

IMMUNE DEFICIENCY FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

IMMUNE DEFICIENCY FOUNDATION

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Independent Auditors' Report

Board of Trustees
Immune Deficiency Foundation
Towson, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Immune Deficiency Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Immune Deficiency Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weyrich, Cronin + Sorra

June 12, 2018
Lutherville, MD

IMMUNE DEFICIENCY FOUNDATION

Statements of Financial Position
December 31, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 312,097	\$ 467,864
Investments		
Board directed	3,465,838	2,155,065
Other	1,035,500	1,793,578
Accounts receivable	461,885	385,692
Prepaid expenses and other assets	193,509	150,574
	<u>5,468,829</u>	<u>4,952,773</u>
LONG-TERM ASSETS:		
Investments		
Board designated endowment	4,412,670	4,211,533
Property and equipment, net	213,910	179,539
	<u>4,626,580</u>	<u>4,391,072</u>
TOTAL ASSETS	<u>\$ 10,095,409</u>	<u>\$ 9,343,845</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 446,851	\$ 269,244
Current portion of capital leases	11,878	6,139
	<u>458,729</u>	<u>275,383</u>
LONG-TERM LIABILITIES:		
Long-term portion of capital leases	61,694	8,467
	<u>520,423</u>	<u>283,850</u>
NET ASSETS:		
Unrestricted:		
Operating	468,756	773,427
Board designated	7,979,762	6,471,514
	<u>8,448,518</u>	<u>7,244,941</u>
Temporarily restricted	1,126,468	1,815,054
	<u>9,574,986</u>	<u>9,059,995</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,095,409</u>	<u>\$ 9,343,845</u>

See accompanying notes to financial statements

IMMUNE DEFICIENCY FOUNDATION

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Public support:			
Contributions and grants	\$ 6,087,852	\$ 407,370	\$ 6,495,222
Net assets released from restrictions	<u>1,095,956</u>	<u>(1,095,956)</u>	<u>- 0 -</u>
Total public support	<u>7,183,808</u>	<u>(688,586)</u>	<u>6,495,222</u>
Government grants and other contract revenue	<u>1,240,434</u>	<u>- 0 -</u>	<u>1,240,434</u>
Revenue:			
Investment income	888,860	- 0 -	888,860
Other income	14,613	- 0 -	14,613
Special events	<u>676,172</u>	<u>- 0 -</u>	<u>676,172</u>
Total revenue	<u>1,579,645</u>	<u>- 0 -</u>	<u>1,579,645</u>
Total Public Support and Revenue	<u>10,003,887</u>	<u>(688,586)</u>	<u>9,315,301</u>
EXPENSES:			
Program services:			
Medical and scientific	2,062,347	- 0 -	2,062,347
Services to patients and families	<u>4,991,024</u>	<u>- 0 -</u>	<u>4,991,024</u>
	<u>7,053,371</u>	<u>- 0 -</u>	<u>7,053,371</u>
Supporting services:			
Administration and finance	949,006	- 0 -	949,006
Marketing and fundraising	<u>797,933</u>	<u>- 0 -</u>	<u>797,933</u>
	<u>1,746,939</u>	<u>- 0 -</u>	<u>1,746,939</u>
Total Expenses	<u>8,800,310</u>	<u>- 0 -</u>	<u>8,800,310</u>
CHANGE IN NET ASSETS	1,203,577	(688,586)	514,991
NET ASSETS, BEGINNING OF YEAR	<u>7,244,941</u>	<u>1,815,054</u>	<u>9,059,995</u>
NET ASSETS, END OF YEAR	<u>\$ 8,448,518</u>	<u>\$ 1,126,468</u>	<u>\$ 9,574,986</u>

See accompanying notes to financial statements

IMMUNE DEFICIENCY FOUNDATION

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Public support:			
Contributions and grants	\$ 4,301,474	\$ 1,769,404	\$ 6,070,878
Net assets released from restrictions	<u>1,375,566</u>	<u>(1,375,566)</u>	<u>- 0 -</u>
Total public support	<u>5,677,040</u>	<u>393,838</u>	<u>6,070,878</u>
Government grants and other contract revenue	<u>1,204,053</u>	<u>- 0 -</u>	<u>1,204,053</u>
Revenue:			
Investment income	244,991	- 0 -	244,991
Other income	60,730	- 0 -	60,730
Special events	<u>603,301</u>	<u>- 0 -</u>	<u>603,301</u>
Total revenue	<u>909,022</u>	<u>- 0 -</u>	<u>909,022</u>
Total Public Support and Revenue	<u>7,790,115</u>	<u>393,838</u>	<u>8,183,953</u>
EXPENSES:			
Program services:			
Medical and scientific	1,838,427	- 0 -	1,838,427
Services to patients and families	<u>3,931,214</u>	<u>- 0 -</u>	<u>3,931,214</u>
	<u>5,769,641</u>	<u>- 0 -</u>	<u>5,769,641</u>
Supporting services:			
Administration and finance	765,611	- 0 -	765,611
Marketing and fundraising	<u>766,301</u>	<u>- 0 -</u>	<u>766,301</u>
	<u>1,531,912</u>	<u>- 0 -</u>	<u>1,531,912</u>
Total Expenses	<u>7,301,553</u>	<u>- 0 -</u>	<u>7,301,553</u>
CHANGE IN NET ASSETS	488,562	393,838	882,400
NET ASSETS, BEGINNING OF YEAR	<u>6,756,379</u>	<u>1,421,216</u>	<u>8,177,595</u>
NET ASSETS, END OF YEAR	<u>\$ 7,244,941</u>	<u>\$ 1,815,054</u>	<u>\$ 9,059,995</u>

See accompanying notes to financial statements

IMMUNE DEFICIENCY FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES			Grand Total
	Medical and Scientific	Services to Patients and Families	Total	Administration and Finance	Marketing and Fundraising	Total	
Salaries	\$ 627,856	\$ 1,387,412	\$ 2,015,268	\$ 396,786	\$ 297,549	\$ 694,335	\$ 2,709,603
Employee benefits	82,721	139,255	221,976	81,741	28,268	110,009	331,985
Payroll taxes, etc.	49,332	111,658	160,990	28,891	25,374	54,265	215,255
	<u>759,909</u>	<u>1,638,325</u>	<u>2,398,234</u>	<u>507,418</u>	<u>351,191</u>	<u>858,609</u>	<u>3,256,843</u>
Professional fees	632,287	1,081,023	1,713,310	256,547	54,119	310,666	2,023,976
Training, conference, conventions, & meetings	67,708	1,304,508	1,372,216	2,197	192,103	194,300	1,566,516
Travel	83,115	263,899	347,014	13,935	27,551	41,486	388,500
Awards and grants	286,679	3,500	290,179	- 0 -	- 0 -	- 0 -	290,179
Occupancy	57,009	139,063	196,072	82,854	25,360	108,214	304,286
Insurance	15,247	9,971	25,218	12,255	2,441	14,696	39,914
Printing and publications	40,156	183,021	223,177	4,455	42,444	46,899	270,076
Telephone	10,856	21,000	31,856	7,922	3,545	11,467	43,323
Postage and shipping	37,021	111,630	148,651	5,146	29,553	34,699	183,350
Supplies	22,708	71,584	94,292	13,635	8,407	22,042	116,334
Rental and maintenance of equipment	15,832	37,137	52,969	24,280	3,736	28,016	80,985
Miscellaneous	12,400	- 0 -	12,400	2,706	11,049	13,755	26,155
Advertising	3,327	91,257	94,584	- 0 -	25,330	25,330	119,914
Dues and subscriptions	9,841	12,914	22,755	8,462	17,419	25,881	48,636
	<u>2,054,095</u>	<u>4,968,832</u>	<u>7,022,927</u>	<u>941,812</u>	<u>794,248</u>	<u>1,736,060</u>	<u>8,758,987</u>
Depreciation and amortization	<u>8,252</u>	<u>22,192</u>	<u>30,444</u>	<u>7,194</u>	<u>3,685</u>	<u>10,879</u>	<u>41,323</u>
	<u>\$ 2,062,347</u>	<u>\$ 4,991,024</u>	<u>\$ 7,053,371</u>	<u>\$ 949,006</u>	<u>\$ 797,933</u>	<u>\$ 1,746,939</u>	<u>\$ 8,800,310</u>

See accompanying notes to financial statements

IMMUNE DEFICIENCY FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			Grand Total
	Medical and Scientific	Services to Patients and Families	Total	Administration and Finance	Marketing and Fundraising	Total	
Salaries	\$ 572,622	\$ 1,401,984	\$ 1,974,606	\$ 384,443	\$ 293,411	\$ 677,854	\$ 2,652,460
Employee benefits	66,001	130,807	196,808	56,726	29,678	86,404	283,212
Payroll taxes, etc.	45,527	109,899	155,426	25,568	23,938	49,506	204,932
	684,150	1,642,690	2,326,840	466,737	347,027	813,764	3,140,604
Professional fees	734,455	794,562	1,529,017	117,282	70,142	187,424	1,716,441
Training, conference, conventions, & meetings	82,253	475,492	557,745	782	156,927	157,709	715,454
Travel	94,694	292,904	387,598	3,512	31,813	35,325	422,923
Awards and grants	77,706	42,243	119,949	10,000	- 0 -	10,000	129,949
Occupancy	55,524	111,399	166,923	82,249	22,486	104,735	271,658
Insurance	10,633	9,233	19,866	6,881	2,483	9,364	29,230
Printing and publications	17,354	168,369	185,723	7,799	22,460	30,259	215,982
Telephone	13,558	28,201	41,759	16,628	5,046	21,674	63,433
Postage and shipping	8,487	110,270	118,757	6,834	37,933	44,767	163,524
Supplies	20,894	37,578	58,472	16,908	9,233	26,141	84,613
Rental and maintenance of equipment	12,303	45,593	57,896	14,384	4,400	18,784	76,680
Miscellaneous	- 0 -	- 0 -	- 0 -	1,550	7,481	9,031	9,031
Advertising	7,203	135,138	142,341	- 0 -	24,480	24,480	166,821
Dues and subscriptions	9,376	17,806	27,182	6,081	20,406	26,487	53,669
	1,828,590	3,911,478	5,740,068	757,627	762,317	1,519,944	7,260,012
Depreciation and amortization	9,837	19,736	29,573	7,984	3,984	11,968	41,541
	<u>\$ 1,838,427</u>	<u>\$ 3,931,214</u>	<u>\$ 5,769,641</u>	<u>\$ 765,611</u>	<u>\$ 766,301</u>	<u>\$ 1,531,912</u>	<u>\$ 7,301,553</u>

See accompanying notes to financial statements

IMMUNE DEFICIENCY FOUNDATION

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 514,991	\$ 882,400
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	41,323	41,541
Realized and unrealized gain on investments	(774,316)	(152,690)
Loss on disposal of property and equipment	16,897	- 0 -
Changes in assets and liabilities:		
(Increase) decrease in current assets:		
Accounts receivable	(76,193)	(1,069)
Prepaid expenses and other assets	(42,935)	(15,286)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	177,607	(144,311)
Net cash provided by (used in) operating activities	<u>(142,626)</u>	<u>610,585</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(28,024)	- 0 -
Proceeds from sales of investments	3,830,609	4,759,580
Purchase of investments	<u>(3,810,125)</u>	<u>(5,347,952)</u>
Net cash used in investing activities	<u>(7,540)</u>	<u>(588,372)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital leases	<u>(5,601)</u>	<u>(5,626)</u>
Net cash used in financing activities	<u>(5,601)</u>	<u>(5,626)</u>
NET INCREASE (DECREASE) IN CASH	(155,767)	16,587
CASH AT BEGINNING OF YEAR	<u>467,864</u>	<u>451,277</u>
CASH AT END OF YEAR	<u><u>\$ 312,097</u></u>	<u><u>\$ 467,864</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 2,684	\$ 1,550
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Equipment acquisitions financed through capital lease obligations	\$ 75,141	\$ - 0 -

See accompanying notes to financial statements

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
December 31, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies

Nature of Operations - Immune Deficiency Foundation ("Foundation") is a Maryland tax exempt corporation dedicated to improving the diagnosis, treatment and quality of life of persons with primary immunodeficiency diseases through advocacy, education and research. The Foundation gathers, coordinates and disseminates information and conducts educational campaigns in order to increase family and public awareness concerning the diseases. The Foundation also engages in fundraising activities in support of its goals, primarily by seeking grants to further its efforts. The Foundation's principal sources of support and revenues are from government grants and contracts, foundation grants, and individual and corporate donations and contributions.

Use of 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 of assets, liabilities and disclosures at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect receivables, other assets, payables, and other liabilities. As such, revenue is recognized when earned and expenditures when incurred.

Basis of Presentation - Contributions received or made are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted: accounts for net assets without donor imposed restrictions that are available for the support of the Foundation. Unrestricted net assets are composed of the following:

- **Operating** – Represents resources available for support of operations.
- **Board Designated** – The Foundation has designated certain amounts, to function as endowment funds. Accordingly, those funds together with accumulated earnings thereon are to be spent only for purposes approved by the Foundation's Board. Additionally the Foundation has designated certain amounts to be used for specific operational purposes approved by the Foundation's Board.

Temporarily restricted: accounts for net assets that have donor imposed restrictions that require the Foundation to expend the donated assets as specified, and is satisfied either by the passage of time or by actions of the Foundation. When the donor restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as "net assets released from restrictions." Any temporarily restricted resource that is received and used during the same year is considered an unrestricted resource and is reported as unrestricted net assets.

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
December 31, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)-

Permanently restricted: accounts for net assets that have donor imposed restrictions that permit the Foundation to expend the income earned from the gifts. However, the Foundation cannot expend the original principal. The Foundation does not have any permanently restricted net assets.

Revenue Recognition - The Foundation recognizes all public support and revenue in the period received as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions.

During 2010, National Institutes of Health (NIH) awarded the Foundation a grant to assist investigations in primary immune deficiency diseases for the period of April 1, 2010, through March 31, 2015. The NIH grant was extended to March 31, 2020. The Foundation submits expenses to NIH for reimbursement and recognizes revenue and expenses on the accrual basis of accounting.

Cash and Cash Equivalents - The Foundation considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents. Certificates of deposit and money market funds held for investment purposes are excluded from this classification.

Investments - The Foundation invests in a professionally managed portfolio that contains money market funds, certificates of deposit, mutual funds, and other investments which are recorded at fair value.

Accounts Receivable - Accounts receivable are carried at original invoice less an estimate made for doubtful receivables based on a review of all outstanding amounts. Unbilled receivables are expenses incurred and revenues earned for particular grants and contracts that have not yet been billed. Unbilled receivables of approximately \$150,000 and \$81,000 are included in accounts receivable in the statement of financial position as of December 31, 2017 and 2016, respectively. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes that accounts receivable are fully collectible and no allowance is considered necessary as of December 31, 2017 and 2016.

Property and Equipment - Property and equipment are stated at cost. Donated property and equipment is recorded at fair value at the date of receipt. Property and equipment with an original cost or fair value greater than \$5,000 and a useful life greater than one year are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation is provided using the straight-line method over the estimated useful life of the assets, which range from three to ten years.

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
December 31, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Valuation of Long-Lived Assets - Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No impairments have been recognized as of December 31, 2017 and 2016. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Income Taxes - The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as an organization, other than a private foundation, as described in Section 509(a). The Foundation is no longer subject to U.S. federal or state income tax examinations by tax authorities for fiscal years before 2014.

Donated Services - The Foundation receives a significant amount of donated services from unpaid volunteers. No amounts relating to donated services have been recognized in the statements of activities and changes in net assets as contributions because the criteria for recognition have not been satisfied. Contributed professional services are recognized if the services received a) create or enhance long-lived assets, or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses - The costs of providing the various programs and services have been summarized on a functional basis in the statements of activities and changes in net assets, and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocation of costs is based principally on specific identification of costs. Non-specifically identified costs are based on management's allocation of time requirements for the various functions based on its analysis of historical activities.

Advertising Costs - The Foundation expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expense was \$119,914 and \$166,821 for the years ended December 31, 2017 and 2016.

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
December 31, 2017 and 2016

2. Investments

Cost and fair value of investments at December 31, 2017 are as follows:

	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents	\$ 881,487	\$ - 0 -	\$ - 0 -	\$ 881,487
Certificates of deposit	1,446,598	84,155	(81)	1,530,672
Hedge funds	376,909	- 0 -	(11,739)	365,170
Mutual funds:				-
Equity funds	4,032,603	559,069	- 0 -	4,591,672
Fixed income funds	1,542,966	2,746	(705)	1,545,007
Totals	\$ 8,280,563	\$ 645,970	\$ (12,525)	\$ 8,914,008

Cost and fair value of investments at December 31, 2016 are as follows:

	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents	\$ 670,050	\$ - 0 -	\$ - 0 -	\$ 670,050
Certificates of deposit	2,004,999	40,897	(38)	2,045,858
Hedge funds	783,871	- 0 -	(65,627)	718,244
Mutual funds:				-
Equity funds	3,834,607	142,537	(98,954)	3,878,190
Fixed income funds	858,641	1,116	(11,923)	847,834
Totals	\$ 8,152,168	\$ 184,550	\$ (176,542)	\$ 8,160,176

The Foundation's investment portfolio is reported on the statements of financial position at December 31:

	2017	2016
ASSETS:		
Investments board directed	\$ 3,465,838	\$ 2,155,065
Investments other	1,035,500	1,793,578
Investments board designated endowment	4,412,670	4,211,533
Total investments	\$ 8,914,008	\$ 8,160,176

The Foundation records investment income by the "Total Return" approach, whereby realized gains and losses on the sale of invested funds, and trustee fees are included with interest and dividend income.

	2017	2016
Interest and dividends	\$ 132,606	\$ 116,032
Fees	(18,062)	(23,731)
Net realized gains (losses) on sales of investments	148,879	(73,334)
Net unrealized gains (losses) on investments held	625,437	226,024
Total investment income (loss)	\$ 888,860	\$ 244,991

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
December 31, 2017 and 2016

3. Fair Value of Investments

Fair values consisted of the following at December 31:

	Fair Value Measurements at Reporting Date Using:			
	2017			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Unrealized Gains (Loss)
Certificates of Deposit	\$ 1,530,672	\$ 1,530,672	\$ - 0 -	\$ 84,074
Hedge funds	365,170	- 0 -	365,170	(11,739)
Mutual funds	6,136,679	6,136,679	- 0 -	561,110
	\$ 8,032,521	\$ 7,667,351	\$ 365,170	\$ 633,445
	2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Unrealized Gains (Loss)
Certificates of Deposit	\$ 2,045,858	\$ 2,045,858	\$ - 0 -	\$ 40,859
Hedge funds	718,244	- 0 -	718,244	(65,627)
Mutual funds	4,726,024	4,726,024	- 0 -	32,776
	\$ 7,490,126	\$ 6,771,882	\$ 718,244	\$ 8,008

The fair value measurement standards establish a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets, and Level 3 inputs have the lowest priority. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used when no Level 1 inputs are available.

The Foundation's policy is to recognize transfers between levels in the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2017 and 2016, there were no transfers into or out of Level 2 or 3.

The Foundation's investments are reported at fair value in the accompanying financial statements. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain instruments could result in a different fair value measurement at the reporting date. Consequently, the hedge funds, valued at \$365,170 and \$718,244 as of December 31, 2017 and 2016 are not actively traded and is reported at fair value, based upon estimated fair market value obtained from the issuer of the investment. There were no changes in valuation techniques used in fair value measurements for the years ended December 31, 2017 and 2016.

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
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4. Property and Equipment

Property and equipment consists of the following at December 31:

	2017	2016
Equipment	\$ 257,999	\$ 184,947
Furniture and fixtures	206,560	231,250
Software and website	22,454	22,453
	487,013	438,650
Less: accumulated depreciation	(273,103)	(259,111)
Total	\$ 213,910	\$ 179,539

5. Lease Commitments

On November 5, 2014, the Foundation signed a lease for office space. The lease commenced in December 2014 and is for a term of seven years and nine months, set to expire in September 2022. The base rent for the office space is \$238,989 with an escalated rent payment of 2.75% beginning the first day of each subsequent lease year. Additionally, the lease agreement stipulates a reduction in lease payments, equal to the amount of a prior office space lease, until the prior office space lease expired on September 30, 2015. Deferred rent of \$50,555 and \$40,396 as of December 31, 2017 and 2016, respectively reflects the cumulative difference between the straight-line calculation and the rent charged under the terms of the lease. Deferred rent is included in accounts payable and accrued expenses in the statement of financial position. In January of 2015, the Foundation signed a lease for storage space at a rate of \$5,184 for a term of seven years and nine months, set to expire in September 2022. On March 10, 2017, the Foundation signed a 3 year lease expiring in February 2020 for additional storage space at a rate of \$8,547 a year.

Rent expense was \$272,060 and \$271,658 for the years ended December 31, 2017 and 2016, respectively.

Total minimum annual rental commitments for all leases through the expiration of the leases are as follows:

Year ending December 31,	2018	\$ 273,637
	2019	281,008
	2020	281,156
	2021	287,335
	2022	221,427
Present value of net minimum lease payments		\$ 1,344,563

6. Operating Lease Commitments for Equipment

The Foundation is obligated under an operating lease for two copiers. The cost of the lease obligation at December 31, 2017 consists of an operating lease and maintenance agreement, payable in monthly installments of \$1,348 through August 2017, collateralized by the related office equipment.

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
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6. Operating Lease Commitments for Equipment (continued)

The Foundation is obligated under an operating lease for a postage machine. The cost of the lease obligation at December 31, 2017 consists of an operating lease payable in quarterly installments of \$3,225 through September 2022, collateralized by the related office equipment.

Annual equipment lease expense totaled \$35,859 and \$39,907 for the years ended December 31, 2017 and 2016, respectively.

Total minimum annual lease payments through the expiration of the lease are as follows:

Year ending December 31,	2018	\$	12,900
	2019		12,900
	2020		12,900
	2021		12,900
	2022		<u>9,675</u>
Present value of net minimum lease payments		\$	<u>61,275</u>

7. Capital Leases

The Foundation was obligated under a capital lease for printers with a term of 63 months that was set to expire in March 2019. The cost of the lease obligation at December 31, 2017 consists of a capital lease and maintenance agreement, payable in monthly installments of \$855, collateralized by the related office equipment. This lease was replaced by the lease below. The balance of this lease as of December 31, 2016 was \$14,606, with a current portion of \$6,139.

The Foundation is obligated under a capital lease for printers with a term of 63 months. The cost of the lease obligation at December 31, 2017 consists of a capital lease and maintenance agreement, payable in monthly installments of \$2,764, collateralized by the related office equipment. The balance of the capital lease is \$73,572 at December 31, 2017. This balance includes a current portion of \$11,878 for the year ended December 31, 2017.

Future minimum lease payments are as follows:

Year ending December 31,	2018	\$	33,173
	2019		33,173
	2020		33,173
	2021		33,173
	2022		33,173
	2023		<u>2,764</u>
Total minimum lease payments			168,629
Less: amount representing maintenance contract			(61,813)
Less: amount representing interest			<u>(33,244)</u>
Present value of net minimum lease payments		\$	<u>73,572</u>

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
December 31, 2017 and 2016

7. Capital Leases (continued)

The following is a schedule of the carrying value of equipment under the capital leases:

Cost	\$	75,141
Less: accumulated depreciation		<u>(3,578)</u>
Net carrying value		<u>\$ 71,563</u>

The value of the equipment and related accumulated depreciation are included in property and equipment on the statement of financial position as of December 31, 2017 and 2016. Annual depreciation expense totaled \$3,578 and \$5,736 for the years ended December 31, 2017 and 2016, respectively.

8. Board Designated Net Assets

The board has designated unrestricted net assets for the following projects at December 31:

	<u>2017</u>	<u>2016</u>
Board designated endowment	\$ 4,412,668	\$ 4,211,533
Board directed	2,881,955	1,628,908
Board directed research investment	583,884	526,156
PIRC designated	<u>101,255</u>	<u>104,917</u>
 Total board designated net assets	 <u>\$ 7,979,762</u>	 <u>\$ 6,471,514</u>

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Core Services	\$ 310,562	\$ 550,000
National Conference	- 0 -	559,000
Public Policy	100,870	- 0 -
Advocacy	- 0 -	40,000
Teen Program	90,000	90,000
E Personal Health Record	100,000	100,000
Young Adult Program	40,000	40,000
Volunteer Outreach	8,678	20,750
Nurse Advisory Committee	45,000	- 0 -
Nurse Education	- 0 -	25,286
Patient Programs	28,372	31,750
IDF Friends	25,000	25,000
Retreats	130,000	- 0 -
Sponsorship	51,500	- 0 -
Reel Stories	1,200	35,000
Survey Research	70,636	197,618
USIDNET	44,650	60,650
Fundraising Walks	<u>80,000</u>	<u>40,000</u>
 Total temporarily restricted net assets	 <u>\$ 1,126,468</u>	 <u>\$ 1,815,054</u>

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
December 31, 2017 and 2016

9. Temporarily Restricted Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows during the years ended December 31:

	2017	2016
Core Services	\$ 239,438	\$ 405,000
National Conference	559,000	- 0 -
Communication Initiative	- 0 -	70,000
Advocacy	40,000	83,820
Teen Program	- 0 -	126,250
E Personal Health Record	- 0 -	100,000
Nurse Guide	- 0 -	20,000
Nurse Advisory Committee	- 0 -	41,000
Nurse Education	25,286	- 0 -
Retreats	- 0 -	145,000
Volunteer Outreach	12,072	93,280
Survey Research	126,982	50,744
USIDNET	16,000	30,472
General Sponsorship	- 0 -	90,000
Fundraising Walks	40,000	80,000
Patient Programs	3,378	- 0 -
Reel Stories	33,800	- 0 -
Young Adult Program	- 0 -	40,000
	\$ 1,095,956	\$ 1,375,566
Total Time and purpose restrictions accomplished		

10. Endowment Funds

During 2011, the Board of Trustees passed a resolution to create a board designated endowment. The board designated endowment balance was \$4,412,670 and \$4,211,533 as of December 31, 2017 and 2016, respectively.

As required by generally accepted accounting principles, net assets associated with the endowment fund designated by the Board of Trustees to function as an endowment, are classified and reported based on the existence or absence of donor imposed restrictions. Therefore, the Foundation's board designated endowment fund is classified as part of unrestricted net assets.

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
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10. Endowment Funds (continued)

Return objective and risk parameters: The board designated endowment fund seeks to achieve long term capital growth while avoiding excessive risk and achieving preservation of purchasing power. The investment return goal is to generate returns in excess of the rate of inflation over the investment horizon.

Spending policy: Distributions for the board designated endowment may be made at the discretion of the Board. Since the establishment of the endowment, no funds have been appropriated for expenditure. Determination of a spending criterion will be established at a future date.

Changes in board designated endowment net assets for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
	Unrestricted Board Designated	Unrestricted Board Designated
Endowment net assets, beginning of year	\$ 4,211,533	\$ 4,103,384
Contributions	- 0 -	- 0 -
Investment gain	201,137	108,149
	\$ 4,412,670	\$ 4,211,533

11. Retirement Program

The Foundation is the sponsor of the Immune Deficiency Foundation 401(k) Plan for all full time employees older than age 21 having completed more than one year of services. One year of service is defined as at least 1,000 hours of service. The Foundation contributions comply with the Safe Harbor Rules. Under these rules the Foundation matches 100% of the first 3% an employee contributes and 50% of the next 2% the employee contributes. The Foundation's contributions were \$77,830 and \$73,039 for the years ended December 31, 2017 and 2016, respectively.

12. Line of Credit

On October 6, 2014 the Foundation obtained a line of credit from J.P. Morgan Chase Bank for \$1,000,000, which was originally set to expire on September 28, 2015. The line of credit was renewed until October 31, 2018. The line bears interest at the index which is the LIBOR rate plus 1.9% (indexed rate). The line was secured by substantially all of the Foundation's assets. As of December 31, 2017, the Foundation had no outstanding balance on the line of credit and \$1,000,000 was available.

IMMUNE DEFICIENCY FOUNDATION

Notes to Financial Statements
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13. Concentrations of Credit Risk

The Foundation has deposits in financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation and Securities Investor Protection Corporation (FDIC and SIPC) insured limits. The Foundation has not experienced any losses in such accounts and continually reviews credit concentrations as part of its asset and liability management.

14. Contingencies

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Foundation for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liability that may arise from such audits since the amounts, if any, cannot be determined at this date.

15. Effects of Current Economic Conditions and Contributions

The Foundation depends heavily on contributions and grants for its revenue. The ability of certain of the Foundation's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Foundation. While the Foundation's Board of Trustees believe the Foundation has the resources to continue programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

16. Risk and Uncertainties

The Foundation may invest in various types of marketable securities. Marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is possible that changes in the values of these securities may occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

17. Subsequent Events

Management has evaluated subsequent events through June 12, 2018, the date which the financial statements were available to be issued.