

**NATIONAL OSTEOPOROSIS FOUNDATION**

**FINANCIAL STATEMENTS**

**Year ended December 31, 2016**

(with summarized comparative information for December 31, 2015)

## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5 - 6
Statement of Cash Flows	7 - 8
Notes to Financial Statements	9 - 24

## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
National Osteoporosis Foundation  
Arlington, VA

We have audited the accompanying financial statements of the National Osteoporosis Foundation (a nonprofit organization)(the Foundation), which comprise the statement of financial position as of December 31, 2016, 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.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 the Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 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.

*Renner & Company, CPA, PC*

Alexandria, Virginia  
April 19, 2017

**NATIONAL OSTEOPOROSIS FOUNDATION****STATEMENT OF FINANCIAL POSITION****December 31, 2016** (with comparative information as of December 31, 2015)**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,506,979	\$ 1,490,314
Accounts receivable	25	111,014
Contributions receivable	373,806	561,890
Prepaid expenses	105,072	131,820
Inventory	<u>6,736</u>	<u>9,037</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,992,618</u>	<u>2,304,075</u>
<b>PROPERTY, at cost, net</b>	<u>29,280</u>	<u>40,905</u>
<b>OTHER ASSETS</b>		
Contribution receivable, net of current	89,668	89,668
Investments	<u>3,104,776</u>	<u>2,876,090</u>
<b>TOTAL OTHER ASSETS</b>	<u>3,194,444</u>	<u>2,965,758</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,216,342</u></u>	<u><u>\$ 5,310,738</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 293,929	\$ 203,055
Deferred revenue	<u>440,580</u>	<u>399,600</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>734,509</u>	<u>602,655</u>
<b>OTHER LIABILITIES</b>		
Deferred rent	<u>145,446</u>	<u>40,793</u>
<b>TOTAL LIABILITIES</b>	<u>879,955</u>	<u>643,448</u>
<b>NET ASSETS</b>		
Unrestricted	3,090,102	3,454,522
Temporarily restricted	1,066,273	1,032,756
Permanently restricted	<u>180,012</u>	<u>180,012</u>
<b>TOTAL NET ASSETS</b>	<u>4,336,387</u>	<u>4,667,290</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,216,342</u></u>	<u><u>\$ 5,310,738</u></u>

See Notes to the Financial Statements.

**NATIONAL OSTEOPOROSIS FOUNDATION**

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2016**

(with summarized comparative information for the year ended December 31, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>SUPPORT AND REVENUE</b>					
Grants and contributions	\$ 756,534	\$ 679,272	\$ -	\$ 1,435,806	\$ 1,741,216
Contract revenue	15,000	-	-	15,000	97,914
Investment income (loss)	160,221	-	-	160,221	(18,753)
Membership dues	106,825	285,500	-	392,325	349,715
Royalties and consulting income	358,487	-	-	358,487	334,354
Interdisciplinary Symposium on Osteoporosis	426,906	-	-	426,906	250,153
Legacies and bequests	436,303	-	-	436,303	1,040,504
Publications sales	79,825	-	-	79,825	22,686
Donated services and materials	34,069	-	-	34,069	30,179
Miscellaneous income	1,383	-	-	1,383	3,562
Net assets released from restrictions:					
Satisfaction of program restrictions	931,255	(931,255)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,306,808</b>	<b>33,517</b>	<b>-</b>	<b>3,340,325</b>	<b>3,851,530</b>
<b>EXPENSES</b>					
Program Services					
National Bone Health Alliance	1,172,613	-	-	1,172,613	1,216,038
Professional education	880,812	-	-	880,812	835,680
Patient education	207,164	-	-	207,164	173,761
Communication	311,464	-	-	311,464	372,071
Membership	82,050	-	-	82,050	116,850
Research	185,856	-	-	185,856	253,475
Advocacy	169,270	-	-	169,270	12,901
Total program services	3,009,229	-	-	3,009,229	2,980,776
Supporting Services					
Fundraising	583,086	-	-	583,086	757,313
Management and general	78,913	-	-	78,913	142,848
Total supporting services	661,999	-	-	661,999	900,161
<b>TOTAL EXPENSES</b>	<b>3,671,228</b>	<b>-</b>	<b>-</b>	<b>3,671,228</b>	<b>3,880,937</b>
<b>CHANGE IN NET ASSETS</b>	<b>(364,420)</b>	<b>33,517</b>	<b>-</b>	<b>(330,903)</b>	<b>(29,407)</b>
<b>NET ASSETS, beginning of year</b>	<b>3,454,522</b>	<b>1,032,756</b>	<b>180,012</b>	<b>4,667,290</b>	<b>4,696,697</b>
<b>NET ASSETS, end of year</b>	<b>\$ 3,090,102</b>	<b>\$ 1,066,273</b>	<b>\$ 180,012</b>	<b>\$ 4,336,387</b>	<b>\$ 4,667,290</b>

See Notes to the Financial Statements.

**NATIONAL OSTEOPOROSIS FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES**

**Year ended December 31, 2016**

(with summarized comparative information for the year ended December 31, 2015)

	NBHA	Professional Education	Patient Education	Communications	Membership	Research	Advocacy	Program Services Total	2015 Total
Personnel-related expenses	\$ 551,260	\$ 294,410	\$ 20,823	\$ 174,338	\$ 43,584	\$ 12,556	\$ 91,664	\$ 1,188,635	\$ 1,277,550
Professional fees and expenses	323,669	219,949	63,921	69,310	15,677	113,443	17,317	823,286	682,666
Conferences, conventions and events	68,425	135,594	8,141	6,495	1,731	51,280	10,658	282,324	277,006
Occupancy, maintenance and insurance	109,461	37,619	7,749	22,276	10,658	1,604	11,713	201,080	221,903
Printing, publications and promotion	22,912	96,891	68,033	473	87	325	181	188,902	263,980
Supplies, telephone and internet	62,833	66,154	9,642	29,313	3,606	3,205	6,705	181,458	140,068
Postage, mailing and shipping	10,918	20,353	28,278	1,001	5,354	115	28,198	94,217	76,080
Depreciation and amortization	6,614	2,435	113	1,529	382	48	792	11,913	11,673
Interest and other	16,521	7,407	464	6,729	971	3,280	2,042	37,414	29,850
<b>TOTAL EXPENSES</b>	<b>\$ 1,172,613</b>	<b>\$ 880,812</b>	<b>\$ 207,164</b>	<b>\$ 311,464</b>	<b>\$ 82,050</b>	<b>\$ 185,856</b>	<b>\$ 169,270</b>	<b>\$ 3,009,229</b>	<b>\$ 2,980,776</b>

See Notes to the Financial Statements.

**NATIONAL OSTEOPOROSIS FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2016**

(with summarized comparative information for the year ended December 31, 2015)

	Program Services Total	Supporting Services			2016 Total	2015 Total
		Fundraising	Management and General	Total Supporting Services		
Personnel-related expenses	\$ 1,188,635	\$ 278,260	\$ 36,604	\$ 314,864	\$ 1,503,499	\$ 1,717,531
Professional fees and expenses	823,286	137,268	25,268	162,536	985,822	893,895
Conferences, conventions and events	282,324	15,853	7,382	23,235	305,559	293,773
Occupancy, maintenance and insurance	201,080	35,555	1,069	36,624	237,704	303,361
Printing, publications and promotion	188,902	49,781	5,040	54,821	243,723	309,598
Supplies, telephone and internet	181,458	20,254	1,812	22,066	203,524	176,615
Postage, mailing and shipping	94,217	36,875	775	37,650	131,867	130,381
Depreciation and amortization	11,913	2,396	881	3,277	15,190	16,130
Interest and other	37,414	6,844	82	6,926	44,340	39,653
<b>TOTAL EXPENSES</b>	<b>\$ 3,009,229</b>	<b>\$ 583,086</b>	<b>\$ 78,913</b>	<b>\$ 661,999</b>	<b>\$ 3,671,228</b>	<b>\$ 3,880,937</b>

See Notes to the Financial Statements.



## NATIONAL OSTEOPOROSIS FOUNDATION

### STATEMENT OF CASH FLOWS

Year ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations		
Support and revenue	\$ 3,485,093	\$ 4,050,401
Investment income	93,918	106,373
	<u>3,579,011</u>	<u>4,156,774</u>
Cash disbursed from operations		
Payments to program recipients, employees and suppliers	3,431,461	3,992,650
Interest paid	1	9
	<u>3,431,462</u>	<u>3,992,659</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>147,549</u>	<u>164,115</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(208,074)	(261,309)
Proceeds from sale of investments	80,755	200,066
Purchase of property	(3,565)	(42,547)
	<u>(130,884)</u>	<u>(103,790)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(130,884)</u>	<u>(103,790)</u>
<b>NET INCREASE IN CASH</b>	16,665	60,325
<b>CASH, beginning of year</b>	<u>1,490,314</u>	<u>1,429,989</u>
<b>CASH, end of year</b>	<u>\$ 1,506,979</u>	<u>\$ 1,490,314</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Unrealized (gain) loss in fair value of investments	\$ (91,493)	\$ 128,719
Increase (decrease) in investment value	91,493	(128,719)
Increase in investments - donated stock	34,313	11,036
Donation of stock	(34,313)	(11,036)
	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements.

**NATIONAL OSTEOPOROSIS FOUNDATION**

**STATEMENT OF CASH FLOWS**

**Year ended December 31, 2016**

(with comparative information for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<u>\$ (330,903)</u>	<u>\$ (29,407)</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	15,190	16,130
Realized and unrealized (gain) loss on investments	(67,054)	125,125
Donated stock	(34,313)	(11,036)
Loss on disposal of equipment	-	352
Occupancy costs	104,653	21,602
	<u>18,476</u>	<u>152,173</u>
<b>NET ADJUSTMENTS</b>		
	<u>18,476</u>	<u>152,173</u>
<b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) PROVIDING CASH</b>		
<b>ASSETS</b>		
Accounts receivable	110,989	(27,062)
Grants, contributions and contract receivable	188,084	(29,040)
Prepaid expenses	26,748	(23,362)
Inventory	2,301	14,841
	<u>328,122</u>	<u>(64,623)</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	90,874	(141,284)
Deferred revenue	40,980	247,256
	<u>131,854</u>	<u>105,972</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>459,976</u>	<u>41,349</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 147,549</u></u>	<u><u>\$ 164,115</u></u>

See Notes to the Financial Statements.

## **NATIONAL OSTEOPOROSIS FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year ended December 31, 2016**

(with summarized comparative information for the year ended December 31, 2015)

#### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization**

The National Osteoporosis Foundation (the Foundation) (a nonprofit organization) is America's only national nonprofit, voluntary health organization dedicated to reducing the widespread prevalence of osteoporosis through programs of research, education and advocacy. Founded in 1984, the Foundation has become the leading authority for patients, health professionals, and the public for osteoporosis information, programs, and services. The Foundation is supported primarily by grants and contributions from foundations, corporations, individuals and fundraising events.

##### **Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. As of December 31, 2016 and 2015 cash consists of two checking accounts, two sweep accounts and three money market accounts. As of December 31, 2016 and 2015, there were no cash equivalents.

##### **Accounts Receivable**

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances and writes off balances that are deemed uncollectible, if any. As management has deemed all receivables to be collectible as of the fiscal year end date, no bad debt allowance has been recorded.

##### **Investments**

Investments consist of equities, fixed income mutual funds and equity mutual funds. Investments are reflected in the financial statements at fair value. 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. Purchases and sales of investments are recorded on a trade date basis. Investment income is recorded as an increase in unrestricted net assets, unless restricted by donor or law. Investment securities are exposed to various risks such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in investment values will occur in the near term, and such changes could affect balances and amounts reported in the accompanying statement of financial position.

## **NATIONAL OSTEOPOROSIS FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year ended December 31, 2016**

(with summarized comparative information for the year ended December 31, 2015)

#### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Fair Value Measurements**

In accordance with the accounting standards for fair value measurements for those assets and liabilities which are measured at fair value on a recurring basis, the Foundation has categorized its applicable financial instruments into a required three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

##### **Inventory**

Inventory consists of publications, videos and accessories and is stated at the lower of cost or market value on the first-in, first-out basis.

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Property

Property is recorded at cost, or if donated, at the fair value on the date of the donation and is depreciated on a straight-line basis over the estimated useful lives of the respective assets. The foundation capitalizes all fixed assets with a purchase price of \$1,000 or greater. The Foundation capitalizes website development costs incurred during the application stage of development. Depreciation and amortization on property is computed using the following estimated useful lives: furniture and fixtures, 5-7 years; office equipment, 3-5 years; website development and computer software costs, 3 years. When assets are retired or sold, any gain or loss arising from such disposition is included as income or expense. Expenditures for repairs and maintenance are expensed as incurred.

##### Classification of Net Assets

The net assets of the Foundation are reported as follows:

**Unrestricted net assets** represent the portion of expendable funds that are available for support of the Foundation's general operations.

**Temporarily restricted net assets** represent amounts that are specifically restricted by donors or grantors for various programs or for future periods.

**Permanently restricted net assets** represent the portion of net assets subject to donor-imposed stipulations that the gift be maintained in perpetuity by the Foundation. The donors of these assets permit the Foundation to use all of the income earned on related investments for specific purposes.

##### Revenue Recognition

The Foundation reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a donor restriction is fulfilled in the same year as the contribution is received, the contribution is recognized as unrestricted support. Unconditional grants and contributions that have been promised but not yet received are reflected as grants, contributions and contracts receivable in the accompanying statement of financial position.

## **NATIONAL OSTEOPOROSIS FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year ended December 31, 2016**

(with summarized comparative information for the year ended December 31, 2015)

#### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Revenue Recognition (Continued)**

Contract revenue represents revenue earned on contracts in which the Foundation is hired to perform a specific service. Contract revenue is recognized as costs are incurred based on actual costs incurred or payment terms established in the contracts. Revenue recognized for contracts for which payments have not been received is included in grants, contributions and contracts receivable in the accompanying statement of financial position. Funds received under these contracts but not yet expended for the purpose specified by the funder are reflected as deferred revenue in the accompanying statement of financial position.

Membership dues are recognized as revenue in the period to which the dues relate, limited to the value of the actual benefits received. Membership dues paid in excess of the actual benefits received are considered a contribution and are recorded as unrestricted revenue in the accompanying statement of activities. National Bone Health Alliance's (NBHA) membership dues are considered as temporarily restricted contributions, and are recorded as temporarily restricted revenue in the accompanying statement of activities, unless the restriction is fulfilled in the same year as the receipt of the membership dues.

Wills are recorded as legacies and bequests revenue upon death after the probate courts declare the wills to be valid and the proceeds are measurable.

Special events revenue and registration fees are recognized in the year in which the related events or conferences are held. Amounts other than donations, collected for future events, are classified as deferred revenue in the accompanying statement of financial position.

Royalty income is recognized on an accrual basis in accordance with the substance of the agreement.

##### **Donated Services and Materials**

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that are provided by individuals possessing specialized skills are recorded at fair value in the period received if such services would typically be purchased if not provided by donation.

# NATIONAL OSTEOPOROSIS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services directly benefited, or upon management's estimates of the proportion of these costs applicable to each function.

#### Estimates

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

#### 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 Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

#### Reclassification

Certain 2015 account balances have been reclassified to conform to the 2016 financial statement

### 2. CASH

Cash as of December 31, 2016 and 2015 consisted of the following:

	2016	2015
Checking	\$ 176,323	\$ 523,507
Sweep	1,213,000	905,000
Money Market	117,634	61,807
Petty Cash	22	-
	<u>\$ 1,506,979</u>	<u>\$ 1,490,314</u>

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 2. CASH (Continued)

The checking, sweep and money market accounts are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protector Corporation, respectively, up to \$250,000. The foundation had \$1,647,893 and \$1,283,597 of uninsured funds in its bank and investment accounts as of December 31, 2016 and 2015, respectively.

#### 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent amounts due from corporations, individuals, bequests, and are scheduled to be received as of December 31, 2016 and 2015 respectively as follows:

	2016	2015
One to five years	\$ 373,806	\$ 561,890
More than five years	89,668	89,668
	<u>\$ 463,474</u>	<u>\$ 651,558</u>

Management has evaluated outstanding contributions receivable and has deemed all amounts to be fully collectible.

#### 4. INVESTMENTS

Investments are recorded at fair value and consist of the following at December 31:

	2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Common stocks			
Basic material	\$ -	\$ 2,411	\$ 2,411
Mutual funds			
Commodities	80,000	78,925	(1,075)
Diversified emerging markets	123,241	99,734	(23,507)
Foreign large blend	139,470	131,365	(8,105)
Foreign large growth	150,757	154,957	4,200
Foreign large value	14,249	15,024	775
High yield bond	18,426	17,217	(1,209)
Intermediate-term bond	777,303	767,194	(10,109)
Large blend	344,836	479,400	134,564
Large growth	128,136	169,982	41,846



## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 4. INVESTMENTS (Continued)

	2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Large value	\$ 190,522	\$ 193,193	\$ 2,671
Market neutral	76,885	77,927	1,042
Multialternative	134,389	125,751	(8,638)
Preferred stock	87,093	86,240	(853)
Real estate	74,595	76,075	1,480
Short-term bond	249,722	232,748	(16,974)
Small blend	291,535	307,591	16,056
Small growth	6,553	11,019	4,466
Small value	62,551	78,023	15,472
	<u>\$ 2,950,264</u>	<u>\$ 3,104,776</u>	<u>\$ 154,512</u>
	2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Common stocks			
Basic material	\$ -	\$ 2,588	\$ 2,588
Mutual funds			
Commodities	80,000	73,800	(6,200)
Diversified emerging markets	123,192	90,955	(32,237)
Foreign large blend	139,470	134,128	(5,342)
Foreign large growth	148,122	154,755	6,633
Foreign large value	13,258	14,376	1,118
High yield bond	12,982	10,970	(2,012)
Intermediate-term bond	680,057	677,233	(2,824)
Large blend	334,969	430,607	95,638
Large growth	128,136	182,465	54,329
Large value	190,522	179,453	(11,069)
Market neutral	76,885	75,920	(965)
Multialternative	118,973	113,264	(5,709)
Preferred stock	82,810	82,507	(303)
Real estate	71,234	78,557	7,323
Short-term bond	240,697	223,760	(16,937)
Small blend	291,807	280,318	(11,489)

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 4. INVESTMENTS (Continued)

	2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Small growth	\$ 6,553	\$ 9,775	\$ 3,222
Small value	59,570	60,660	1,090
	<u>\$ 2,799,237</u>	<u>\$ 2,876,090</u>	<u>\$ 76,853</u>

Investment income consisted of the following for the years ended December 31:

	2016	2015
Interest and dividends	\$ 113,427	\$ 122,711
Net realized and unrealized gains (losses)	67,053	(124,405)
Investment management fees	(20,259)	(17,059)
	<u>\$ 160,221</u>	<u>\$ (18,753)</u>

#### 5. FAIR VALUE MEASUREMENTS

The following table summarizes the Foundation's investments measured at fair value on a recurring basis as of December 31, 2016 and 2015 aggregated by the fair value hierarchy level with which those measurements were made:

	2016			
	Fair Value	Level 1	Level 2	Level 3
Common stock				
Basic Material	\$ 2,411	\$ 2,411	\$ -	\$ -
Mutual funds				
Commodities	78,925	78,925	-	-
Diversified emerging markets	99,734	99,734	-	-
Foreign large blend	131,365	131,365	-	-
Foreign large growth	154,957	154,957	-	-
Foreign large value	15,024	15,024	-	-
High yield bond	17,217	17,217	-	-
Intermediate-term bond	767,194	767,194	-	-
Large blend	479,400	479,400	-	-
Large growth	169,982	169,982	-	-
Large value	193,193	193,193	-	-
Market neutral	77,927	77,927	-	-

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 5. FAIR VALUE MEASUREMENTS (Continued)

	2016			
	Fair Value	Level 1	Level 2	Level 3
Multialternative	\$ 125,751	\$ 125,751	\$ -	\$ -
Preferred stock	86,240	86,240	-	-
Real estate	76,075	76,075	-	-
Short-term bond	232,748	232,748	-	-
Small blend	307,591	307,591	-	-
Small growth	11,019	11,019	-	-
Small value	78,023	78,023	-	-
	<u>\$ 3,104,776</u>	<u>\$ 3,104,776</u>	<u>\$ -</u>	<u>\$ -</u>
	2015			
	Fair Value	Level 1	Level 2	Level 3
Common stocks				
Basic material	\$ 2,588	\$ 2,588	\$ -	\$ -
Mutual funds				
Commodities	73,800	73,800	-	-
Diversified emerging markets	90,955	90,955	-	-
Foreign large blend	134,128	134,128	-	-
Foreign large growth	154,755	154,755	-	-
Foreign large value	14,376	14,376	-	-
High yield bond	10,970	10,970	-	-
Intermediate-term bond	677,233	677,233	-	-
Large blend	430,607	430,607	-	-
Large growth	182,465	182,465	-	-
Large value	179,453	179,453	-	-
Market neutral	75,920	75,920	-	-
Multialternative	113,264	113,264	-	-
Preferred stock	82,507	82,507	-	-
Real estate	78,557	78,557	-	-
Short-term bond	223,760	223,760	-	-
Small blend	280,318	280,318	-	-
Small growth	9,775	9,775	-	-
Small value	60,660	60,660	-	-
	<u>\$ 2,876,090</u>	<u>\$ 2,876,090</u>	<u>\$ -</u>	<u>\$ -</u>

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 5. FAIR VALUE MEASUREMENTS (Continued)

The Foundation used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Mutual funds and equities - Where the quoted prices are available in an active market for identical assets, investments are classified within Level 1 of the valuation hierarchy.

#### 6. PROPERTY AND DEPRECIATION

The Foundation held the following property and equipment as of December 31, 2016 and 2015, respectively:

	2016		
	Cost	Depreciation expense	Accumulated depreciation
Machinery and equipment	\$ 104,509	\$ 4,764	\$ 93,479
Computer software	545,307	8,433	534,817
Furniture and fixtures	41,487	1,993	33,727
	<u>\$ 691,303</u>	<u>\$ 15,190</u>	<u>\$ 662,023</u>

  

	2015		
	Cost	Depreciation expense	Accumulated depreciation
Machinery and equipment	\$ 100,944	\$ 8,081	\$ 88,715
Computer software	545,307	7,459	526,384
Furniture and fixtures	41,487	590	31,734
	<u>\$ 687,738</u>	<u>\$ 16,130</u>	<u>\$ 646,833</u>

#### 7. LINE OF CREDIT

The Foundation entered into a line of credit agreement with a financial institution for \$1,000,000, the proceeds of which were to be used to meet working capital requirements of the Foundation. The line of credit is secured by the Foundation's investments. Interest accrues on the unpaid principal at the rate of one month Libor plus 1.55%, which was 1.71% as of August 28, 2016. Any amounts outstanding on the line of credit, plus any accrued interest, are due and payable on August 28, 2017, the maturity date. As of December 31, 2016 and 2015, the outstanding balance was zero. Interest expense for the year ended December 31, 2016 and 2015 was zero.

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 8. CHARITABLE GIFT ANNUITY

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's terms, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded as temporarily restricted contribution in the period the trust is established. Assets held in the charitable remainder trusts totaled \$319,094 and \$226,664 at December 31, 2016 and 2015, respectively and are included in investments and reported at fair value in the Foundation's statement of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments amounted to \$86,534 and \$38,148 as of December 31, 2016 and 2015, respectively and is calculated using a discount rate of 5.3% to 8.5% and applicable mortality tables. This liability is included in accounts payable and accrued expenses in the accompanying statement of financial position.

#### 9. DEFERRED REVENUE

The Foundation is the recipient of some grants. The revenue is recognized on a pro-rata basis over the term of the grant agreements. The unearned portion is recorded as deferred revenue in the statement of financial position. Deferred revenue as of December 31, 2016 and 2015 is as follows:

	2016	2015
Grants	\$ 440,580	\$ 399,600

#### 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2016 and 2015, respectively:

	2016			
	Balance at January 1, 2016	Support and Revenue	Net assets released from restrictions	Balance at December 31, 2016
NBHA	\$ 755,632	\$ 530,623	\$ (595,414)	\$ 690,841
Education	262,660	420,415	(335,841)	347,234
Other restricted items	14,464	13,733	-	28,197
Total	<u>\$ 1,032,756</u>	<u>\$ 964,772</u>	<u>\$ (931,255)</u>	<u>\$ 1,066,273</u>

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 10. TEMPORARILY RESTRICTED NET ASSETS (Continued)

	2015			
	Balance at January 1, 2015	Support and Revenue	Net assets released from restrictions	Balance at December 31, 2015
NBHA	\$ 577,333	\$ 719,233	\$ (540,934)	\$ 755,632
Education	431,643	130,837	(299,820)	262,660
Other restricted items	246,426	-	(231,962)	14,464
Total	<u>\$ 1,255,402</u>	<u>\$ 850,070</u>	<u>\$ (1,072,716)</u>	<u>\$ 1,032,756</u>

#### 11. PERMANENTLY RESTRICTED NET ASSETS

The Foundation's endowment consists of donor-restricted endowment funds which are shown as permanently restricted net assets in the accompanying financial statements. As of December 31, 2016, the permanently restricted net assets totaled \$180,012. The income earned on these net assets is restricted by the donor. The Shou Mei Hu - Cecelia Wu Kojima Fund totaled \$80,012 and the restricted income is for medical and scientific research related to the prevention, cure, and/or treatment of osteoporosis. The Dr. Burton Spiller Fund for Bone Health Research totaled \$100,000 and restricted income for medical research regarding bone health and bone research grants.

##### Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanent restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

For the years ended December 31, 2016 and 2015 the endowment fund had the following activity:

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 11. PERMANENTLY RESTRICTED NET ASSETS (Continued)

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment fund, beginning of year	\$ -	\$ 14,577	\$ 180,012	\$ 194,589
Investment income	-	4,077	-	4,077
Endowment fund, end of year	<u>\$ -</u>	<u>\$ 18,654</u>	<u>\$ 180,012</u>	<u>\$ 198,666</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund, beginning of year	\$ -	\$ 14,978	\$ 180,012	\$ 194,990
Investment income (loss)	-	(401)	-	(401)
Endowment fund, end of year	<u>\$ -</u>	<u>\$ 14,577</u>	<u>\$ 180,012</u>	<u>\$ 194,589</u>

The portion of the permanent endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA is \$180,012 as of December 31, 2016.

#### Return Objectives and Spending Policy

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation did not award any research grants from the endowment in 2016.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with the endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2016.

#### Strategies Employed for Achieving Objectives

The investment committee evaluates, selects and monitors one or more investment managers to directly manage the Foundation's investment portfolio of assets within general guidelines provided.

## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 12. COMMITMENTS AND CONTINGENCIES

##### Hotel Commitments

The Foundation entered into a hotel contract for its 2017 annual meeting taking place in April 2017. Should the Foundation have decided to cancel this contract at December 31, 2016, it would have been liable for cancellation fees up to \$145,431.

##### Commitment with CEO

The Foundation has an agreement for employment with the CEO which commenced on February 1, 2010. Under the terms of the contract, the Foundation could be required to pay severance of up to \$139,095 if the Foundation were to terminate the employment under certain circumstances.

##### Office Lease

On June 1, 2015, the Foundation entered into a new lease agreement for office space in Arlington, VA. The lease commenced on June 1, 2015, and will expire in May 2026. Under the terms of the lease, the base rent is subject to an annual increase of 2.5%. As part of the lease agreement, the Foundation is required to maintain an irrevocable standby letter of credit in the amount of \$149,572.

Future minimum lease payments required under the lease are as follows:

2017	\$ 168,295
2018	172,502
2019	176,814
2020	181,235
2021	185,766
Thereafter	947,333
	<u>\$ 1,831,945</u>

Rent expense for the year ended December 31, 2016 and 2015 totaled \$167,266 and \$220,769 respectively.



## NATIONAL OSTEOPOROSIS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

#### 13. ALLOCATION OF JOINT COSTS

The Foundation conducts activities that include requests for contributions as well as program and management and general components. Those activities include direct mail campaigns and special events. The costs of conducting those activities for the year ended December 31, 2016 and 2015 included joint costs which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	2016	2015
Fundraising	\$ 126,016	\$ 115,098
Program	63,199	44,106
Management and general	21,911	26,874
	<u>\$ 211,126</u>	<u>\$ 186,078</u>

#### 14. RETIREMENT PLANS

The Foundation sponsors a tax-deferred annuity plan covering employees working greater than 20 hours per week. All employees are eligible to participate immediately upon hire. After completion of three months of service, the Foundation will make a matching contribution equal to 4% of compensation for any eligible employee contributing at least 1%. Employee and employer contributions, plus any earnings, are 100% vested. The Foundation's total contribution to the plan for the year ended December 31, 2016 and 2015 was \$54,533 and \$58,306, respectively.

#### 15. INCOME TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Foundation files the federal Form 990 tax return in the U.S. federal jurisdiction and various states.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**NATIONAL OSTEOPOROSIS FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**Year ended December 31, 2016**

(with summarized comparative information for the year ended December 31, 2015)

**16. SUBSEQUENT EVENTS**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 19, 2017, the date the financial statements were available to be issued.