**NATIONAL OSTEOPOROSIS FOUNDATION**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**Year ended December 31, 2015**
(with summarized comparative information for December 31, 2014)

Renner & Company
Certified Public Accountants

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A PROFESSIONAL CORPORATION

# 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, 2015, and the related statements of activities 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rosner and Company, CPA, P.C.

Alexandria, Virginia
May 9, 2016

**NATIONAL OSTEOPOROSIS FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**
**December 31, 2015** (with comparative information as of December 31, 2014)

**ASSETS**

| | 2015 | 2014 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ 1,490,314 | $ 1,429,989 |
| Accounts receivable | 111,014 | 83,952 |
| Grants, contributions and contract receivable | 561,890 | 532,850 |
| Prepaid expenses | 131,820 | 108,458 |
| Inventory | 9,037 | 23,878 |
| **TOTAL CURRENT ASSETS** | 2,304,075 | 2,179,127 |
| **PROPERTY, at cost, net** | 40,905 | 14,839 |
| **NONCURRENT ASSETS** | | |
| Contribution receivable, net of current | 89,668 | 89,668 |
| Investments | 2,876,090 | 2,928,934 |
| **TOTAL NONCURRENT ASSETS** | 2,965,758 | 3,018,602 |
| **TOTAL ASSETS** | $ 5,310,738 | $ 5,212,568 |

**LIABILITIES AND NET ASSETS**

| | 2015 | 2014 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 203,055 | $ 344,340 |
| Deferred revenue | 399,600 | 152,340 |
| Deferred rent | 40,793 | 19,191 |
| **TOTAL LIABILITIES** | 643,448 | 515,871 |
| **NET ASSETS** | | |
| Unrestricted | 3,454,522 | 3,261,283 |
| Temporarily restricted | 1,032,756 | 1,255,402 |
| Permanently restricted | 180,012 | 180,012 |
| **TOTAL NET ASSETS** | 4,667,290 | 4,696,697 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 5,310,738 | $ 5,212,568 |

See Notes to the Financial Statements.

**NATIONAL OSTEOPOROSIS FOUNDATION**

**STATEMENT OF ACTIVITIES**
**Year ended December 31, 2015**
(with summarized comparative information for the year ended December 31, 2014)

| | 2015 | | | | |
|---|---|---|---|---|---|
| **SUPPORT AND REVENUE** | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | 2014 |
| Grants and contributions | $ 1,164,886 | $ 576,330 | $ - | $ 1,741,216 | $ 1,927,974 |
| Bayer settlement | - | - | - | - | 1,354,019 |
| Contract revenue | 97,914 | - | - | 97,914 | 176,542 |
| Investment income (loss) | (18,753) | - | - | (18,753) | 114,073 |
| Membership dues | 75,975 | 273,740 | - | 349,715 | 327,563 |
| Royalties and consulting income | 334,354 | - | - | 334,354 | 267,038 |
| Interdisciplinary Symposium on Osteoporosis | 250,153 | - | - | 250,153 | 547,906 |
| Legacies and bequests | 1,040,504 | - | - | 1,040,504 | 513,576 |
| Publications sales | 22,686 | - | - | 22,686 | 23,069 |
| Donated services and materials | 30,179 | - | - | 30,179 | 11,909 |
| Miscellaneous income | 3,562 | - | - | 3,562 | 10,756 |
| Net assets released from restrictions: | | | | | |
| Satisfaction of program restrictions | 1,072,716 | (1,072,716) | - | - | - |
| **TOTAL SUPPORT AND REVENUE** | 4,074,176 | (222,646) | - | 3,851,530 | 5,274,425 |
| **EXPENSES** | | | | | |
| Program Services | | | | | |
| National Bone Health Alliance | 1,216,038 | - | - | 1,216,038 | 1,192,306 |
| Professional education | 835,680 | - | - | 835,680 | 908,837 |
| Patient education | 173,761 | - | - | 173,761 | 149,624 |
| Communication | 372,071 | - | - | 372,071 | 278,637 |
| Membership | 116,850 | - | - | 116,850 | 107,344 |
| Research | 253,475 | - | - | 253,475 | 167,580 |
| Public policy | 12,901 | - | - | 12,901 | 42,523 |
| Total program services | 2,980,776 | - | - | 2,980,776 | 2,846,851 |
| Supporting Services | | | | | |
| Fundraising | 757,313 | - | - | 757,313 | 733,120 |
| Management and general | 142,848 | - | - | 142,848 | 450,563 |
| Total supporting services | 900,161 | - | - | 900,161 | 1,183,683 |
| **TOTAL EXPENSES** | 3,880,937 | - | - | 3,880,937 | 4,030,534 |
| **CHANGE IN NET ASSETS** | 193,239 | (222,646) | - | (29,407) | 1,243,891 |
| **NET ASSETS, beginning of year** | 3,261,283 | 1,255,402 | 180,012 | 4,696,697 | 3,452,806 |
| **NET ASSETS, end of year** | $ 3,454,522 | $ 1,032,756 | $ 180,012 | $ 4,667,290 | $ 4,696,697 |

See Notes to the Financial Statements.

**National Osteoporosis Foundation**

**STATEMENT OF FUNCTIONAL EXPENSE - PROGRAM SERVICES**
**Year ended December 31, 2015**
(with summarized comparative information for the year ended December 31, 2014)

| | NBHA | Patient Education | Professional Education | Public Policy | Communications | Membership | Research | Program Services Total | 2014 Total |
|---|---|---|---|---|---|---|---|---|---|
| Personnel-related expenses | $ 600,676 | $ 24,699 | $ 309,323 | $ - | $ 192,580 | $ 49,601 | $ 100,671 | $ 1,277,550 | $ 1,337,117 |
| Professional fees and expenses | 253,843 | 57,386 | 187,443 | - | 118,805 | 17,888 | 47,302 | 682,667 | 493,115 |
| Conferences, conventions and events | 63,145 | 1,031 | 156,040 | 12,882 | 4,333 | 1,096 | 38,479 | 277,006 | 389,435 |
| Occupancy, maintenance and insurance | 120,433 | 7,680 | 42,449 | - | 26,428 | 11,097 | 13,815 | 221,902 | 237,560 |
| Printing, publications and promotion | 86,339 | 36,430 | 87,465 | - | 8,660 | 4,448 | 40,638 | 263,980 | 90,181 |
| Supplies, telephone and internet | 58,481 | 25,622 | 30,400 | 19 | 15,256 | 3,664 | 6,626 | 140,068 | 129,793 |
| Postage, mailing and shipping | 11,387 | 20,303 | 14,861 | - | 1,246 | 27,830 | 454 | 76,081 | 67,613 |
| Depreciation and amortization | 6,590 | 185 | 2,323 | - | 1,446 | 372 | 756 | 11,672 | 52,474 |
| Interest and other | 15,144 | 425 | 5,376 | - | 3,317 | 854 | 4,734 | 29,850 | 27,989 |
| Research grants and awards | - | - | - | - | - | - | - | - | 21,574 |
| TOTAL EXPENSES | $ 1,216,038 | $ 173,761 | $ 835,680 | $ 12,901 | $ 372,071 | $ 116,850 | $ 253,475 | $ 2,980,776 | $ 2,846,851 |

See Independent Auditors' Report on Supplementary Information.

**National Osteoporosis Foundation**

**STATEMENT OF FUNCTIONAL EXPENSES**
**Year ended December 31, 2015**
(with summarized comparative information for the year ended December 31, 2014)

| | | Supporting Services | | | | |
|---|---|---|---|---|---|---|
| | Program Services Total | Fundraising | Management and General | Total Supporting Services | 2015 Total | 2014 Total |
| Personnel-related expenses | $ 1,277,550 | $ 380,008 | $ 59,973 | $ 439,981 | $ 1,717,531 | $ 1,921,330 |
| Professional fees and expenses | 682,667 | 192,428 | 18,800 | 211,228 | 893,895 | 656,312 |
| Conferences, conventions and events | 277,006 | 11,998 | 4,769 | 16,767 | 293,773 | 417,474 |
| Occupancy, maintenance and insurance | 221,902 | 52,149 | 29,310 | 81,459 | 303,361 | 365,640 |
| Printing, publications and promotion | 263,980 | 37,349 | 8,269 | 45,618 | 309,598 | 159,498 |
| Supplies, telephone and internet | 140,068 | 23,403 | 13,144 | 36,547 | 176,615 | 177,232 |
| Postage, mailing and shipping | 76,081 | 49,639 | 4,661 | 54,300 | 130,381 | 177,903 |
| Depreciation and amortization | 11,672 | 2,854 | 1,604 | 4,458 | 16,130 | 81,544 |
| Interest and other | 29,850 | 7,485 | 2,318 | 9,803 | 39,653 | 42,303 |
| In-kind expenses | - | - | - | - | - | 9,724 |
| Research grants and awards | - | - | - | - | - | 21,574 |
| TOTAL EXPENSES | $ 2,980,776 | $ 757,313 | $ 142,848 | $ 900,161 | $ 3,880,937 | $ 4,030,534 |

See Independent Auditors' Report on Supplementary Information.

**NATIONAL OSTEOPOROSIS FOUNDATION**

**STATEMENT OF CASH FLOWS**
**Year ended December 31, 2015**
(with comparative information for the year ended December 31, 2014)

| | 2015 | 2014 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from operations | | |
| Support and revenue | $ 4,050,401 | $ 5,151,672 |
| Investment income | 106,373 | 82,413 |
| Total cash received from operations | 4,156,774 | 5,234,085 |
| Cash disbursed from operations | | |
| Payments to program recipients, employees and suppliers | 3,992,650 | 3,856,904 |
| Interest paid | 9 | 3,878 |
| Total cash disbursed from operations | 3,992,659 | 3,860,782 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 164,115 | 1,373,303 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | (261,309) | (1,408,101) |
| Proceeds from sale of investments | 200,066 | 860,616 |
| Purchase of property | (42,547) | (12,699) |
| **NET CASH USED BY INVESTING ACTIVITIES** | (103,790) | (560,184) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of line of credit | - | (475,000) |
| **NET INCREASE IN CASH** | 60,325 | 338,119 |
| **CASH, beginning of year** | 1,429,989 | 1,091,870 |
| **CASH, end of year** | $ 1,490,314 | $ 1,429,989 |
| **NON-CASH INVESTING AND FINANCING ACTIVITIES** | | |
| Unrealized loss in market value of investments | $ 128,719 | $ 94,952 |
| Decrease in investment value | (128,719) | (94,952) |
| Increase in investments - donated stock | 11,036 | - |
| Donation of stock | (11,036) | - |
| | $ - | $ - |

See Notes to the Financial Statements.

**NATIONAL OSTEOPOROSIS FOUNDATION**

**STATEMENT OF CASH FLOWS**
**Year ended December 31, 2015**
(with comparative information for the year ended December 31, 2014)

| | 2015 | 2014 |
|---|---|---|
| **RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES** | | |
| **CHANGE IN NET ASSETS** | $ (29,407) | $ 1,243,891 |
| **ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Depreciation | 16,130 | 81,542 |
| Realized and unrealized (gain) loss on investments | 125,125 | (31,661) |
| Donated stock | (11,036) | - |
| Loss on disposal of equipment | 352 | - |
| Occupancy costs | 21,602 | (28,036) |
| **NET ADJUSTMENTS** | 152,173 | 21,845 |
| **CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) PROVIDING CASH** | | |
| **ASSETS** | | |
| Accounts receivable | (27,062) | (134,236) |
| Grants, contributions and contract receivable | (29,040) | 125,558 |
| Prepaid expense | (23,362) | 14,792 |
| Inventory | 14,841 | 12,206 |
| | (64,623) | 18,320 |
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | (141,284) | 153,152 |
| Deferred revenue | 247,256 | (63,905) |
| | 105,972 | 89,247 |
| **NET CHANGES IN ASSETS AND LIABILITIES** | 41,349 | 107,567 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 164,115 | $ 1,373,303 |

See Notes to the Financial Statements.

NATIONAL OSTEOPOROSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS
**Year ended December 31, 2015**
(with summarized comparative information for the year ended December 31, 2014)

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

The National Osteoporosis Foundation (the Foundation) (a non-for-profit 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, 2015 cash consists of two checking accounts, two sweep accounts and three money market accounts. As of December 31, 2015 and 2014, 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. Consequently, 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.

## 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.

As of December 31, 2015 and 2014, the Foundation's investments described in Note 3, and the charitable gift annuity payable described in Note 6, were measured at fair value on a recurring basis.

### 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.

## 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 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.

## 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.

## 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.

## 2. CASH

Cash as of December 31, 2015 and 2014 consisted of the following:

| | 2015 | 2014 |
|---|---|---|
| Checking | $ 523,507 | $ 189,712 |
| Sweep | 905,000 | 1,093,000 |
| Money Market | 61,807 | 147,263 |
| Petty Cash | - | 14 |
| | $ 1,490,314 | $ 1,429,989 |

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 $1,283,597 and $1,080,959 of uninsured funds in its bank and investment accounts as of December 31, 2015 and 2014, respectively.

## 3. GRANTS, CONTRIBUTIONS AND CONTRACTS RECEIVABLE

Grants, contributions and contracts receivable represent amounts due from corporations, individuals, bequests, and a charitable reminder annuity trust and are scheduled to be received as of December 31, 2015 and 2014 respectively as follows:

| | 2015 | 2014 |
|---|---|---|
| One to five years | $ 561,890 | $ 532,850 |
| More than five years | 89,668 | 89,668 |
| | $ 651,558 | $ 622,518 |

All amounts are considered fully collectible.

## 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table summarizes the Foundation's investments measured at fair value on a recurring basis as of December 31, 2015 and 2014 aggregated by the fair value hierarchy level with which those measurements were made:

| | 2015 | | | |
|---|---|---|---|---|
| | Total Fair Value | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
| Mutual Funds | | | | |
| Bond Funds | $ 1,130,136 | $ 1,130,136 | $ - | $ - |
| Equity Funds | 1,745,954 | 1,745,954 | - | - |
| | $ 2,876,090 | $ 2,876,090 | $ - | $ - |

**NATIONAL OSTEOPOROSIS FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**
**Year ended December 31, 2015**
(with summarized comparative information for the year ended December 31, 2014)

## 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

| | 2014 | | | |
|---|---|---|---|---|
| | Total Fair Value | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
| Mutual Funds | | | | |
| Bond Funds | $ 1,068,566 | $ 1,068,566 | $ - | $ - |
| Equity Funds | 1,860,369 | 1,860,369 | - | - |
| | $ 2,928,934 | $ 2,928,934 | $ - | $ - |

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.

Investment returns consisted of the following for the year ended December 31, 2015 and 2014, respectively:

| | 2015 | 2014 |
|---|---|---|
| Interest and dividends | $ 122,711 | $ 95,670 |
| Net realized and unrealized gains (losses) | (124,405) | 33,782 |
| Investment management fees | (17,059) | (15,379) |
| | $ (18,753) | $ 114,073 |

## 5. PROPERTY AND DEPREICATION

The Foundation held the following property and equipment as of December 31, 2015 and 2014, respectively:

| | 2015 | | |
|---|---|---|---|
| | Cost | Depreciation expense | Accumulated depreciation |
| Machinery and equipment | $ 100,944 | $ 8,081 | $ 88,685 |
| Computer software | 545,307 | 7,459 | 526,400 |
| Furniture and fixtures | 41,487 | 590 | 31,748 |
| | $ 687,738 | $ 16,130 | $ 646,833 |

| | 2014 | | |
|---|---|---|---|
| | Cost | Depreciation expense | Accumulated depreciation |
| Machinery and equipment | $ 142,006 | $ 7,645 | $ 127,603 |
| Computer software | 520,107 | 70,314 | 519,809 |
| Furniture and fixtures | 53,625 | 3,583 | 53,487 |
| | $ 715,738 | $ 81,542 | $ 700,899 |

## 6. 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 29, 2016. Any amounts outstanding on the line of credit, plus any accrued interest, are due and payable on August 31, 2016, the maturity date. As of December 31, 2015 and 2014, the outstanding balance was zero. Interest expense for the year ended December 31, 2015 and 2014 was zero.

## 7. CHARITABLE GIFT ANNUITY

The Foundation administers various charitable remainder trusts. A charitable reminder 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 $226,664 at December 31, 2015 and are included in investments and reported at fair market 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 $38,148 as of December 31, 2015 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.

## 8. DEFERRED REVENUE

The Foundation is the recipent 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, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|---|---|---|
| Grants | $ 399,600 | $ 152,340 |

## 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2015 and 2014, respectively:

| | 2015 | | | |
|---|---|---|---|---|
| | Balance at December 31, 2014 | 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 | $ 1,255,402 | $ 850,070 | $ (1,072,716) | $ 1,032,756 |

## 9. TEMPORARILY RESTRICTED NET ASSETS (Continued)

| | 2014 | | | |
|---|---|---|---|---|
| | Balance at December 31, 2013 | Support and Revenue | Net assets released from restrictions | Balance at December 31, 2014 |
| NBHA | $ 333,427 | $ 728,275 | $ (484,369) | $ 577,333 |
| Education | 211,347 | 749,490 | (529,195) | 431,643 |
| Other restricted items | 158,551 | 266,751 | (178,876) | 246,426 |
| Total | $ 703,326 | $ 1,744,516 | $ (1,192,440) | $ 1,255,402 |

## 10. 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, 2015, 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 year ended December 31, 2015 and 2014 the endowment fund had the following activity:

## 10. PERMANENTLY RESTRICTED NET ASSETS (Continued)

| | 2015 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment fund, beginning of year | $ - | $ 14,464 | $ 180,012 | $ 194,476 |
| Investment income | - | - | - | - |
| Endowment fund, end of year | $ - | $ 14,464 | $ 180,012 | $ 194,476 |

| | 2014 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment fund, beginning of year | $ - | $ 14,464 | $ 180,012 | $ 194,476 |
| Investment income | - | 514 | - | 514 |
| Endowment fund, end of year | $ - | $ 14,978 | $ 180,012 | $ 194,990 |

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, 2015.

### 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 2015.

### 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, 2015.

### 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.

## 11. COMMITMENTS AND CONTINGENCIES

### Hotel Commitments

The Foundation entered into a hotel contract for its 2016 annual meeting taking place in May 2016. Should the Foundation have decided to cancel this contract at December 31, 2015, it would have been liable for cancellation fees up to $123,596.

### Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2015, the Foundation had approximately $1,283,597 in demand deposits which exceeded the maximum limit insured by the FDIC. The Foundation monitors the credit worthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

### 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 $141,911 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:

| | |
|---|---|
| 2016 | $ 69,007 |
| 2017 | 168,295 |
| 2018 | 172,502 |
| 2019 | 176,814 |
| 2020 | 181,235 |
| Thereafter | 1,133,099 |
| | $ 1,900,952 |

## 11. COMMITMENTS AND CONTINGENCIES (Continued)

### Office Lease (Continued)

Rent expense for the year ended December 31, 2015 and 2014 totaled $220,769 and $302,777, respectively.

## 12. 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, 2015 included joint costs which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

| | 2015 | 2014 |
|---|---|---|
| Fundraising | $ 115,098 | $ 157,280 |
| Program | 44,106 | 74,809 |
| Management and general | 26,874 | 59,215 |
| | $ 186,078 | $ 291,304 |

## 13. 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, 2015 and 2014 was $58,306 and $57,731, respectively.

## 14. 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. No provision for income taxes is required for the year ended December 31, 2015 and 2014, as the Foundation had no net unrelated business income.

**14. INCOME TAXES (Continued)**

The Foundation follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Foundation's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation of uncertain tax positions for the year ended December 31, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2015, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2015, the Foundation had no accruals for interest and/or penalties.

**15. SUBSEQUENT EVENTS**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 9, 2016, the date the financial statements were available to be issued.