease in assets:	
Contributions, program grants, and other receivables	1,589,378
Prepaid expenses	(129,758)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	925,226
Deferred program and educational grants	<u>(3,200,259)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(1,203,022)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(4,401,941)
Proceeds from sale of investments	6,574,670
Purchases of intangible assets	(27,515)
Purchases of property and equipment	<u>(460,968)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,684,246</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	481,224
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,389,912</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 1,871,136</u></u>

See Accompanying Notes to Financial Statements

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2017

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 135 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 and caregivers as well as for 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.

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”).

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.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2017

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

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.
- *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, 2017.

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 Revenue Recognition — 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 party awarding the grant. 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. Certain program grants contain milestone or other progress measures that require attainment of certain threshold prior to the application and award of subsequent funding. Contracts that contain such contingencies are account for as contingent awards. Revenue from contingent award contracts are recognized when the condition or milestone is met.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2017

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 amounts due from donors for 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	\$ 5,867,037
Due within one to five years	<u>4,317,145</u>
 Total receivables	 <u><u>\$ 10,184,182</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
Website and 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, software and website development costs, trademarks and other 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 of cost or fair value less costs to sell.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2017

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. No contributed goods or services were received during the year ended September 30, 2017.

Functional Expenses — The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with program and supporting service are allocated based on estimates determined by management. The Foundation uses employee salaries based on time allocation as a measure to allocate indirect costs for compensation and benefits among program or supporting services, and space occupancy as a basis to allocate occupancy and general overhead related indirect costs.

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 and Section 23701d of the California Revenue and Taxation 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 of tax, interest, and penalties associated with uncertain tax positions.

The Foundation’s federal income tax and informational returns for tax years 2014 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 2013 and subsequent.

Foreign Currency — The Foundation conducts operations in foreign countries and purchases goods and services at prices denominated in various foreign currencies. 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, 2017, 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.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2017

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

Four pharmaceutical companies accounted for approximately 58% of total revenues during the year ended September 30, 2017.

Three pharmaceutical company donors accounted for approximately 96% of contributions receivable as of September 30, 2017.

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 and intends to adopt the change when it becomes effective.

Also, 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. Five 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.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2017

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

- (3) NFPs will be required to disclose in financial statement notes qualitative 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) Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.
- (5) 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.

ASU 2016-14 will be effective 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 20, 2018, 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 or 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.

INTERNATIONAL MYELOMA FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
September 30, 2017

NOTE 3 — INVESTMENTS – (CONTINUED)

Investments consist of the following at September 30, 2017:

	<u>Fair value</u>	<u>Cost or Amortized Cost</u>
Certificate of deposit	\$ 243,862	\$ 240,000
Equity securities	1,736,198	1,449,263
Mutual funds	1,774,507	1,676,548
Fixed maturities	<u>1,560,950</u>	<u>1,568,290</u>
Total investments	<u>\$ 5,315,517</u>	<u>\$ 4,934,101</u>

As of September 30, 2017, the Foundation's investments were classified by level within the valuation hierarchy as follows:

	<u>Fair Value Hierarchy Designation</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity securities	\$ 1,736,198	\$ -	\$ -	\$ 1,736,198
Mutual funds	1,774,507	-	-	1,774,507
Fixed maturities	<u>-</u>	<u>1,560,950</u>	<u>-</u>	<u>1,560,950</u>
Subtotal	<u>\$ 3,510,705</u>	<u>\$ 1,560,950</u>	<u>\$ -</u>	<u>\$ 5,071,655</u>
Certificate of deposit, 1.29%, due October 22, 2017				<u>243,862</u>
Total Investments				<u>\$ 5,315,517</u>

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2017:

Computer equipment	\$ 477,062
Website and computer software	704,755
Furniture and equipment	80,156
Leasehold improvements	<u>13,246</u>
	1,275,219
Less accumulated depreciation	<u>(396,443)</u>
Net property and equipment	<u>\$ 878,776</u>

Depreciation expense for the year ended September 30, 2017 was \$119,437.

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NOTE 5 — INTANGIBLE ASSETS

Intangible assets consist of the following at September 30, 2017:

Trademarks issued	\$ 71,397
Pending trademarks	<u>47,754</u>
	119,151
Less accumulated amortization	<u>(18,394)</u>
Net intangible assets	<u><u>\$ 100,757</u></u>

Amortization expense for the year ended September 30, 2017 was \$6,502. Pending trademarks have not been amortized and are expected to be approved in 2018.

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

<u>Years Ending September 30,</u>	
2018	\$ 7,133
2019	7,133
2020	7,133
2021	7,133
2022	7,133
Thereafter	<u>65,092</u>
	<u><u>\$ 100,757</u></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 2021.

The future minimum rental and equipment lease payments required under such leases at September 30, 2017 are as follows:

<u>Years Ending September 30,</u>	<u>Leased Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
2018	\$ 227,568	\$ 13,296	\$ 240,864
2019	244,743	13,296	258,039
2020	252,085	9,301	261,386
2021	259,648	2,781	262,429
2022	<u>65,871</u>	<u>-</u>	<u>65,871</u>
	<u><u>\$ 1,049,915</u></u>	<u><u>\$ 38,674</u></u>	<u><u>\$ 1,088,589</u></u>

Rent expense (including parking, maintenance, and other occupancy charges) for the year ended September 30, 2017 was \$279,226.

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NOTE 6 — COMMITMENTS AND CONTINGENCIES – (CONTINUED)

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, 2017, the Foundation accrued \$525,387 in grant awards. The payment of research grants is subject to the grant recipient performing the proposed work, providing a report, and submitting request for payment.

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>Years Ending September 30,</u>	
2018	\$ 1,709,561
2019	1,215,131
2020	<u>227,177</u>
	<u>\$ 3,151,869</u>

Lines of Credit — The Foundation maintains two borrowing lines of credit for \$400,000 and \$1.9 million which renew on month-to-month bases. The amount available under the \$1.9 million line of credit is based on a percentage of investments held in a brokerage account with the lender. The available borrowing amount will fluctuate with the amount of investments that are held as collateral. The interest rates on outstanding borrowings varies with the lender's prime rate, and was approximately 5.25% and 5.50%, respectively, at September 30, 2017. There were no outstanding borrowings at any time during the year ended September 30, 2017.

NOTE 7 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2017 was comprised of the following:

Temporarily restricted net assets	<u>\$ 152,907</u>
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The following is a summary of changes in the annuity assets (restricted cash) during the year ended September 30, 2017:

Beginning of the year	\$ 8,679
Interest income	2
Payments made to annuitant	<u>(420)</u>
Annuity assets - end of the year	<u>\$ 8,261</u>

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NOTE 7 — TEMPORARILY RESTRICTED NET ASSETS – (CONTINUED)

The following is a summary of changes in the gift annuity liability during the year ended September 30, 2017:

Beginning of year	\$ 6,028
Change in annuity obligation	(254)
Payments made to annuitant	<u>(420)</u>
Annuity liabilities - end of year	<u>\$ 5,354</u>
Gift annuity assets: restricted cash	\$ 8,261
Present value of gift annuity obligation	<u>(5,354)</u>
Temporarily restricted net assets	<u>\$ 2,907</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 the related party's consulting company totaled \$184,000 for the year ended September 30, 2017.