



**OPEN MEDICINE FOUNDATION**  
(A Non-Profit Corporation)

**AUDITED FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2015**

*with*

**INDEPENDENT AUDITORS' REPORT THEREON**

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**OPEN MEDICINE FOUNDATION**  
(A Non-Profit Corporation)

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## **Independent Auditors' Report**

To the Board of Directors  
Open Medicine Foundation

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

We have audited the accompanying financial statements of Open Medicine Foundation (the "Organization," a non-profit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Open Medicine Foundation as of December 31, 2015, 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.

*PDM, LLR*

Torrance, California  
April 15, 2016

**OPEN MEDICINE FOUNDATION**  
(A Non-Profit Corporation)

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015

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2015

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,416,939
Contributions receivable	<u>11,068</u>
	<u>\$ 1,428,007</u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 15,566
Grants payable	<u>622,500</u>
	<u>638,066</u>

**NET ASSETS**

Unrestricted	<u>789,941</u>
	<u>\$ 1,428,007</u>

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*The accompanying notes are an  
integral part of these financial statements*

**OPEN MEDICINE FOUNDATION**  
(A Non-Profit Corporation)

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015

	2015		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 949,878	\$ 887,780	\$ 1,837,658
Grant	-	32,186	32,186
Interest income	223	-	223
In-kind services	1,650	-	1,650
Net assets released from restrictions	919,966	(919,966)	-
	1,871,717	-	1,871,717
<b>FUNCTIONAL EXPENSES</b>			
Program services	1,136,998	-	1,136,998
Supporting services	76,593	-	76,593
Fundraising	33,523	-	33,523
	1,247,114	-	1,247,114
<b>CHANGE IN NET ASSETS</b>	624,603	-	624,603
<b>NET ASSETS, beginning of year</b>	165,338	-	165,338
<b>NET ASSETS, end of year</b>	\$ 789,941	\$ -	\$ 789,941

*The accompanying notes are an  
integral part of these financial statements*

**OPEN MEDICINE FOUNDATION**  
(A Non-Profit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2015**

	2015			
	Program Services	Supporting Services	Fundraising	Total
Salaries and wages	\$ 105,000	\$ 22,500	\$ 22,500	\$ 150,000
Payroll taxes	6,837	1,465	1,465	9,767
Total personnel expenses	111,837	23,965	23,965	159,767
Administrative	-	2,623	-	2,623
Conferences and education	5,300	672	-	5,972
Fundraising	-	-	3,648	3,648
Grant research	977,687	-	-	977,687
Information technology	2,071	412	2,072	4,555
In-kind labor	1,650	-	-	1,650
Insurance	-	1,962	-	1,962
Meals and entertainment	2,038	274	-	2,312
Merchant fees	-	-	3,838	3,838
Professionals services	12,978	39,421	-	52,399
Promotion and advertising	-	1,048	-	1,048
Taxes	-	135	-	135
Travel and meetings	23,437	1,683	-	25,120
Website	-	4,398	-	4,398
	\$ 1,136,998	\$ 76,593	\$ 33,523	\$ 1,247,114

*The accompanying notes are an  
integral part of these financial statements*

**OPEN MEDICINE FOUNDATION**  
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**STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015**

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	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 624,603
Adjustments to reconcile change in net assets to net cash from operating activities:	
Changes in operating assets and liabilities:	
Contributions receivable	(11,068)
Accounts payable and accrued expenses	11,998
Grants payable	<u>582,789</u>
Net cash flows from operating activities	<u>1,208,322</u>
 Net change cash and cash equivalents	 1,208,322
 Cash and cash equivalents, beginning of year	 <u>208,617</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 1,416,939</u></u>

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integral part of these financial statements*

**OPEN MEDICINE FOUNDATION**  
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE 1 - ORGANIZATION**

Open Medicine Foundation (the “Organization,” a non-profit corporation) was founded in 2012 to support research and engage the patient community of chronic complex illnesses by bringing together a community of “thought leaders”, patients, clinicians and researchers for a targeted initiative. Through collaborative medical research efforts, they strive to find effective treatments for those suffering from difficult-to-treat illnesses. Open Medicine Foundation is currently focused on researching chronic fatigue syndrome/myalgic encephalomyelitis in hopes of discovering diagnostic markers and to bring answers to other chronic complex diseases that share some of the symptoms.

Funding

The Organization receives funding primarily through contribution from individuals, foundations and corporations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America which require that contributions of goods and services be recorded at their estimated fair market value when received.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are not subject to donor-imposed stipulations and are available to support the Organization’s activities and operations at the discretion of the Board of Directors. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by the actions of a party and/or the passage of time, while permanently restricted net assets are subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization.

As of and for the year ended December 31, 2015, the Organization had no temporarily or permanently restricted net assets.

**OPEN MEDICINE FOUNDATION**  
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, are provided by the individual possessing those skills and would typically need to be purchased, if not provided by donation, are recorded at the fair values in the period received. Volunteers who perform services for the Organization have contributed significant amounts of time to the Organization. A dollar valuation of their efforts is not reflected in the financial statements since it does not meet the criteria for recognition.

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include operating cash held in banks, money market funds, and investments with an original maturity of ninety days or less. The Organization maintains its cash balances in a financial institution, the balances of which may, at times, exceed federally insured limits.

**OPEN MEDICINE FOUNDATION**  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Contributions Receivable

Contributions receivable represent contributions to the Organization by private donors that are collectible after the year-end. It is the policy of management to review outstanding contributions receivable at year-end, as well as any historical bad debt write-offs, to establish and allowance for uncollectible amounts. Collection losses related to contributions receivable have historically been minimal. As such, no allowance for uncollectible accounts was recorded.

Contributed goods and services

Contributions of services are recognized in the financial statements (as in-kind revenue and a corresponding in-kind expense) if the services enhance or create non-financial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Grants Payable

Grants payable as of December 31, 2015 were funds committed by the Organization to a research institution located in Mountain View, California that has doctors specializing in performing research of Chronic Complex Illnesses.

Grant Research

Grant research represents funds granted to clinical and academic research facilities for direct research of Chronic Complex Illnesses study.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. During the year, costs are categorized into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support activities by the method that best measures the relative degree of benefit.

*Program services* - Expenses include costs that primarily relate to research projects.

*Supporting services* - Expenses include costs that primarily relate to management and general administration.

*Fundraising expenses* - Expenses include costs that primarily relate to fundraising activities to obtain grants and generate revenue through contributions.

**OPEN MEDICINE FOUNDATION**  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Income Taxes

The Organization is a qualified non-profit organization under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is not classified as a private foundation. Non-profit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes for the Organization in the financial statements. The Organization had no unrelated business income during the years ended December 31, 2015.

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained in an audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions during the years ended December 31, 2015.

As of December 31, 2015, all federal and state tax returns since the 2012 tax year are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

Risks and Uncertainties

Certain services of the Organization are governed by grant agreements with foundations. Failure to fulfill grant terms could result in the return of funds to grantors. Although it is a possibility, the Organization considers the contingency remote since, by accepting the grant and its terms, the Organization acknowledges the requirements of the grantor at the time of the award.

Subsequent Events

Subsequent events have been evaluated by the Organization through April 15, 2016, which is the date these financial statements were issued, and no subsequent events have arisen, other than those described in these financial statements, that would require disclosure.

**OPEN MEDICINE FOUNDATION**  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2015 consist of the following:

	<u>January 1,</u> <u>2015</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31,</u> <u>2015</u>
Temporarily restricted				
Research for ME/CFS	\$ -	\$ 887,780	\$ (887,780)	\$ -
Professional services - consulting	-	32,186	(32,186)	-
	<u>\$ -</u>	<u>\$ 919,966</u>	<u>\$ (919,966)</u>	<u>\$ -</u>

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

**Legal** – The Organization may be involved, from time-to-time, in various claims, lawsuits and disputes with third parties, actions involving allegations or discrimination, or breach of contract actions incidental in the normal operations of the business. The Organization is currently not involved in any such litigation.

**Indemnities and guarantees** – The Organization has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions. The Organization indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the State of California. The duration of the guarantees and indemnities varies, and in many cases is indefinite. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Organization could be obligated to make. Historically, the Organization has not been obligated to make any payments for these obligations and, as a result, no liabilities have been recorded for these indemnities and guarantees in the accompanying statement of financial position.