



FINANCIAL REPORT

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

YEARS ENDED JUNE 30, 2016 AND 2015

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

**FINANCIAL REPORT
YEARS ENDED JUNE 30, 2016 AND 2015**

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 18
SUPPLEMENTARY INFORMATION	
Schedules of Expenses by Services	19 - 20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Osteogenesis Imperfecta Foundation, Inc.
Gaithersburg, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Osteogenesis Imperfecta Foundation, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 Osteogenesis Imperfecta Foundation, Inc. as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of expenses by services are presented for purposes of additional analysis and are 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 audits 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.

A handwritten signature in black ink, reading "Thompson Greenpan". The signature is written in a cursive, flowing style.

Fairfax, Virginia
December 16, 2016

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 237,882	\$ 188,831
Pledges receivable, net of allowance for uncollectible pledges	347,289	416,949
Investments	1,676,294	1,812,991
Inventory	16,613	17,258
Prepaid expenses	<u>39,721</u>	<u>33,477</u>
Total Current Assets	<u>2,317,799</u>	<u>2,469,506</u>
Fixed Assets		
Furniture and equipment	182,340	172,879
Accumulated depreciation	<u>(152,940)</u>	<u>(140,535)</u>
Net Fixed Assets	<u>29,400</u>	<u>32,344</u>
Other Assets		
Long-term pledges receivable, net	119,595	179,641
Funds held in perpetual trust	15,500	15,500
Deposits	<u>6,762</u>	<u>6,762</u>
Total Other Assets	<u>141,857</u>	<u>201,903</u>
Total Assets	<u><u>\$ 2,489,056</u></u>	<u><u>\$ 2,703,753</u></u>

The Notes to Financial Statements are an integral part of these statements.

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 57,948	\$ 68,878
Accrued payroll liabilities	44,816	36,914
Deferred revenue	140,341	1,470
Deferred rent	-	959
Promises to give to others	<u>210,212</u>	<u>198,252</u>
Total Current Liabilities	<u>453,317</u>	<u>306,473</u>
Net Assets		
Unrestricted net assets	1,282,921	1,717,226
Temporarily restricted net assets	698,330	625,566
Permanently restricted net assets	<u>54,488</u>	<u>54,488</u>
Total Net Assets	<u>2,035,739</u>	<u>2,397,280</u>
 Total Liabilities and Net Assets	 <u><u>\$ 2,489,056</u></u>	 <u><u>\$ 2,703,753</u></u>

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions and grants	\$ 245,524	\$ 477,436	\$ -	\$ 722,960	\$ 348,190	\$ 685,485	\$ -	\$ 1,033,675
Event revenue	399,479	7,500	-	406,979	368,184	15,000	-	383,184
Investment income	53,669	-	-	53,669	107,090	-	-	107,090
Direct mailing revenue	182,691	-	-	182,691	187,955	-	-	187,955
Conference revenue	1,561	99,925	-	101,486	6,575	113,793	-	120,368
Product sales, less cost of goods sold of \$646 for 2016 and \$1,672 for 2015	1,758	-	-	1,758	4,445	-	-	4,445
In-kind contributions	21,522	-	-	21,522	31,600	-	-	31,600
Net assets released from restrictions	512,097	(512,097)	-	-	525,211	(525,211)	-	-
Total Support and Revenue	1,418,301	72,764	-	1,491,065	1,579,250	289,067	-	1,868,317
Expenses								
Program services								
Conferences	155,487	-	-	155,487	393,136	-	-	393,136
Education and support	534,580	-	-	534,580	595,306	-	-	595,306
Research	563,633	-	-	563,633	415,639	-	-	415,639
Public awareness	45,116	-	-	45,116	48,856	-	-	48,856
Total Program Services	1,298,816	-	-	1,298,816	1,452,937	-	-	1,452,937
Support services								
General and administration	141,170	-	-	141,170	111,332	-	-	111,332
Fundraising	412,620	-	-	412,620	291,536	-	-	291,536
Total Support Services	553,790	-	-	553,790	402,868	-	-	402,868
Total Expenses	1,852,606	-	-	1,852,606	1,855,805	-	-	1,855,805
Change in Net Assets	(434,305)	72,764	-	(361,541)	(276,555)	289,067	-	12,512
Net Assets, beginning of year	1,717,226	625,566	54,488	2,397,280	1,993,781	336,499	54,488	2,384,768
Net Assets, end of year	\$ 1,282,921	\$ 698,330	\$ 54,488	\$ 2,035,739	\$ 1,717,226	\$ 625,566	\$ 54,488	\$ 2,397,280

The Notes to Financial Statements are an integral part of these statements.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (361,541)	\$ 12,512
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	12,405	12,405
Unrealized loss on investments	27,682	74,990
Realized gain on investments	(37,269)	(141,990)
Donated securities	(8,024)	(3,664)
Deferred rent	(959)	(2,302)
(Increase) Decrease in		
Pledges receivable	129,706	(246,258)
Inventory	645	8,669
Prepaid expenses	(6,244)	(5,279)
Increase (Decrease) in		
Accounts payable and accruals	(3,028)	5,578
Deferred revenue	138,871	(63,682)
Promises to give to others	11,960	51,488
	<u>(95,796)</u>	<u>(297,533)</u>
Net Cash Used by Operating Activities		
Cash Flows from Investing Activities		
Payments for the purchase of property	(9,461)	(21,702)
Payments for the purchase of investments	(247,092)	(356,330)
Proceeds from sale of investments	401,400	483,152
	<u>144,847</u>	<u>105,120</u>
Net Cash Provided by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	49,051	(192,413)
Cash and Cash Equivalents, beginning of year	<u>188,831</u>	<u>381,244</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 237,882</u></u>	<u><u>\$ 188,831</u></u>

The Notes to Financial Statements are an integral part of these statements.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. DESCRIPTION OF THE FOUNDATION

Osteogenesis Imperfecta Foundation, Inc. (the Foundation or OIF) is a Georgia non-stock corporation incorporated in 1970 with the primary purpose of improving the quality of life for people affected by the bone disorder osteogenesis imperfecta (OI) through research into treatments and a cure, education, awareness, and mutual support. The Foundation's headquarters are located in Gaithersburg, Maryland.

The underlying categories represent the major program areas of the Foundation.

Public Awareness – OIF strives to build public awareness and generate additional support among people with OI, community organizations, government agencies, the general public, school personnel and medical professionals. The Foundation has a public service announcement, and partners with related organizations such as The U.S. Bone & Joint Decade, the National Organization for Rare Disorders, the National Bone Health Alliance, the Rare Disease Patient Network, the National Health Council, the Federal Working Group on Bone, and the OI Federation of Europe. In addition, OIF participates in Rare Disease Day activities, and each May sponsors OI Awareness Week. National OI Awareness Week 2016 was held April 30th - May 7th. Volunteers proclaimed OI Awareness Week in over 10 cities and states and held multiple events nationwide. OIF celebrated Wishbone Day, the international OI Awareness Day, by sharing facts and information via social media every hour for a consecutive twelve hours. During OI Awareness Week 2016, OIF reached over 160,000 people on Facebook.

The Foundation manages four social networking sites and continues to offer, through its website www.oif.org, links to sites that might be helpful or interesting to parents and young people living with OI, in addition to sites that help older adults with OI manage their disorder throughout their life through mutual support. The Foundation also maintains an official OIF Facebook page that provides information and resources to all ages and is updated daily. Currently, the OIF Facebook page has more than 6,600 followers.

The Foundation is committed to advocating on behalf of people with OI and has established an advocacy initiative. A grassroots effort focuses on educating legislators and their staff about OI and the priorities of the Foundation.

Education and Support – The Foundation offers medically verified information related to OI. Topics include medical issues such as genetics, diagnosis and treatments. Additional topics focus on daily living strategies, school and employment. The Foundation's staff reply to requests for information via phone, internet, fax, social media and mail. Educational materials are available in print and electronically through the OIF website. Print materials include books, brochures, fact sheets and a quarterly newsletter. Electronic materials include a monthly email newsletter, and via the website, fact sheets, booklets and brochures. Information on OI is written for a variety of audiences including medical professionals, parents and other family members, children, adults who have OI, and school professionals. On average, 25,000 people use the website each month. Foundation staff and volunteers respond to more than 7,000 direct inquiries a year. Information from these contacts is used to assess the need for new resources.

The Foundation sponsors a network of support groups across the United States. Support group activities provide opportunities for mutual support and increased community awareness. Currently, there are 42 active groups in 33 states. In addition, 26 volunteer resource people are active in 25 states.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. DESCRIPTION OF THE FOUNDATION (continued)

Family Conference – The Foundation's principal educational event is the Biennial National Conference on OI. The conference brings together adults who have OI, parents, other family members and leading medical experts. This conference provides the opportunity for attendees to have face-to-face meetings with experienced physicians, learn about the latest research, and interact with other people who are affected by OI.

In July 2016, OIF held its 20th Biennial National Conference in Orlando, Florida, which brought together twenty world class experts on OI, and more than 600 individuals living with OI for three days of information, mutual support and fun. The conference began with OIF's second annual National Walk-n-Wheel for OI event, which drew more than 200 walkers and wheelers showing their Unbreakable Spirit to the local Orlando community. Local volunteers and partner organizations, like the Tampa Shriners Hospital, helped make the event a true success.

Since its launch in 2015, OIF's Regional Conference program has reached more than 600 members of the OI community, half of whom had never attended an OI event before. These one-day conferences feature educational sessions led by OI experts, including OIF Medical Advisory Council members Dr. Jay Shapiro, Dr. Cathy Raggio, Dr. Laura Tosi, Dr. David Vernick, Dr. Deborah Krakow and Dr. Francis Glorieux. Upcoming Regional Conferences will take place in Houston, Texas (November 2016), Phoenix, Arizona (March 2017), Montreal, Québec Canada (June 2017), and Seattle, Washington (November 2017).

Research – The Foundation funds grants to support research relevant to understanding and treating OI. Fellowships are awarded to post-doctoral trainees working on projects with clear relevance to OI. OIF hosts an annual Scientific Meeting to bring together leaders in clinical and basic research on a single topic related to OI. In addition, the Foundation participates in numerous research meetings sponsored by other organizations, including NIH. Every third year, OIF joins other OI associations at the International Scientific Congress on OI.

OIF also continued supporting two Michael Geisman Fellowships: Dr. Brya Matthews from the University of Connecticut and Dr. Kyung-Eun Lim from the Indiana University School of Medicine. Dr. Matthews' research focuses on examining approved drugs that block TNF α . TNF α is elevated in mice with OI, which may contribute to increased bone turnover. Dr. Matthews plans to test one of the approved drugs to determine if treatment can improve bone density and strength in mice. Since these drugs are already approved for use in children and for other diseases, promising results would potentially allow rapid clinical translation of these findings, providing an alternate treatment approach for children with OI. Dr. Lim's research will focus on a biological target called Nuclear Protein 1, which could potentially be manipulated to improve skeletal properties in OI.

Through the support of OIF supported Linked Clinical Research Centers (LCRC) and constituent participation, OIF was able to gather important information about individuals living with OI and form the foundation on which the Brittle Bones Disorders Consortium (BBDC) was built. This is the only rare disease network at the NIH that is studying bone and specifically OI. Under the leadership of OIF Medical Advisory Council member, Dr. Brendan Lee of Baylor College of Medicine, the BBDC had four studies up and running during 2015. Over 1,000 people have joined the BBDC Contact Registry and a new partner, the Omaha Children's Hospital and Medical Center, has joined the consortium. The clinical research will include a Phase I drug study, a study on scoliosis in people with severe OI, pregnancy and OI, dentinogenesis imperfecta and other dental/craniofacial issues and OI, a biomarkers study, and a quality of life and OI study.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. DESCRIPTION OF THE FOUNDATION (continued)

Research (continued) – In addition, OIF has developed a new professional education website, www.oif.org/MedEd, and began attending scientific meetings that enabled OIF to train the next generation of OI researchers and physicians. This grant is the product of a very strong collaboration between the OI scientific community and OIF.

Scientific Meetings – OIF gathered more than ninety scientists and researchers for the 16th Annual OIF Science Meeting on April 13-15, 2016. The two-day meeting, titled “The Future of OI Research,” featured a slate of presentations on topics ranging from basic biology animal studies to treatment, implications, and discussions on care delivery models. The meeting was chaired by Dr. Eric Rush of the University of Nebraska Medical Center and Dr. Pierre Moffatt of Shriners Hospital for Children – Montreal. The sessions included Pathways to Potential Treatments, Gene Discovery and Treatment Implications, Animal Model Progress, Muscle and Bone Interaction and OI, Clinical Targets for Treatment, and Technology and Treatment and Surgical Interventions. Updates from the BBDC stimulated productive and innovative conversations surrounding clinical targets and potential treatment options. Clinicians collaborated in several supplementary focus groups regarding the launch of a new pulmonary study, and advancements in surgical techniques and rehabilitation medicine for OI. Each year, the meeting attracts scientists interested in learning more about the latest OI research, both basic and clinical, and how that research will ultimately benefit people living with OI.

OIF continues to lead in providing opportunities for medical professionals and scientists to meet to discuss new and innovative treatments that may ultimately benefit any person living with OI. It is important to keep all researchers current with the most up-to-date research on treatments that physicians will potentially use with their patients.

OI Adult Health Initiative – In January 2016, OIF launched a new OI Adult Health Initiative, which aims to provide information to medical professionals and adults with OI on the medical issues that affect adults, including routine tests and procedures, and the risk/benefit to those with OI. In addition, this initiative will also fund clinical studies that address, including but not limited to, cardiovascular and pulmonary issues. At the 2016 OIF National Conference, several sessions focusing on OI Adult Health were held and information packets, including fact sheets and a pocket guide on OI adult health, were distributed to nearly 200 adults living with OI. In an effort to educate medical professionals, OIF and Dr. Jay Shapiro have attended professional society member meetings to spread information about OI and host “Ask the Expert” sessions.

Impact Grant Program – In partnership with Children's Brittle Bone Foundation (CBBF), an annual competitive grant program has been established. It is designed to provide funding for items that will significantly improve the quality of life for a person who has OI and who has limited financial resources. This past year, OIF was able to fund 30 of the 53 requests submitted in January 2015. Funding was provided for a wide range of items including hearing aids, a ramp, and water therapy. In addition, 15 families (35 adults and 27 children) received grants to attend the OIF National Conference held in July 2016.

OIF continues to take the lead in developing programs that provide opportunities for scientific collaboration, mutual support for persons living with OI, and access to the most up-to-date and medically verified information about OI.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Estimates

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

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

For purposes of the statements of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less. The Foundation maintains its cash balances in various financial institutions which, at times, may exceed federally insured limits of \$250,000. The Foundation has not experienced any losses from such accounts.

Donated securities or other assets that have no donor-imposed restrictions and that are immediately converted into cash are classified as cash from operating activities. During the years ended June 30, 2016 and 2015, the Foundation received \$8,024 and \$3,664, respectively, in donated stock that was immediately converted into cash and recognized as cash from operating activities in the accompanying statements of cash flows.

Inventory

Inventory is recorded at the lower of cost or market using the first-in, first-out (FIFO) method of inventory valuation. Inventory consists of books and videos to help children cope with OI, as well as small goods to promote OI awareness.

Prepaid Expenses

The Foundation records expenses incurred in advance for general operations and the Biennial National Conference as prepaid expenses.

Pledges Receivable

Pledges receivable represents amounts which have been promised but not yet received. Pledges are recorded at the original value less an estimate of uncollectible pledges. Pledges due beyond one year are discounted to reflect the present value of the pledge using the mid-term annual Applicable Federal Rate (AFR). The AFR was 1.41 percent and 1.60 percent at June 30, 2016 and 2015, respectively.

Fixed Assets

The Foundation has a capitalization policy for qualifying assets in excess of \$1,000. Furniture and equipment are reported at cost. Assets and capital lease purchases are depreciated over a two- to ten-year estimated life using the straight-line method. Depreciation expense for the years ended June 30, 2016 and 2015 was \$12,405.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are accounted for at fair market value with any unrealized gains and losses reported in the statements of activities and changes in net assets.

Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – inputs to the valuation methodology are based upon unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques (market, cost, or income approach). The market approach evaluates prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach evaluates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost). The income approach uses techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Common stocks: Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate and municipal bonds: Bonds are valued at the closing price reported in the active market in which the bond is traded.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Promises to Give to Others

Research grants awarded prior to year end but not distributed are recorded as grants payable and expensed accordingly.

Pledges to give in future years are recorded as unrestricted support because it is believed that the intent of the donor is to support the Foundation's operations in the years the promises are made.

Deferred Revenue

The Foundation records income for conference fees which have been paid in advance as deferred revenue.

Net Assets

Net assets are reported by the Foundation in accordance with generally accepted accounting principles. Accordingly, net assets have been reported using the following categories.

Unrestricted

Unrestricted net assets represent resources over which the Board of Directors has discretionary control, and are used to carry out operations of the Foundation in accordance with their by-laws. Unrestricted net assets have been reserved by the Board of Directors for future operations. For the years ended June 30, 2016 and 2015, the balance of the Board-designated net assets was \$1,282,921 and \$1,717,226, respectively.

Temporarily Restricted

Temporarily restricted net assets represent contributions and grants which have been restricted by donors for specific programs or activities. Restrictions which have been met by the passage of time or expenditure of net assets are reported as net assets released from restrictions on the statements of activities and changes in net assets. Temporarily restricted funds received and utilized in the same operating period are reported as temporarily restricted revenue and net assets released from restrictions on the statements of activities and changes in net assets. For the years ended June 30, 2016 and 2015, the Foundation received \$584,861 and \$814,278, respectively, in temporarily restricted assets. As of June 30, 2016 and 2015, temporarily restricted net assets were \$698,330 and \$625,566, respectively.

Permanently Restricted

Permanently restricted net assets represent contributions which have been restricted by donors indefinitely. The permanently restricted net assets have been identified by the Foundation and consist of an Endowment Fund. For the years ended June 30, 2016 and 2015, the Foundation did not receive any permanently restricted contributions. As of June 30, 2016 and 2015, permanently restricted net assets were \$54,488.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Volunteer Event Revenue

The Foundation receives a portion of its revenue from events hosted throughout the country by related and unrelated individuals and organizations. An event coordinator is available at the Foundation headquarters to help plan the event as well as answer questions the sponsoring individual or organization may have. The Foundation provides event training, which includes on-site collection of revenue. Revenue from these events is collected by the sponsoring individual or organization, which then remits that revenue to the Foundation. The Foundation's website and lockbox provide assistance to the sponsors in collection of revenue.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services and Materials

Contributions of services are recognized if the services received create or enhance non-financial assets or require special skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. During 2016 and 2015, the Foundation received \$21,522 and \$31,600 in donated materials or services, respectively. The donated materials and services were primarily used towards legal fees in 2016 and for conferences in 2015.

In addition, the Foundation has estimated that total volunteer time donated during the years ended June 30, 2016 and 2015 was approximately \$273,532 and \$270,380, respectively, valued at \$23.56 and \$23.07 per hour, respectively. These services are not recorded in the accompanying financial statements as they did not meet the requirements as noted in the previous paragraph.

Income Taxes

The Foundation has received a favorable tax determination letter from the Internal Revenue Service stating that it is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to unrelated business income tax for activities conducted outside its tax-exempt purpose. During 2016 and 2015, the Foundation did not conduct unrelated business activities.

Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

The Foundation files an informational income tax return for Federal reporting purposes. The Foundation is not currently under audit by any income tax jurisdictions.

Reclassification

Certain items in the June 30, 2015 consolidated financial statements have been reclassified to conform to the June 30, 2016 consolidated financial statement presentation.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The date to which events occurring after June 30, 2016, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is December 16, 2016, which is the date on which the financial statements were available to be issued.

3. INVESTMENTS

Investments are stated at fair value for all equity securities for which fair value is readily determinable. The carrying value and cost are as follows at June 30:

	2016		2015	
	Cost	Market	Cost	Market
Common stocks				
Consumer stock	\$ 147,347	\$ 248,876	\$ 186,654	\$ 319,082
Energy stock	84,694	94,854	84,694	91,835
Financial stock	85,093	100,538	73,060	110,502
Healthcare stock	163,872	246,919	142,884	203,690
Industrial stock	141,444	209,340	150,018	227,859
Technology stock	128,199	231,731	137,067	234,656
Subtotals	750,649	1,132,258	774,377	1,187,624
Municipal bonds	401,900	412,973	487,188	493,985
Corporate bonds	133,528	131,063	133,527	131,382
Totals	<u>\$ 1,286,077</u>	<u>\$ 1,676,294</u>	<u>\$ 1,395,092</u>	<u>\$ 1,812,991</u>

Investment income included in the statements of activities and changes in net assets is as follows:

	2016	2015
Interest and dividends	\$ 44,082	\$ 40,090
Net change in realized gain and unrealized loss on investments	9,587	67,000
Investment income, net	<u>\$ 53,669</u>	<u>\$ 107,090</u>

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

4. FAIR VALUE MEASUREMENTS

The following table summarizes the Foundation's financial assets that were measured at fair value on a recurring basis as of June 30:

	2016			Total
	Level 1	Level 2	Level 3	
Common stocks				
Consumer stock	\$ 248,876	\$ -	\$ -	\$ 248,876
Energy stock	94,854	-	-	94,854
Financial stock	100,538	-	-	100,538
Healthcare stock	246,919	-	-	246,919
Industrial stock	209,340	-	-	209,340
Technology stock	231,731	-	-	231,731
Subtotals	1,132,258	-	-	1,132,258
Municipal bonds	-	412,973	-	412,973
Corporate bonds	-	131,063	-	131,063
Totals	<u>\$ 1,132,258</u>	<u>\$ 544,036</u>	<u>\$ -</u>	<u>\$ 1,676,294</u>

	2015			Total
	Level 1	Level 2	Level 3	
Common stocks				
Consumer stock	\$ 319,082	\$ -	\$ -	\$ 319,082
Energy stock	91,835	-	-	91,835
Financial stock	110,502	-	-	110,502
Healthcare stock	203,690	-	-	203,690
Industrial stock	227,859	-	-	227,859
Technology stock	234,656	-	-	234,656
Subtotals	1,187,624	-	-	1,187,624
Municipal bonds	-	493,985	-	493,985
Corporate bonds	-	131,382	-	131,382
Totals	<u>\$ 1,187,624</u>	<u>\$ 625,367</u>	<u>\$ -</u>	<u>\$ 1,812,991</u>

We evaluated the significance of transfers between the levels based upon the nature of the financial instrument and size of the transfer relative to the total investments. For the years ending June 30, 2016 and 2015, there were no transfers in or out of Levels 1, 2 or 3.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

5. PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

	2016	2015
Pledges due in less than one year	\$ 351,255	\$ 418,558
Less: Allowance for uncollectible pledges	(3,966)	(1,609)
Net current pledges receivable	<u>347,289</u>	<u>416,949</u>
Due in one to five years	127,500	189,712
Less: Discount at present value	(7,905)	(10,071)
Net long-term pledges receivable	<u>119,595</u>	<u>179,641</u>
Total pledges receivable	<u>\$ 466,884</u>	<u>\$ 596,590</u>

6. LINE OF CREDIT

In July 2012, the Foundation entered into a \$100,000 line of credit agreement with a commercial bank. The line is renewed annually each July, and currently expires in July 2017. Outstanding borrowings on the line of credit bear interest at the Wall Street Journal Prime rate. There was no outstanding balance on the line of credit as of June 30, 2016 and 2015.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
BBDC	\$ 303,000	\$ 337,814
Impact Grant Program	102,161	235,673
Adult Health	141,244	34,276
Research	110,558	17,803
Biennial Conference	21,317	-
Services to Benefit Hearing Impaired	7,550	-
National Walk	7,500	-
Resource Center	5,000	-
Total temporarily restricted net assets	<u>\$ 698,330</u>	<u>\$ 625,566</u>

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Research	\$ 554,802	\$ 389,893
Education and support	114,711	235,673
Events	21,317	-
Conferences	7,500	-
Total temporarily restricted net assets	<u>\$ 698,330</u>	<u>\$ 625,566</u>

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

8. PERMANENTLY RESTRICTED NET ASSETS

The Foundation was named as a beneficiary of a charitable remainder trust upon the death of the annuitant. As a result, \$15,500 was invested in a perpetual trust administered by a third party. The Foundation has the right to receive income earned on the asset. The principal asset is permanently restricted. The remaining \$38,988 is for lifetime memberships paid for in the 1990s that were designated as permanent endowments at the time of their contribution to the Foundation.

9. COMMITMENTS

The Foundation leased office space, which expired on November 30, 2015. The lease agreement provided for monthly payments of \$6,478. The lease provided for an annual escalation increase at a rate of three percent. The lease also required that the Foundation pay their pro-rata share of any building operating expenses in excess of the agreed-upon amount. Under the terms of the lease, the Foundation received an abatement of rent for the first two months of the extended term. The abatement was amortized over the life of the five-year lease extension.

In December 2014, the Foundation renewed its existing office space lease that expired in November 2015. The new lease agreement provides for initial monthly payments of \$6,187 with an annual escalation increase at a rate of two percent, expiring on November 30, 2020. The lease also requires that the Foundation pay their pro-rata share of any building operating expenses in excess of the agreed-upon amount. Rent expense for the years ended June 30, 2016 and 2015 was \$74,734 and \$74,482, respectively.

The Foundation has entered into several agreements for office equipment and support services.

Future minimum payments under all lease agreements are as follows as of June 30, 2016:

<u>Year ending June 30:</u>	
2017	\$ 77,440
2018	78,492
2019	80,024
2020	80,802
2021	33,483
Total future payments	<u>\$ 350,241</u>

The Foundation has entered into an agreement with a human resources leasing group to provide all related human resource services for employees. The agreement is on a month-to-month basis and may be cancelled by the Foundation with 30 days written notice.

10. CONCENTRATION OF RISK

For the years ended June 30, 2016 and 2015, three entities accounted for 43 and 64 percent of pledges receivable, respectively. For the years ended June 30, 2016 and 2015, one entity accounted for 10 and 11 percent of revenues, respectively.

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

11. RETIREMENT PLAN

The Foundation sponsors a 401(k) plan through its payroll service provider. The Foundation matched the first 4 percent of employee contributions. The contribution was \$24,610 and \$21,917 for the years ended June 30, 2016 and 2015, respectively.

Subsequent to year end, the Foundation terminated the previous 401(k) plan through its payroll service provider and began a new plan with another third party administrator.

12. RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Foundation's investments and the amounts reported in the statements of financial position and the statements of activities and changes in net assets.

SUPPLEMENTARY INFORMATION

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

**SCHEDULE OF EXPENSES BY SERVICES
YEAR ENDED JUNE 30, 2016**

	Program Services					Support Services			Overall Total
	Conferences	Education and Support	Research	Public Awareness	Total	General and Administration	Fundraising	Total	
Salaries and fringe benefits	\$ 107,348	\$ 215,887	\$ 102,503	\$ 35,312	\$ 461,050	\$ 273,430	\$ 131,922	\$ 405,352	\$ 866,402
Bank fees	-	-	-	-	-	26,939	-	26,939	26,939
Consulting fees	-	-	10,600	-	10,600	-	-	-	10,600
Depreciation	-	-	-	-	-	12,405	-	12,405	12,405
Dues and subscriptions	-	3,174	-	-	3,174	-	-	-	3,174
Equipment rental and maintenance	-	-	-	-	-	2,366	3,219	5,585	5,585
Event expense	-	-	-	-	-	-	142,089	142,089	142,089
Grants and fellowships	-	133,813	237,056	-	370,869	-	-	-	370,869
Information technology and web support	-	37,576	2,010	-	39,586	18,479	2,010	20,489	60,075
Insurance	-	-	-	-	-	3,560	2,600	6,160	6,160
Interest expense	-	-	-	-	-	5,795	250	6,045	6,045
Licenses and permits	-	-	-	-	-	-	4,340	4,340	4,340
Meetings and conferences	11,011	2,818	82,291	-	96,120	6,517	411	6,928	103,048
Miscellaneous	-	-	-	-	-	362	-	362	362
Bad debt expense	-	-	-	-	-	17,213	-	17,213	17,213
Occupancy	-	-	-	-	-	74,734	-	74,734	74,734
Office supplies	-	38	122	-	160	11,822	5,153	16,975	17,135
Postage and delivery	79	3,825	240	-	4,144	1,435	6,950	8,385	12,529
Printing and duplicating	759	13,434	324	-	14,517	2,519	3,427	5,946	20,463
Professional fees	-	350	-	-	350	34,504	979	35,483	35,833
Survey	-	-	3,287	-	3,287	-	-	-	3,287
Telephone	87	111	220	-	418	7,944	150	8,094	8,512
Travel	2,415	4,310	2,501	-	9,226	1,047	13,012	14,059	23,285
In-kind expenses	-	3,078	-	-	3,078	12,000	6,444	18,444	21,522
Total expenses, before indirect cost allocation	121,699	418,414	441,154	35,312	1,016,579	513,071	322,956	836,027	1,852,606
Indirect cost allocation	33,788	116,166	122,479	9,804	282,237	(371,901)	89,664	(282,237)	-
Total Expenses	\$ 155,487	\$ 534,580	\$ 563,633	\$ 45,116	\$ 1,298,816	\$ 141,170	\$ 412,620	\$ 553,790	\$ 1,852,606

OSTEOGENESIS IMPERFECTA FOUNDATION, INC.

SCHEDULE OF EXPENSES BY SERVICES YEAR ENDED JUNE 30, 2015

	Program Services					Support Services			Overall Total
	Conferences	Education and Support	Research	Public Awareness	Total	General and Administration	Fundraising	Total	
Salaries and fringe benefits	\$ 101,755	\$ 232,070	\$ 78,794	\$ 31,281	\$ 443,900	\$ 244,294	\$ 90,789	\$ 335,083	\$ 778,983
Bank fees	-	-	-	-	-	21,660	-	21,660	21,660
Consulting fees	-	-	3,600	-	3,600	-	-	-	3,600
Depreciation	-	-	-	-	-	12,405	-	12,405	12,405
Dues and subscriptions	-	2,347	-	-	2,347	210	-	210	2,557
Equipment rental and maintenance	-	-	-	-	-	2,050	249	2,299	2,299
Event expense	162,844	2,675	-	-	165,519	-	112,824	112,824	278,343
Grants and fellowships	-	180,065	147,559	3,800	331,424	-	-	-	331,424
Information technology and web support	-	37,900	2,010	-	39,910	18,443	2,010	20,453	60,363
Insurance	-	-	-	-	-	3,368	2,810	6,178	6,178
Interest expense	-	-	-	-	-	8,708	275	8,983	8,983
Licenses and permits	-	-	-	-	-	220	4,375	4,595	4,595
Meetings and conferences	20,098	1,222	93,133	-	114,453	3,147	-	3,147	117,600
Miscellaneous	-	-	-	-	-	88	234	322	322
Occupancy	-	-	-	-	-	74,482	-	74,482	74,482
Office supplies	432	75	-	-	507	13,729	6	13,735	14,242
Postage and delivery	346	4,110	129	-	4,585	1,569	6,635	8,204	12,789
Printing and duplicating	4,714	13,046	1,140	-	18,900	2,450	2,906	5,356	24,256
Professional fees	-	-	-	-	-	37,856	600	38,456	38,456
Survey	-	-	1,800	-	1,800	-	-	-	1,800
Telephone	72	165	138	10	385	8,095	23	8,118	8,503
Travel	1,229	1,309	5,562	53	8,153	1,769	10,443	12,212	20,365
In-kind expenses	24,300	3,200	-	4,100	31,600	-	-	-	31,600
Total expenses, before indirect cost allocation	315,790	478,184	333,865	39,244	1,167,083	454,543	234,179	688,722	1,855,805
Indirect cost allocation	77,346	117,122	81,774	9,612	285,854	(343,211)	57,357	(285,854)	-
Total Expenses	<u>\$ 393,136</u>	<u>\$ 595,306</u>	<u>\$ 415,639</u>	<u>\$ 48,856</u>	<u>\$ 1,452,937</u>	<u>\$ 111,332</u>	<u>\$ 291,536</u>	<u>\$ 402,868</u>	<u>\$ 1,855,805</u>