

**FOUNDATION FOR ICHTHYOSIS
AND RELATED SKIN TYPES, INC.**

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017
(With Comparative Totals for 2016)**

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.

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BAUM, SMITH & CLEMENS, LLP

CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Foundation for Ichthyosis and Related Skin Types, Inc.

We have audited the accompanying financial statements of Foundation for Ichthyosis and Related Skin Types, Inc., (a nonprofit organization), which are comprised of the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Foundation for Ichthyosis and Related Skin Types, Inc., as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Foundation for Ichthyosis and Related Skin Types, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baum, Smith & Clemens, LLP

Lansdale, PA
June 11, 2018

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | 2016 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 139,185 | \$ 130,134 |
| Investments | 1,688,475 | 1,591,702 |
| Prepaid expenses and miscellaneous | 738 | 3,115 |
| Unconditional promise to give | - | 25,000 |
| Total current assets | 1,828,398 | 1,749,951 |
| Investments, permanently restricted | 110,013 | 110,013 |
| Fixed assets, net | 25,043 | 32,658 |
| Other assets | | |
| Deposits | 3,000 | 3,000 |
| Total assets | \$ 1,966,454 | \$ 1,895,622 |
| LIABILITIES | | |
| Current | | |
| Grants payable | \$ - | \$ 100,000 |
| Accounts payable and accrued expenses | 40,676 | 44,905 |
| Total current liabilities | 40,676 | 144,905 |
| NET ASSETS | | |
| Unrestricted | | |
| Unrestricted | 929,669 | 824,503 |
| Board designated | 195,490 | 170,718 |
| Total unrestricted | 1,125,159 | 995,221 |
| Temporarily restricted | 690,606 | 645,483 |
| Permanently restricted | 110,013 | 110,013 |
| Total net assets | 1,925,778 | 1,750,717 |
| Total liabilities and net assets | \$ 1,966,454 | \$ 1,895,622 |

See Accompanying Notes to Financial Statements

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | | | Total | 2016 Total |
|---------------------------------------|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | | |
| Support and revenue | | | | | |
| Contributions | \$ 506,444 | \$ 92,629 | \$ - | \$ 599,073 | \$ 548,876 |
| In-kind contributions | 6,274 | - | - | 6,274 | - |
| National conference | - | - | - | - | 98,636 |
| Fundraising activities, net | - | - | - | - | 23,659 |
| Investment income | 191,777 | - | - | 191,777 | 130,612 |
| Other income | 8,152 | - | - | 8,152 | 4,882 |
| Net assets, released from restriction | 47,506 | (47,506) | - | - | - |
| Total support and revenue | 760,153 | 45,123 | - | 805,276 | 806,665 |
| Expenses | | | | | |
| Program services | 428,282 | - | - | 428,282 | 774,487 |
| Fundraising | 128,077 | - | - | 128,077 | 117,358 |
| Total expenses | 630,215 | - | - | 630,215 | 976,664 |
| Change in net assets | 129,938 | 45,123 | - | 175,061 | (169,999) |
| Net assets, beginning of year | 995,221 | 645,483 | 110,013 | 1,750,717 | 1,920,716 |
| Net assets, end of year | <u>\$ 1,125,159</u> | <u>\$ 690,606</u> | <u>\$ 110,013</u> | <u>\$ 1,925,778</u> | <u>\$ 1,750,717</u> |

See Accompanying Notes to Financial Statements

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | | | | 2016 Total |
|---|-----------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|
| | Program Services | Management & General | Fundraising | Total | |
| Salaries, payroll taxes and other related costs | \$ 247,529 | \$ 28,698 | \$ 90,085 | \$ 366,312 | \$ 467,762 |
| Bank charges | - | 7,894 | - | 7,894 | 9,989 |
| Board meetings | 957 | 52 | 31 | 1,040 | 1,394 |
| Conference | 9,925 | - | 350 | 10,275 | 7,364 |
| Depreciation | 6,854 | 533 | 228 | 7,615 | 2,969 |
| Dues and subscriptions | 2,221 | - | - | 2,221 | 2,370 |
| Grants | - | - | - | - | 148,007 |
| Grassroots | 21,488 | - | 21,488 | 42,976 | 37,924 |
| Insurance | - | 4,205 | - | 4,205 | 4,259 |
| Investment fees | - | 16,683 | - | 16,683 | 10,634 |
| Licenses | - | 1,114 | 2,600 | 3,714 | 3,626 |
| Membership assistance fund | 1,530 | - | - | 1,530 | 2,200 |
| National conference | 535 | - | - | 535 | 151,824 |
| Postage and shipping | 11,853 | 246 | 3,338 | 15,437 | 10,503 |
| Printing and publications | 13,187 | 132 | 7,945 | 21,264 | 19,573 |
| Professional fees | - | 10,749 | - | 10,749 | 9,965 |
| Rent and utilities | 22,179 | 1,725 | 739 | 24,643 | 23,691 |
| Regional Support Network | 30,666 | - | - | 30,666 | - |
| Scientific meeting | 1,500 | - | - | 1,500 | - |
| Scholarship awards | 14,750 | - | - | 14,750 | 32,057 |
| Strategic initiatives | 3,226 | - | 130 | 3,356 | 15,545 |
| Telephone | 3,093 | 241 | 103 | 3,437 | 3,604 |
| Technology | 13,505 | 1,050 | 450 | 15,005 | 8,466 |
| Unrelated business income tax | - | - | - | - | - |
| Website management | 16,915 | - | 523 | 17,438 | 58 |
| | <u>\$ 428,282</u> | <u>\$ 73,856</u> | <u>\$ 128,077</u> | <u>\$ 630,215</u> | |
| 2016 Totals | <u>\$ 774,487</u> | <u>\$ 84,819</u> | <u>\$ 117,358</u> | | <u>\$ 976,664</u> |

See Accompanying Notes to Financial Statements

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | 2016 |
|---|-------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 175,061 | \$ (169,999) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Net realized and unrealized gain on investments | (142,581) | (57,510) |
| Depreciation | 7,615 | 2,969 |
| Donated stock | (5,620) | (7,099) |
| Changes in assets and liabilities: | | |
| Prepaid expenses and miscellaneous | 2,377 | 10,000 |
| Promise to give | 25,000 | - |
| Grants payable | (100,000) | 100,000 |
| Receivables | - | 28,772 |
| Accounts payable and accrued expenses | (4,229) | 5,822 |
| | (42,377) | (87,045) |
| Net cash used by operating activities | (42,377) | (87,045) |
| Proceeds from sale of investments (purchase) of investments | 100,516 | (6,345) |
| Net transfer (to) from investment accounts | - | 150,000 |
| Reinvestment of dividends | (49,088) | (72,818) |
| Purchase of fixed assets | - | (29,295) |
| | 51,428 | 41,542 |
| Net cash provided by investing activities | 51,428 | 41,542 |
| Net change in cash | 9,051 | (45,503) |
| Beginning cash and cash equivalents | 130,134 | 175,637 |
| Ending cash and cash equivalents | \$ 139,185 | \$ 130,134 |
| <u>Supplementary Disclosures of Cash Flows Information:</u> | | |
| Cash paid during the year for: | | |
| Income tax | \$ 379 | \$ 244 |

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Foundation for Ichthyosis and Related Skin Types (The Organization), a California nonprofit corporation, is a national voluntary organization dedicated to helping families with the genetic skin disease collectively called ichthyosis. Its mission is to improve lives and seek cures for those affected by ichthyosis and related skin types.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents

Cash in bank and deposits in money market funds are considered cash for financial reporting purposes.

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased.

The cash for cash flow purposes consists of the operating cash balances.

Investments

Investments in marketable securities are reported at fair value. Fair value is determined from quoted market prices. Unrealized gains and losses are included in the change in net assets. Investment income is reported as increase in unrestricted net assets.

The Organization's investments in marketable securities are subject to market risk. The degree and concentration of risk varies by the type of investment.

Promises to Give and Receivables

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises are valued at their estimated value.

Fixed Assets

Fixed assets in excess of \$500 are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the books and any resulting gain or loss is reflected in income for the period. Asset useful lives range from three to five years.

Compensated Absences

Employees of the Organization are entitled to paid vacation and paid sick days depending on length of service and other factors. The liability for compensated absences is included in accrued expenses.

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Board Designated Assets

Board designated unrestricted net assets are as follows:

Research projects - funds to be used to strengthen investigation into the causes, treatments and potential cures for Ichthyosis

Strategic Initiatives - funds are to be used for strategic initiatives to advance the mission of the Organization

Conference scholarships - funds will be used to help families who cannot afford various expenses to attend the national family conference

The income earned on these funds is retained in the board designated net assets and is not considered available for general operations.

Restricted and Unrestricted Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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.

Management's Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Donated Services and Other In-kind Contributions

The Organization recognizes donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values on the date of donation.

Functional Allocation of Expenses

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

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal income tax under Sec. 501(c)(3) of the Internal Revenue Service (IRS) code. The Organization is also recognized by the Bureau of Charitable Organizations of the Commonwealth of Pennsylvania as a charitable organization. Income which is not related to exempt purposes, less applicable deductions is subject to federal corporate income taxes.

The Organization is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Generally the Organization is no longer subject to income tax examinations by tax authorities for fiscal years prior to 2014.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was June 11, 2018.

NOTE B: SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash in bank deposit accounts which at times exceed federally insured limits. No loss has been experienced in such accounts and the Organization does not believe it has significant credit risk on its cash balances.

The Organization also maintains cash funds with an investment company. These funds are not deposits or obligations of, or guaranteed by the investment company or any other bank or depository institution and the amount is not insured by the Federal Depository Insurance Corporation (FDIC) or any other federal, state or government agency. The balance of these cash funds at September 30, 2017 was approximately \$43,000.

NOTE C: INVESTMENTS

Investments held by the Organization at September 30, 2017 consist of the following:

| | |
|--------------------------------------|---------------------|
| Mutual funds - fixed income | \$ 497,373 |
| Exchange traded funds - fixed income | 124,567 |
| Mutual funds - equity | 870,041 |
| Exchange traded funds - equity | 178,111 |
| Mutual funds - non-traditional | 128,396 |
| | <u>\$ 1,798,488</u> |

Investment income, which includes money market earnings, is summarized as follows:

| | |
|-------------------|-------------------|
| Dividends | \$ 49,088 |
| Realized gain | 21,026 |
| Unrealized gains | 121,555 |
| Interest | 108 |
| Investment income | <u>\$ 191,777</u> |

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE C: INVESTMENTS (Continued)

The Organization's investments have been approved by the Board of Directors and are in accordance with its investment policy. The primary investment objective of the Organization is to provide increased yield and long-term growth of capital to meet the future obligations of the Organization, with a secondary objective of providing the necessary income to meet the current operational needs. Thus, the long-term objective of the Organization's investments of funds is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. Realized gains and losses are computed using the average cost method, they are netted with the unrealized gains and losses on the Statement of Activities.

NOTE D: FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

| | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access. |
| Level 2 | <p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> ▪ Quoted prices for similar assets or liabilities in active markets; ▪ Quoted prices for identical or similar assets or liabilities in inactive markets; ▪ Inputs other than quoted prices that are observable for the asset or liability; and ▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>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.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at September 30, 2017.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Exchange traded funds (ETF): Valued based on an underlying index, reported on the active market on which the individual securities are traded. The ETF's held by the Organization are deemed to be actively traded.

Promises to give: Valued at the expected amount to be received less a calculated discount for contributions greater than one year. As of September 30, 2017 there were no promises to give.

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE D: FAIR VALUE MEASUREMENT (Continued)

Assets measured at fair value on a recurring basis are as follows at September 30, 2017:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------|---------------------|-------------|-------------|---------------------|
| Mutual funds and ETFs | \$ 1,798,488 | \$ - | \$ - | \$ 1,798,488 |
| | <u>\$ 1,798,488</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,798,488</u> |

A reconciliation of activity for the promise to give measured at fair value based on significant unobservable (non-market) information discounted cash flows is presented at its discounted value as follows:

| | |
|---------------------------|-------------|
| Balance beginning of year | \$ 25,000 |
| Contributions received | (25,000) |
| Balance, end of year | <u>\$ -</u> |

NOTE E: UNCONDITIONAL PROMISES TO GIVE

The Organization had recorded a contribution for a 3-year commitment made by a corporate donor. The future benefit receivable as of September 30, 2016 was \$25,000 and was included in current assets. This amount was received during the fiscal year ending September 30, 2017. There were no amounts receivable as of September 30, 2017.

NOTE F: FIXED ASSETS

Furniture and equipment consists of the following:

| | Amounts | Estimated useful lives in years |
|--------------------------------|------------------|---------------------------------------|
| Furniture and equipment | \$ 58,580 | 5 - 10 |
| Less: accumulated depreciation | (33,537) | |
| | <u>\$ 25,043</u> | |

Depreciation expense for the year ended September 30, 2017 was \$7,615.

NOTE G: GRANTS PAYABLE

The Organization awards research grants to universities and research institutions to support ichthyosis related research projects. The liability and related expenses are recorded when approved by the Organization's Board of Directors. There was \$100,000 in grants payable at September 30, 2017. These amounts were paid during the fiscal year ending September 30, 2017. There were no amounts payable at September 30, 2017.

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE H: RESTRICTED NET ASSETS

Temporarily restricted net assets held as of September 30, 2017 are available for specific purposes as follows:

| | |
|--------------------------------|-------------------|
| UFIRST scholars program | \$ 11,615 |
| Diya and Aliya's Friends (DAF) | 15,209 |
| Strategic initiatives | 132,953 |
| Research | <u>530,829</u> |
| | <u>\$ 690,606</u> |

Temporarily Restricted Net Assets released for the year ended September 30, 2017 were as follows:

| | |
|----------------------|------------------|
| Purpose restrictions | <u>\$ 47,506</u> |
|----------------------|------------------|

Permanently restricted net assets are maintained in perpetuity. The donors of these assets permit the organization to use all or part of the income earned for general or specific purposes. Permanently restricted net assets held as of September 30, 2017 are as follows:

| | |
|-------------------------------|-------------------|
| Membership assistance program | \$ 10,000 |
| Research | <u>100,013</u> |
| | <u>\$ 110,013</u> |

NOTE I: ENDOWMENTS

The Organization's endowment consists of three donor-restricted funds (Edna and Myron Curl Endowment, Milstone General Research Endowment and the Jane Bukaty Membership Assistance Fund) that were established for research and member assistance. Net assets associated with endowment funds are classified and are reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law: The Organization's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of California 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 result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the 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 time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resource of the Organization
7. The investment policies of the Organization

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE I: ENDOWMENTS (Continued)

Spending Policy, Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the program supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Corpus of the endowment asset is held in perpetuity for Edna and Myron Curl Endowment, Milstone General Research Endowment and the Jane Bukaty Membership Assistance Fund based on donor-restriction. The endowment asset is invested in a mix of equity and fixed income securities. Investment earnings on the Edna and Myron Curl and Milstone General Research Endowments is appropriated to research and will be spent when the Organization's board of directors determine enough interest has accumulated to a level that will enable them to provide research grants. Earnings on the Jane Bukaty Membership Assistance Fund is used to provide financial assistance to families with one or more affected individuals whose financial and reimbursement circumstances make obtaining adequate care and treatment difficult or impossible.

Endowment funds as of September 30, 2017 are composed as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor-restricted endowment fund | \$ - | \$ 9,604 | \$ 110,013 | \$ 119,617 |

Changes in endowment funds for the year ended September 30, 2017 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|--------------|
| Endowments net assets, beginning of the year | \$ - | \$ 10,843 | \$ 110,013 | \$ 120,856 |
| Investment gain | - | - | - | - |
| Additions | - | 291 | - | 291 |
| Appropriation of endowment assets for expenditure | - | (1,530) | - | (1,530) |
| Endowments net assets, end of year | \$ - | \$ 9,604 | \$ 110,013 | \$ 119,617 |

NOTE J: OPERATING LEASES

The Organization leases office space under an operating lease obligation. The lease expires June 30, 2020. The lease can be terminated with six months written notice.

Future minimum lease payments at September 30, 2017 are as follows:

| | |
|------|------------------|
| 2018 | \$ 21,150 |
| 2019 | 21,750 |
| 2020 | 16,650 |
| | <u>\$ 59,550</u> |

Rent expense was \$20,884 for the year ended September 30, 2017.

FOUNDATION FOR ICHTHYOSIS AND RELATED SKIN TYPES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE K: MAJOR CONTRIBUTORS AND GRANTORS

During 2017, FIRST recognized a significant contribution, defined as greater than 10% of total support and revenue, of approximately \$100,000 from one Organization. This contribution represents approximately 12% of the total support and revenues.

NOTE L: COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

NOTE M: OTHER INFORMATION

| | |
|---------------------------------------|----------|
| Donated securities | \$ 5,620 |
| Donated goods - program | \$ 4,375 |
| Donated services - program | \$ 1,842 |
| Donated services - fundraising | \$ 57 |
| Federal unrelated business income tax | \$ 379 |