

# **Immune Deficiency Foundation And Subsidiary**

Consolidated Financial Report  
(In Accordance With OMB Circular A-133)  
December 31, 2012

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## **Independent Auditor's Report**

To the Board of Directors  
Immune Deficiency Foundation  
Towson, Maryland

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Immune Deficiency Foundation and Subsidiary (collectively, the Foundation) which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Immune Deficiency Foundation and Subsidiary (collectively, the Foundation) as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 10, 2013 and May 22, 2012, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*McGladrey LLP*

Baltimore, Maryland  
June 10, 2013

**Immune Deficiency Foundation And Subsidiary**

**Consolidated Statements Of Financial Position**

**December 31, 2012 And 2011**

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Cash And Cash Equivalents	\$ 903,186	\$ 708,595
Accounts Receivable	145,572	124,006
Prepaid Expenses And Other Assets	63,274	69,036
Property And Equipment, Net (Note 2)	287,587	472,577
Investments	5,799,237	4,512,770
<b>Total assets</b>	<b>\$ 7,198,856</b>	<b>\$ 5,886,984</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 217,272	\$ 139,608
Commitments And Contingencies (Notes 3 and 6)		
Net Assets		
Unrestricted:		
Operating	4,517,984	3,973,966
Board designated	734,519	464,385
	5,252,503	4,438,351
Temporarily restricted (Note 4)	1,695,390	1,281,687
Permanently restricted (Note 5)	33,691	27,338
<b>Total net assets</b>	<b>6,981,584</b>	<b>5,747,376</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,198,856</b>	<b>\$ 5,886,984</b>

See Notes To Consolidated Financial Statements.

Immune Deficiency Foundation And Subsidiary

Consolidated Statements Of Activities  
Years Ended December 31, 2012 And 2011

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenue:				
Public support:				
Contributions and grants	\$3,272,792	\$ 1,545,840	\$ 5,000	\$ 4,823,632
Net assets released from restrictions	1,132,137	(1,132,137)	-	-
<b>Total public support</b>	<b>4,404,929</b>	<b>413,703</b>	<b>5,000</b>	<b>4,823,632</b>
Government grants and other contract revenue	649,425	-	-	649,425
Revenue:				
Investment income	147,177	-	1,353	148,530
Other income	34,098	-	-	34,098
Special events	182,738	-	-	182,738
<b>Total revenue</b>	<b>364,013</b>	<b>-</b>	<b>1,353</b>	<b>365,366</b>
<b>Total public support and revenue</b>	<b>5,418,367</b>	<b>413,703</b>	<b>6,353</b>	<b>5,838,423</b>
Expenses:				
Program services:				
Medical and scientific	1,153,447	-	-	1,153,447
Services to patients and families	2,795,084	-	-	2,795,084
Supporting services:				
Administration and finance	559,202	-	-	559,202
Marketing and fundraising	96,482	-	-	96,482
<b>Total expenses</b>	<b>4,604,215</b>	<b>-</b>	<b>-</b>	<b>4,604,215</b>
<b>Change in net assets</b>	<b>814,152</b>	<b>413,703</b>	<b>6,353</b>	<b>1,234,208</b>
Net assets:				
Beginning	4,438,351	1,281,687	27,338	5,747,376
Ending	<b>\$ 5,252,503</b>	<b>\$ 1,695,390</b>	<b>\$ 33,691</b>	<b>\$ 6,981,584</b>

See Notes To Consolidated Financial Statements.

2011

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,776,053	\$ 1,281,687	\$ 11,125	\$ 5,068,865
1,555,738	(1,555,738)	-	-
5,331,791	(274,051)	11,125	5,068,865
640,220	-	-	640,220
20,721	-	-	20,721
93,442	-	-	93,442
304,883	-	-	304,883
419,046	-	-	419,046
6,391,057	(274,051)	11,125	6,128,131
1,906,738	-	-	1,906,738
3,169,670	-	-	3,169,670
495,428	-	-	495,428
214,125	-	-	214,125
5,785,961	-	-	5,785,961
605,096	(274,051)	11,125	342,170
3,833,255	1,555,738	16,213	5,405,206
\$ 4,438,351	\$ 1,281,687	\$ 27,338	\$ 5,747,376

**Immune Deficiency Foundation And Subsidiary**

**Consolidated Statement Of Functional Expenses  
Year Ended December 31, 2012  
(With Comparative Totals For 2011)**

	Medical And Scientific	Services To Patients And Families	Total Program Services
Salaries	\$ 310,634	\$ 998,703	\$ 1,309,337
Employee benefits	37,392	120,082	157,474
Payroll taxes, etc.	25,825	83,598	109,423
<b>Total salaries and related expenses</b>	<b>373,851</b>	<b>1,202,383</b>	<b>1,576,234</b>
Professional fees	489,645	583,456	1,073,101
Training, conference, conventions, and meetings	54,951	455,057	510,008
Travel	84,034	107,422	191,456
Awards and grants	9,595	36,125	45,720
Occupancy	29,385	91,420	120,805
Insurance	2,476	7,704	10,180
Printing and publications	13,614	56,245	69,859
Telephone	7,043	25,604	32,647
Postage and shipping	16,359	58,175	74,534
Supplies	4,377	6,215	10,592
Rental and maintenance of equipment	5,688	16,406	22,094
Miscellaneous	-	-	-
Advertising	-	1,246	1,246
Dues and subscriptions	3,810	1,077	4,887
<b>Total expenses before depreciation and amortization</b>	<b>1,094,828</b>	<b>2,648,535</b>	<b>3,743,363</b>
Depreciation and amortization	58,619	146,549	205,168
<b>Total expenses</b>	<b>\$ 1,153,447</b>	<b>\$ 2,795,084</b>	<b>\$ 3,948,531</b>

See Notes To Consolidated Financial Statements.



<b>Administration And Finance</b>	<b>Marketing And Fundraising</b>	<b>Total Supporting Services</b>	<b>2012 Total</b>	<b>2011 Total</b>
\$ 234,331	\$ 44,737	\$ 279,068	\$ 1,588,405	\$ 1,540,700
50,950	1,552	52,502	209,976	252,362
26,592	4,118	30,710	140,133	129,466
<b>311,873</b>	<b>50,407</b>	<b>362,280</b>	<b>1,938,514</b>	<b>1,922,528</b>
78,422	6,851	85,273	1,158,374	1,254,748
12,162	1,754	13,916	523,924	1,343,009
8,064	755	8,819	200,275	176,317
-	-	-	45,720	153,990
39,181	3,265	42,446	163,251	165,541
3,302	275	3,577	13,757	13,114
1,702	10,063	11,765	81,624	152,163
16,936	1,648	18,584	51,231	63,663
3,391	2,837	6,228	80,762	98,630
20,453	1,128	21,581	32,173	49,821
12,911	443	13,354	35,448	34,202
918	500	1,418	1,418	21,213
-	1,901	1,901	3,147	5,288
7,041	-	7,041	11,928	4,357
<b>516,356</b>	<b>81,827</b>	<b>598,183</b>	<b>4,341,546</b>	<b>5,458,584</b>
42,846	14,655	57,501	262,669	327,377
<b>\$ 559,202</b>	<b>\$ 96,482</b>	<b>\$ 655,684</b>	<b>\$ 4,604,215</b>	<b>\$ 5,785,961</b>

**Immune Deficiency Foundation And Subsidiary**

**Consolidated Statement Of Functional Expenses  
Year Ended December 31, 2011**

	Medical And Scientific	Services To Patients And Families	Total Program Services
Salaries	\$ 420,237	\$ 917,489	\$ 1,337,726
Employee benefits	68,834	150,282	219,116
Payroll taxes, etc.	35,313	77,097	112,410
<b>Total salaries and related expenses</b>	<b>524,384</b>	<b>1,144,868</b>	<b>1,669,252</b>
Professional fees	550,429	573,517	1,123,946
Training, conference, conventions, and meetings	422,174	749,823	1,171,997
Travel	60,564	98,750	159,314
Awards and grants	61,590	75,240	136,830
Occupancy	49,662	94,358	144,020
Insurance	3,934	7,475	11,409
Printing and publications	46,952	85,672	132,624
Telephone	20,650	35,025	55,675
Postage and shipping	30,563	55,426	85,989
Supplies	18,092	25,837	43,929
Rental and maintenance of equipment	10,261	19,495	29,756
Miscellaneous	6,364	12,091	18,455
Advertising	1,599	3,004	4,603
Dues and subscriptions	1,307	2,484	3,791
Interest	-	-	-
Administrative fees	-	-	-
<b>Total expenses before depreciation and amortization</b>	<b>1,808,525</b>	<b>2,983,065</b>	<b>4,791,590</b>
Depreciation and amortization	98,213	186,605	284,818
<b>Total expenses</b>	<b>\$ 1,906,738</b>	<b>\$ 3,169,670</b>	<b>\$ 5,076,408</b>

See Notes To Consolidated Financial Statements.

Administration And Finance	Marketing And Fundraising	Total Supporting Services	Total
\$ 144,443	\$ 58,531	\$ 202,974	\$ 1,540,700
23,659	9,587	33,246	252,362
12,138	4,918	17,056	129,466
180,240	73,036	253,276	1,922,528
90,555	40,247	130,802	1,254,748
118,393	52,619	171,012	1,343,009
11,077	5,926	17,003	176,317
11,880	5,280	17,160	153,990
14,899	6,622	21,521	165,541
1,180	525	1,705	13,114
13,527	6,012	19,539	152,163
5,530	2,458	7,988	63,663
8,751	3,890	12,641	98,630
4,079	1,813	5,892	49,821
3,078	1,368	4,446	34,202
1,909	849	2,758	21,213
474	211	685	5,288
392	174	566	4,357
-	-	-	-
-	-	-	-
465,964	201,030	666,994	5,458,584
29,464	13,095	42,559	327,377
\$ 495,428	\$ 214,125	\$ 709,553	\$ 5,785,961

**Immune Deficiency Foundation And Subsidiary**

**Consolidated Statements Of Cash Flows  
Years Ended December 31, 2012 And 2011**

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,234,208	\$ 342,170
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	262,669	327,377
Realized and unrealized (gain) loss on investments	(77,344)	41,084
Loss on disposal of fixed assts	-	14,791
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(21,566)	111,619
Prepaid expenses and other assets	5,762	9,511
Increase (decrease) in:		
Accounts payable and accrued expenses	77,664	(207,437)
<b>Net cash provided by operating activities</b>	<b>1,481,393</b>	<b>639,115</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(77,679)	(265,398)
Proceeds from sales of investments	608,203	1,670,561
Purchase of investments	(1,817,326)	(2,283,547)
<b>Net cash used in investing activities</b>	<b>(1,286,802)</b>	<b>(878,384)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>194,591</b>	<b>(239,269)</b>
<b>Cash And Cash Equivalents:</b>		
Beginning	708,595	947,864
Ending	\$ 903,186	\$ 708,595

See Notes To Consolidated Financial Statements.

## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Immune Deficiency Foundation (the Foundation) is a 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.

Primary Immunodeficiency Research Consortium, Inc. (PIRC) is a subsidiary of the Foundation.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary (collectively, the Foundation). All material intercompany transactions and balances have been eliminated upon consolidation.

Basis of presentation: The Foundation 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.

*Unrestricted net assets* – Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action 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, within which the balance of net assets together with accumulated earnings thereon are to be spent only for purposes approved by the Foundation.

*Temporarily restricted net assets* – Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. Any temporarily restricted resource that is received and used during the same current year is considered an unrestricted resource and is reported as unrestricted net assets.

*Permanently restricted net assets* – Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Foundations' actions.

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.

Financial risk: The Foundation has deposits in financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash.

## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

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 \$83,000 and \$28,000 are included in accounts receivable on the statement of financial position as of December 31, 2012 and 2011, 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, 2012 and 2011.

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. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Property and equipment: Property and equipment are stated at cost. Donations are reflected at fair value at the date of acquisition. Depreciation is provided using the straight-line method over the estimated useful life of the assets, which range from three to ten years.

Revenue recognition: The Foundation recognizes contributions and grants as revenue in the period received as unrestricted or temporarily restricted. Contributions and grants, net assets, and changes therein are classified and reported 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 Foundation submits expenses to NIH for reimbursement and recognizes revenue and expenses on the accrual basis of accounting.

Functional expense allocation: The costs of providing the various programs and services have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax status: The Foundation and PIRC are generally exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation has been determined by the Internal Revenue Service (IRS) not to be a private foundation within the meaning of Section 509(a) of the IRC. Any income, which is not related to tax exempt purpose, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation and PIRC had no net unrelated business income for the years ended December 31, 2012 and 2011.

The Foundation has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it's more-than-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

The guidance on accounting for uncertainty in income taxes also addresses de-recognition classification, interest, and penalties on income taxes, and accounting in interim periods. Management has evaluated the Foundation's tax positions and has concluded that Foundation has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provision of this guidance.

Generally, the Foundation is no longer subject to U.S. federal, state and local income tax examinations by tax authority for the years ended before 2009.

Use of estimates: The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Donated services: A substantial number of volunteers have made significant contributions of their time to the Foundation. Management estimates that volunteers donated approximately 8,359 and 8,310 hours of contributed time for the years ended December 31, 2012 and 2011, respectively. The value of this contributed time is not reflected in these consolidated financial statements since it is not susceptible to objective measurement or valuation.

Effect of current economic conditions on 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 believes the Foundation has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

Investments: The Foundation's investments in money market funds and certificates of deposit are at cost. Additionally the Foundation invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Subsequent events: The Foundation evaluated subsequent events for through June 10, 2013, which is the date the consolidated financial statements were available to be issued.

## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

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#### Note 2. Property And Equipment

Property and equipment consists of the following at December 31, 2012 and 2011:

	2012	2011
Equipment	\$ 133,814	\$ 94,217
Furniture and fixtures	87,648	78,665
Software and website	1,129,850	1,100,538
	<u>1,351,312</u>	<u>1,273,420</u>
Less accumulated depreciation	(1,063,725)	(800,843)
	<u>\$ 287,587</u>	<u>\$ 472,577</u>

#### Note 3. Commitments And Contingencies

Lease commitments: On October 1, 2010, the Foundation amended its office space lease agreement to include an adjacent space. Per the amendment, the new lease expires on September 30, 2015, and has a base rent of \$153,497. The amendment calls for escalated rent payments of 3 % beginning the first day of each subsequent lease year. Rent expense was \$163,251 and \$165,541 for the years ended December 31, 2012 and 2011, respectively.

Total future minimum lease commitments for the Foundation are as follows:

Years Ending December 31,

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2013	\$ 164,077
2014	169,013
2015	129,576
	<u>\$ 462,666</u>

Government contracts and grants: Amounts received or receivable from the federal government are subject to audit and adjustment. Any claims may constitute a liability of the Foundation. The amount, if any, of expenditures which may be potentially disallowed cannot be determined at this time, although the Foundation expects such amounts, if any, to be immaterial.



## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

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#### Note 4. Net Assets – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts that are subject to donor-imposed restrictions.

At December 31, 2012 and 2011, temporarily restricted net assets are available for the following purposes:

Years Ended December 31,	2012	2011
National Conference	\$ 449,740	\$ -
Core Services	400,000	425,000
Communications Initiative	199,300	222,687
Teen Program	161,700	75,000
E Personal Health Record	104,300	110,000
Education and Mentoring	100,600	60,000
Friends Sponsorship	79,000	50,000
Outreach and Training	75,750	69,000
Patient Programs	50,000	-
Nurse Advisory Committee	41,000	25,000
NAC CEU Online Course	20,000	20,000
Arcade Exclusive Sponsorship	14,000	30,000
Retreats	-	110,000
Research Project	-	50,000
Reel Stories Annual Maintenance/Sponsorship	-	35,000
<b>Total temporarily restricted net assets</b>	<b>\$ 1,695,390</b>	<b>\$ 1,281,687</b>

During the years ended December 31, 2012 and 2011, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of other events specified by the donors as follows:

Years Ended December 31,	2012	2011
Time restrictions accomplished	<b>\$ 1,132,137</b>	<b>\$ 1,555,738</b>

## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

#### Note 5. Endowment Funds And Other Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity. Permanently restricted net assets at December 31, 2012 and 2011, consisted of a donor restricted endowment fund. The permanently restricted balance was \$33,691 and \$27,338 at December 31, 2012 and 2011, respectively. During 2011, the Board of Directors passed a resolution to create a board designated endowment. The board designated endowment balance was \$734,519 and \$464,385 as of December 31, 2012 and 2011, respectively.

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

Interpretation of relevant law: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds 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 permanently 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets and is expendable for scholarships in accordance with the endowment agreement and in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return objective and risk parameters: The donor restricted endowment is funded by either or both of the annual contributions made to the Scholarship Program that exceed the funds necessary to support the scholarships awarded each year; and contributions and monies generated by fundraising events that are specially designated as funds allocated for the endowment. The investment return goal is to generate a 5% to 8 % annual return while invested in conservative investment instruments.

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: No distributions shall be made from the donor restricted endowment until the endowment has attained a balance of \$100,000. Once the endowment attains a balance of \$100,000 distributions of 5 % of the endowment balance may be made to the Scholarship Program.

Distributions for the board designated endowment may be made at the discretion of the Board.

Changes in endowment and other permanently restricted net assets for the years ended December 31, 2012 and 2011, are as follows:

	2012				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
Endowment net assets,					
beginning of year	\$ (885)	\$ 464,385	\$ -	\$ 27,338	\$ 490,838
Contributions	-	200,000	-	5,000	205,000
Investment gain	885	70,134	-	1,353	72,372
	<u>\$ -</u>	<u>\$ 734,519</u>	<u>\$ -</u>	<u>\$ 33,691</u>	<u>\$ 768,210</u>

## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

#### Note 5. Endowment Funds And Other Permanently Restricted Net Assets (Continued)

	2011				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ 16,213	\$ 16,213
Contributions	-	495,815	-	11,125	506,940
Investment loss	(885)	(31,430)	-	-	(32,315)
	<u>\$ (885)</u>	<u>\$ 464,385</u>	<u>\$ -</u>	<u>\$ 27,338</u>	<u>\$ 490,838</u>

Fund with deficiencies: From time-to-time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$885 as of December 31, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred during the year ended December 31, 2011.

#### Note 6. Salary Deferral Program

The Foundation is the sponsor of the Immune Deficiency Foundation 401(k) Plan. 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 \$40,546 and \$39,545 for the years ended December 31, 2012 and 2011, respectively.

#### Note 7. Investments

Investments are presented in the consolidated financial statements at cost or fair value and are composed of the following as of December 31, 2012 and 2011:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 5,018,756	\$ 5,018,756	\$ 4,012,182	\$ 4,012,182
Mutual funds	772,282	780,481	541,776	500,588
	<u>\$ 5,791,038</u>	<u>\$ 5,799,237</u>	<u>\$ 4,553,958</u>	<u>\$ 4,512,770</u>

Investment income is as follows for the years ended December 31, 2012 and 2011:

	2012	2011
Net unrealized gain (loss)	\$ 49,387	\$ (41,084)
Net realized gains	27,957	-
	<u>77,344</u>	<u>(41,084)</u>
Interest and dividends	71,186	61,805
	<u>\$ 148,530</u>	<u>\$ 20,721</u>

## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

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#### Note 8. Fair Value Measurements

The Foundation has adopted guidance issued by the Financial Accounting Standards Board (FASB) which defines fair value as 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 and sets out a 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). Inputs are broadly defined as assumption that market participants would use in pricing an asset or liability. The three levels of fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include mutual funds.

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in the category include corporation loans, less liquid, restricted equity securities and certain corporate bonds and over-the-counter derivatives. A significant adjustment to Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Inputs are unobservable for the asset or liability and include situations where there is little, if any market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following section describes the valuation techniques used by the Foundation:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – The Foundation has no Level 2 financial instruments as of December 31, 2012 and 2011.

Level 3 – The Foundation has no Level 3 financial instruments as of December 31, 2012 and 2011.

## Immune Deficiency Foundation And Subsidiary

### Notes To Consolidated Financial Statements

#### Note 8. Fair Value Measurements (Continued)

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2012 and 2011.

	2012			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity Mutual Funds	\$ 550,161	\$ -	\$ -	\$ 550,161
Fixed Income Mutual Funds	136,620	-	-	136,620
Global Real Estate Fund	66,195	-	-	66,195
Commodities	27,505	-	-	27,505
<b>Total</b>	<b>\$ 780,481</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 780,481</b>

  

	2011			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity Mutual Funds	\$ 367,653	\$ -	\$ -	\$ 367,653
Fixed Income Mutual Funds	87,471	-	-	87,471
Global Real Estate Fund	18,900	-	-	18,900
Commodities	26,564	-	-	26,564
<b>Total</b>	<b>\$ 500,588</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 500,588</b>

The Foundation excludes cash and cash equivalents from the fair value hierarchy as cash is generally measured as cost. As such, \$5,018,756 and \$4,012,182 of cash equivalents in the Foundations investment portfolio at December 31, 2012 and 2011, respectively, has been excluded from this table.

#### Note 9. Line Of Credit

The Foundation has a line of credit agreement with a bank for \$500,000, which expires on December 10, 2013. The line bears interest at the prime rate as set by the bank plus 1 % (Indexed rate). The line is subject to an interest rate floor of 5 %. The line is secured by substantially all of the Foundation's assets. As of December 31, 2012 and 2011, the Foundation had no outstanding balance on the line of credit.

#### Note 10. Self-Insured Program

The Foundation offers employees an option to participate in a self-insured health plan. Health claims under this plan are self-insured and are paid by the Foundation as they are submitted to the health plan Administrator. The Foundation maintains an accrual for claims that have been incurred but not reported to the Plan Administrator. The accrued liability for claims incurred but not reported is based on the historical claim lag period and current payment trends of health insurance claims.

While management believes that the provision for claims on employee health benefits is adequate, the ultimate liability may be in excess of or less than the amounts recorded. Accrued liability for estimated claims on employee health benefits are included in accounts payable and accrued expenses in the consolidated statements of financial position. As of June 30, 2012, the plan was terminated. The Foundation's provisions for health insurance were \$0 and \$3,201 as of December 31, 2012 and 2011, respectively.



## Independent Auditor's Report On The Supplementary Information

To the Board of Directors  
Immune Deficiency Foundation  
Towson, Maryland

We have audited the consolidated financial statements of Immune Deficiency Foundation and Subsidiary (collectively, the Foundation) as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon, dated June 10, 2013, which contained an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*McGladrey LLP*

Baltimore, Maryland  
June 10, 2013

**Immune Deficiency Foundation And Subsidiary**

**Consolidating Statement Of Financial Position  
Year Ended December 31, 2012**

<b>Assets</b>	The Foundation	PIRC	Eliminations	Total
Cash And Cash Equivalents	\$ 714,087	\$ 189,099	\$ -	\$ 903,186
Accounts Receivable	145,572	-	-	145,572
Prepaid Expenses And Other Assets	63,274	-	-	63,274
Due From The Foundation	-	-	-	-
Property And Equipment, Net	287,587	-	-	287,587
Investments	5,799,237	-	-	5,799,237
<b>Total assets</b>	<b>\$ 7,009,757</b>	<b>\$ 189,099</b>	<b>\$ -</b>	<b>\$ 7,198,856</b>
<b>Liabilities And Net Assets</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 217,272	\$ -	\$ -	\$ 217,272
<b>Total liabilities</b>	<b>217,272</b>	<b>-</b>	<b>-</b>	<b>217,272</b>
Commitments And Contingencies				
Net Assets				
Unrestricted:				
Operating	4,328,885	189,099	-	4,517,984
Board designated	734,519	-	-	734,519
	5,063,404	189,099	-	5,252,503
Temporarily restricted	1,695,390	-	-	1,695,390
Permanently restricted	33,691	-	-	33,691
<b>Total net assets</b>	<b>6,792,485</b>	<b>189,099</b>	<b>-</b>	<b>6,981,584</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,009,757</b>	<b>\$ 189,099</b>	<b>\$ -</b>	<b>\$ 7,198,856</b>

**Immune Deficiency Foundation And Subsidiary**

**Consolidating Statement Of Activities  
Year Ended December 31, 2012**

	The Foundation	PIRC	Eliminations	Total
Changes in unrestricted net assets:				
Public support and revenue:				
Public support:				
Contributions and grants	\$ 3,272,792	\$ -	\$ -	\$ 3,272,792
Net assets released from restrictions	1,132,137	-	-	1,132,137
<b>Total public support</b>	<b>4,404,929</b>	<b>-</b>	<b>-</b>	<b>4,404,929</b>
Government grants and other contract revenues	642,425	7,000	-	649,425
Revenue:				
Investment income	147,177	-	-	147,177
Other income	34,098	-	-	34,098
Special events	182,738	-	-	182,738
<b>Total revenue</b>	<b>364,013</b>	<b>-</b>	<b>-</b>	<b>364,013</b>
<b>Total public support and revenue</b>	<b>5,411,367</b>	<b>7,000</b>	<b>-</b>	<b>5,418,367</b>
Expenses:				
Program services:				
Medical and scientific	1,130,537	22,910	-	1,153,447
Services to patients and families	2,795,084	-	-	2,795,084
Supporting services:				
Administration and finance	559,202	-	-	559,202
Marketing and fundraising	96,482	-	-	96,482
<b>Total expenses</b>	<b>4,581,305</b>	<b>22,910</b>	<b>-</b>	<b>4,604,215</b>
<b>Change in unrestricted net assets</b>	<b>830,062</b>	<b>(15,910)</b>	<b>-</b>	<b>814,152</b>
Changes in temporarily restricted net assets:				
Corporate grants	1,545,840	-	-	1,545,840
Interest and other income	-	-	-	-
Net assets released from restrictions	(1,132,137)	-	-	(1,132,137)
<b>Change in temporarily restricted net assets</b>	<b>413,703</b>	<b>-</b>	<b>-</b>	<b>413,703</b>
Changes in permanently restricted net assets:				
Contributions	5,000	-	-	5,000
Interest and other income	1,353	-	-	1,353
<b>Change in permanently restricted net assets</b>	<b>6,353</b>	<b>-</b>	<b>-</b>	<b>6,353</b>
<b>Change in net assets</b>	<b>\$ 1,250,118</b>	<b>\$ (15,910)</b>	<b>\$ -</b>	<b>\$ 1,234,208</b>





**Independent Auditor's Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

To the Board of Trustees  
Immune Deficiency Foundation  
Towson, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Immune Deficiency Foundation and Subsidiary (collectively, the Foundation), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated June 10, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See Finding 2012-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Foundation's Response to Findings**

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the date and location information.

Baltimore, Maryland  
June 10, 2013



**Independent Auditor's Report On Compliance For Each Major Federal Program;  
Report On Internal Control Over Compliance; And Report On The Schedule Of  
Expenditures Of Federal Awards Required By OMB Circular A-133**

To the Board of Trustees  
Immune Deficiency Foundation  
Towson, Maryland

**Report on Compliance for Each Major Federal Program**

We have audited Immune Deficiency Foundation and Subsidiary (collectively, the Foundation) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2012. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-2 that we consider to be a significant deficiency.

The Foundation's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the consolidated financial statements of the Foundation as of and for the year ended December 31, 2012, and have issued our report thereon dated June 10, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statement or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*McGladrey LLP*

Baltimore, Maryland  
June 10, 2013

**Immune Deficiency Foundation And Subsidiary**

**Schedule Of Expenditures Of Federal Awards  
Year Ended December 31, 2012**

Federal Grantor/ Pass through Grantor	Program Title	CFDA Number	Grant Number	Grant Expenditures
<b>U.S. Department of Health and Human Services</b>				
National Institutes of Health	Resources to Assist Investigations in Primary Immunodeficiency Diseases	93.855	5U24AI086037	\$ 642,425

See Note To Schedule Of Expenditures Of Federal Awards

## **Immune Deficiency Foundation and Subsidiary**

### **Note To Schedule Of Expenditures Of Federal Awards**

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#### **Note 1. Basis Of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Trust and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

**Immune Deficiency Foundation And Subsidiary**

**Schedule Of Findings And Questioned Costs  
Year Ended December 31, 2012**

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**Section I – Summary Of Auditor’s Results**

Financial Statements:

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?      Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes      None Reported

Noncompliance material to financial statements noted?      Yes   X   No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified?      Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes      None Reported

Type of auditor’s report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   X   Yes      No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.855	Resources to Assist Investigations in Primary Immunodeficiency Diseases

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low risk auditee?      Yes   X   No\*

\*Required to be checked as No as IDF did not have an A-133 audit requirement during the year ended December 31, 2010.

(Continued)



## **Immune Deficiency Foundation And Subsidiary**

### **Schedule Of Findings And Questioned Costs (Continued) Year Ended December 31, 2012**

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#### **Section II. Financial Statement Findings**

##### **Finding 2012-1: Cutoff**

Criteria: OMB Circular A-110 requires an organization to ensure that expenditures are reported in the proper time as expenses are incurred. This is an important part of maintaining an adequate internal control structure.

Condition: Certain expenditures were recorded in the period paid instead of the period in which they were incurred. We noted that there did not appear to be adequate procedures in place to ensure a proper cutoff of accounts payable.

Context: The exceptions relate to expenses that were incurred in 2011 but were actually recorded in 2012. We reviewed all material transactions and noted that the total amount of the error is \$39,467. This amount is immaterial to the financial statements as a whole. The amount is material to the program, however, the period of availability runs from fiscal years 2010 through 2014, therefore adjustment of prior year's Schedule of Expenditures of Federal Awards is not considered necessary.

Cause: The established policies and procedures of the Immune Deficiency Foundation and Subsidiary were not consistently followed for the program as of December 31, 2012.

Effect: Management reports for the program as of December 31, 2011 may not represent complete and accurate financial information.

Recommendation: We recommend that the Immune Deficiency Foundation and Subsidiary review all invoices received to ensure that the expenses are recorded in the proper period.

Views of Responsible Officials and Planned Corrective Actions: This finding was in relation to expenses incurred in 2011 but not recorded until early 2012. This was discovered in April 2013, during the 2012 audit. As noted by the reviewer, the amount of the expense not accrued in the proper year is immaterial to the financial statements as a whole. However, the amount is considered material to the program but the program period of performance runs from fiscal years 2010 through 2014, therefore adjustment of prior year's Schedule of Expenditures of Federal Awards was not considered necessary.

The Foundation agrees with the audit recommendation to review all invoices received to ensure that the expenses are recorded in the proper period in accordance with our established policies and procedures.

#### **Section III. Findings And Questioned Costs For Federal Awards**

##### **INTERNAL CONTROLS OVER COMPLIANCE**

*Agency and Award:* National Institutes of Health, Award 5U24AI086037

##### **Finding 2012-2: Cutoff**

See Finding 2012-1.

##### **COMPLIANCE**

None

## **Immune Deficiency Foundation And Subsidiary**

### **Summary Schedule of Prior Audit Findings Year Ended December 31, 2012**

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#### **Section II. Financial Statement Findings (Prior Year)**

##### **Finding 2011-1: Accounts Payable Review**

Condition: During fieldwork of the 2011 audit, the auditors determined that an invoice had been recorded twice in the aging schedules.

Current Status: Corrective action was taken.

##### **Finding 2011-2: Grant Revenue Reconciliation**

Condition: During procedures performed over federal grant revenue the auditors determined that revenue for unbilled receivables had not been properly accrued.

Current Status: Corrective action was taken.

##### **Finding 2011-3: Allowable Costs**

Condition: During the testing of internal controls over compliance for direct costs, the auditors noted that the payroll allocation for one employee was not calculated properly; therefore, the amount of salaries allocated to the award based on the employee's timesheet did not agree to amount allocated based on the allocation spreadsheet.

Current Status: Corrective action was taken.

#### **COMPLIANCE**

##### **Finding 2011-4: Allowable Costs**

Condition: See Finding 2011-3

Current Status: Corrective action was taken.