

Fanconi Anemia Research Fund, Inc.

**Report of Independent Auditor and Financial Statements
For the Year Ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)**

Fanconi Anemia Research Fund, Inc.
Year Ended December 31, 2016
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Independent Auditor's Report

To the Board of Directors
Fanconi Anemia Research Fund, Inc.
Eugene, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Fanconi Anemia Research Fund, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fanconi Anemia Research Fund, Inc. as of December 31, 2016, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grants awarded on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Fanconi Anemia Research Fund, Inc.'s 2015 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated March 16, 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.

Isler CPA
April 07, 2017

FINANCIAL STATEMENTS

Fanconi Anemia Research Fund, Inc.
Statement of Financial Position
December 31, 2016
(With Summarized Comparative Information December 31, 2015)

	ASSETS	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,880,563	\$ 1,394,290
Other current assets	-	2,933
Total current assets	1,880,563	1,397,223
Investments	5,196,872	4,714,697
Total assets	\$ 7,077,435	\$ 6,111,920
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 14,061	\$ 3,698
Grants payable, current	1,591,009	729,442
Accrued payroll	11,422	9,126
Total current liabilities	1,616,492	742,266
Grants payable, noncurrent	286,634	231,009
Total liabilities	1,903,126	973,275
NET ASSETS		
Unrestricted:		
Undesignated	3,251,943	2,670,843
Board designated	432,612	1,467,802
Temporarily restricted	1,489,754	1,000,000
Total net assets	5,174,309	5,138,645
Total net assets and liabilities	\$ 7,077,435	\$ 6,111,920

See accompanying notes to financial statements

Fanconi Anemia Research Fund, Inc.
Statement of Activities
For the Year Ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)

	<u>David B. Frohnmayer Scientific Research Fund</u>				
	<u>Unrestricted</u>				2015 Comparative Total
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	
REVENUES AND SUPPORT					
Contributions and grants	\$ 1,109,353	\$ 987,384	\$ 1,000,000	\$ 3,096,737	\$ 3,378,398
Net investment income (loss)	194,200	-	-	194,200	(65,665)
Other income	<u>23,495</u>	<u>-</u>	<u>-</u>	<u>23,495</u>	<u>24,622</u>
Total revenue and support	<u>1,327,048</u>	<u>987,384</u>	<u>1,000,000</u>	<u>3,314,432</u>	<u>3,337,355</u>
EXPENSES					
Program services:					
Research	-	2,022,573	510,246	2,532,819	1,660,464
Family support	<u>260,652</u>	<u>-</u>	<u>-</u>	<u>260,652</u>	<u>276,851</u>
Total program services	<u>260,652</u>	<u>2,022,573</u>	<u>510,246</u>	<u>2,793,471</u>	<u>1,937,315</u>
Support services:					
Management and general	287,828	-	-	287,828	207,005
Fundraising	<u>197,469</u>	<u>-</u>	<u>-</u>	<u>197,469</u>	<u>192,073</u>
Total support services	<u>485,297</u>	<u>-</u>	<u>-</u>	<u>485,297</u>	<u>399,078</u>
Total expenses	<u>745,949</u>	<u>2,022,573</u>	<u>510,246</u>	<u>3,278,768</u>	<u>2,336,393</u>
CHANGE IN NET ASSETS	581,099	(1,035,189)	489,754	35,664	1,000,962
Net Assets, beginning of year	<u>2,670,843</u>	<u>1,467,802</u>	<u>1,000,000</u>	<u>5,138,645</u>	<u>4,137,683</u>
Net Assets, end of year	<u>\$ 3,251,942</u>	<u>\$ 432,613</u>	<u>\$ 1,489,754</u>	<u>\$ 5,174,309</u>	<u>\$ 5,138,645</u>

See accompanying notes to financial statements

Fanconi Anemia Research Fund, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)

	Program Services			Support Services			2016 Total Expenses	2015 Total Expenses
	Research	Family Support	Total Program Services	Management and General	Fundraising	Total Support Services		
Research grants	\$ 1,940,710	\$ -	\$ 1,940,710	\$ -	\$ -	\$ -	\$ 1,940,710	\$ 1,124,784
Scholarships	36,387	27,662	64,049	-	-	-	64,049	2,700
Conferences and meetings	262,891	75,810	338,701	14,335	17,284	31,619	370,320	437,334
Payroll	179,802	79,066	258,868	195,777	81,633	277,410	536,278	307,154
Special projects	16,590	185	16,775	374	52,376	52,750	69,525	64,118
Payroll tax and benefits	16,646	7,685	24,331	10,734	7,805	18,539	42,870	65,876
Research materials	-	-	-	-	-	-	-	10,687
Printing	-	-	-	-	-	-	-	68,046
Postage	-	-	-	-	-	-	-	34,816
Professional fees	3,048	2,336	5,384	39,540	3,471	43,011	48,395	90,303
Supplies	-	-	-	-	-	-	-	7,593
Rent	-	-	-	-	-	-	-	23,144
Computer and equipment	-	-	-	-	-	-	-	28,001
Miscellaneous	-	-	-	589	94	683	683	16,626
Office expenses	49,079	55,205	104,284	24,306	32,915	57,221	161,505	7,679
Recruiting	-	-	-	-	-	-	-	7,709
Depreciation and amortization	-	-	-	-	-	-	-	4,346
Legal	-	-	-	-	-	-	-	1,233
Advertising	-	-	-	-	-	-	-	446
Communications	27,460	12,703	40,163	1,928	1,866	3,794	43,957	5,513
Bank charges	-	-	-	245	25	270	270	11,833
Licenses and permits	-	-	-	-	-	-	-	4,753
Insurance	-	-	-	-	-	-	-	9,310
Maintenance	-	-	-	-	-	-	-	2,389
Total	\$ 2,532,613	\$ 260,652	\$ 2,793,265	\$ 287,828	\$ 197,469	\$ 485,297	\$ 3,278,562	\$ 2,336,393

See accompanying notes to financial statements.

Fanconi Anemia Research Fund, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 35,664	\$ 1,000,962
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	-	4,346
Unrealized loss (gain) on investments	(131,551)	64,867
Realized loss (gain) on Investments	(61,422)	-
Donated securities received	(89,203)	(288,818)
Changes in:		
Other current assets	1,807	1,200
Prepaid expenses	1,126	637
Accounts payable	10,364	(659)
Payroll accrual	-	(8,686)
Vacation accrual	2,296	-
Grants payable	917,192	173,663
Net cash flow from operating activities	<u>686,273</u>	<u>947,512</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,000,000)	(1,324,161)
Proceeds from sale of investments	800,000	860,161
Equipment acquired	-	-
Net cash flow from investing activities	<u>(200,000)</u>	<u>(464,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	486,273	483,512
Cash and cash equivalents, beginning of year	<u>1,394,290</u>	<u>910,778</u>
Cash and cash equivalents, end of year	<u>\$ 1,880,563</u>	<u>\$ 1,394,290</u>
Schedule of noncash investing activities:		
Investment income reinvested, net of fees	<u>\$ 61,422</u>	<u>\$ 44,319</u>

See accompanying notes to financial statements

Fanconi Anemia Research Fund, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities - Fanconi Anemia Research Fund, Inc. (the "Organization") is a nonprofit organization incorporated in the State of Oregon on February 27, 1989. The Organization was established to fund research into a cure or effective treatment of victims of Fanconi Anemia and to offer support services to affected families. The primary funding sources are contributions from individuals and foundations.

The Organization's current programs consist of the following:

Research - This program supports various scientific studies, which may lead to a cure or effective treatment for Fanconi Anemia, and education on the progress of current research.

Family Support - This program provides support to Fanconi Anemia families through education and networking.

Basis of 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 ("GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include amounts designated by the board of directors for specified purposes. During 2015 the board established the David B. Frohnmayer Scientific Research Fund. The board designated \$2 million of unrestricted net assets for the research fund. Donor contributions to the Fund are considered temporarily restricted.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2016 and 2015, the Organization had no permanently restricted net assets.

Cash and cash equivalents - For purposes of the Statement of Cash Flows, the Organization considers highly liquid investments, that are not held in brokerage accounts, that are available for current use with an initial maturity of three months or less to be cash equivalents. Total cash balances are insured by the FDIC up to \$250,000 per bank. Fanconi Anemia Research Fund, Inc. had bank deposits at December 31, 2016 that exceeded insured amounts by \$4,154,226.

Investments - Investments are carried at fair value. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities.

Fair value of financial instruments - All of the Organization's financial instruments are considered Level 1 in the following fair value hierarchy. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data;

Level 3 - Significant unobservable inputs for assets or liabilities.

Fanconi Anemia Research Fund, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Donated materials and services - The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its program services and fundraising campaigns. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied. Donated materials and supplies are reflected as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

Use of estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense allocation - The expenses of the Organization are categorized as either program services or supporting services. Program services include direct and indirect costs related to providing the services and activities for which purpose the Organization exists. Supporting services include administration and fundraising activities. Administration expenses relate to the overall direction of the Organization, including board activities, general record keeping, business management, and budgeting. Fundraising expenses relate to the solicitation of contributions to support organizational goals.

Income taxes - Fanconi Anemia Research Fund, Inc. is exempt from income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and is not a private foundation within the meaning of the IRC and as an entity that qualifies for deductible contributions. Accordingly, no provision has been made for income taxes in the financial statements. The Organization considers any uncertain tax positions consistent with GAAP.

Comparative financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles; accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Subsequent events - The Organization has evaluated subsequent events through April 07, 2017 which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2 - INVESTMENTS

The Organization's investments, which are carried at fair value, consist of the following at December 31, 2016 and 2015.

	2016	2015
US equities	\$ 1,549,646	\$ 427,665
International equities	377,568	273,369
Tips bond ETF's	653,148	1,201,368
Equity REIT's	-	227,561
Cash, CD's, and sweeps	<u>2,616,510</u>	<u>2,584,734</u>
Total investments	<u>\$ 5,196,872</u>	<u>\$ 4,714,697</u>

Investment gain of \$194,200 includes interest and dividend income of \$82,382 less fees of \$19,732 and a gain in value of \$131,550.

Fanconi Anemia Research Fund, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)

NOTE 3 - GRANTS PAYABLE

The Organization has entered into contracts for grants to researchers that will be made in installments over the terms of the contracts. Accordingly, the grant payments are classified as current and long-term as follows at December 31:

	<u>2016</u>	<u>2015</u>
Grants payable - current portion	\$ 1,591,009	\$ 729,442
Grants payable - noncurrent portion	<u>286,634</u>	<u>231,009</u>
Total	<u>\$ 1,877,643</u>	<u>\$ 960,451</u>

NOTE 4 - NET ASSETS

Board-designated. In 2015 the Board of Directors established the David B. Frohnmayer Scientific Research Fund (DBF Fund) and designated \$2 million of unrestricted net assets to ensure that there will be adequate resources for grant commitments and science expenses for each calendar year. The Organization recognizes certain donor support as designated for the DBF Fund. Resources are designated but not limited to funding for scientific research projects, the annual scientific symposium, and personnel costs for the Science Director position.

Temporarily restricted net assets. Temporarily restricted net assets include donor-restricted support received during the year specifically for cancer research within the David B. Frohnmayer Scientific Research Fund.

NOTE 5 - LEASES

The Organization rents office space under an agreement that is accounted for as an operating lease. The base rent is \$2,422 with an inflation adjustment based on the CPI for Portland with any increase not to exceed 3% per year. The original lease has been extended and currently expires in March 2020. The extension agreement includes a clause allowing for early termination with six months notice of intent. Rent expense was \$26,641 for the year ended December 31, 2016.

NOTE 6 - RETIREMENT PLAN

The Organization has an IRS Section 403(b)(7) plan ("Fanconi Anemia Research Fund, Inc. Retirement Plan") that covers eligible employees, as defined by the plan. Employees are eligible immediately upon becoming employed and may elect to have elective deferrals up to the maximum amount allowed by law to the plan each year, but not less than \$200 annually. The employer provides a 100% match of employee contributions up to a maximum match of \$2,000 per year. Retirement plan expense was \$7,938 for the year.

NOTE 7 - COMMITMENTS

The Organization has entered into several contractual agreements securing hotel accommodations for future conferences. These agreements often contain cancellation clauses that would require the Organization to pay some portion of the contracted fees if a future conference were cancelled or relocated. The possibility of cancellation of future conferences is remote and the potential financial impact of cancellation has been deemed to be not material. Therefore, no liability has been accrued.

NOTE 8 - CONCENTRATIONS

Included in contributions and grants were \$1,728,689 of contributions attributable to the efforts of a related party fundraiser. These contributions comprise 56% of total contribution and grant revenue.

Fanconi Anemia Research Fund, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)

NOTE 9 -Recently Issued Accounting Guidance

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, representing the first time since the mid-1990s that financial reporting for not-for-profit organizations has been addressed. While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. The key elements of the ASU are as follows:

Net asset classifications are being reduced from three to two categories: with donor restrictions and without donor restrictions. Expanded disclosures about the nature and amount of any donor restrictions will be required. Expanded disclosures on any board designations of net assets without donor restrictions will also be required.

Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the balance sheet date.

The indirect or direct method of presenting the statement of cash flows will be allowed. However, the reconciliation of operating items no longer will be required when using the direct method.

When an organization derives net investment return from several different sources, such as donor endowments and unrestricted operating endowments, it may present the net investment return in multiple line items in the statement of activities. Higher education institutions no longer will be required to present "other investment portfolio" investment returns separately from other components of investment return. The components of net investment expense no longer will be required to be disclosed; however, organizations may continue to include this information when their financial statement users have an interest in that information.

Several new reporting requirements related to expenses are included, as follows:

Disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return)

Disclosure of expenses netted with investment return

Enhanced disclosures regarding cost allocations

ASU 2016-14 eliminates the requirement to disclose the unrealized gains and losses for the period related to equity securities held at the report date as previously required by ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

SUPPLEMENTARY INFORMATION

Fanconi Anemia Research Fund, Inc.
Schedule of Grants Awarded
Year Ended December 31, 2016

<u>Grant recipient</u>	<u>Grant payable at beginning of year</u>	<u>Grants awarded during the year</u>	<u>Grants paid during the year</u>	<u>Grant payable at end of year</u>	<u>Payable in next year</u>	<u>Payable after one year</u>
Cinti Children's Hospital *	\$ -	\$ 5,000	\$ (5,000)	\$ -	\$ -	\$ -
Grompe (1)*	-	10,012	(10,012)	-	-	-
Smogorzewska	37,050	-	(37,050)	-	-	-
Taniguchi	75,000	-	(75,000)	-	-	-
Yigal	117,500	-	-	117,500	70,500	47,000
Yu	120,000	-	(80,000)	40,000	40,000	-
Woods	131,250	-	(87,500)	43,750	43,750	-
Grompe (2)	40,604	-	(40,604)	-	-	-
Kamimae-Lanning	50,000	-	(50,000)	-	-	-
Flemming	343,604	-	(196,345)	147,259	147,259	-
Mackenzie	45,443	-	(45,443)	-	-	-
Surralles	-	160,000	(60,000)	100,000	80,000	20,000
Karras	-	160,000	(60,000)	100,000	80,000	20,000
Kajaste-Rudnitski	-	175,000	(65,625)	109,375	87,500	21,875
Wells	-	250,000	(93,750)	156,250	125,000	31,250
Alter (1)	-	75,500	-	75,500	37,750	37,750
Alter (2)	-	300,000	-	300,000	150,000	150,000
Dorsman	-	234,320	-	234,320	117,160	117,160
Deans	-	182,967	(22,871)	160,096	91,484	68,612
Dietrich and Velleuer*	-	183,318	(68,744)	114,574	91,659	22,915
Tong	-	204,593	(25,574)	179,019	102,297	76,722
Total	\$ <u>960,451</u>	\$ <u>1,940,710</u>	\$ <u>(1,023,518)</u>	\$ <u>1,877,643</u>	\$ <u>1,264,359</u>	\$ <u>613,284</u>

* Service grant