



## FINANCIAL REPORT

### **REAGAN-UDALL FOUNDATION FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

YEARS ENDED DECEMBER 31, 2012 AND 2011

**REAGAN-UDALL FOUNDATION  
FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

**FINANCIAL REPORT  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Reagan-Udall Foundation for the Food and Drug Administration, Inc.  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying financial statements of Reagan-Udall Foundation for the Food and Drug Administration, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reagan-Udall Foundation for the Food and Drug Administration, Inc. as of December 31, 2012 and 2011, 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.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 9 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Thompson Greenspon*

Fairfax, Virginia  
July 21, 2014

**REAGAN-UDALL FOUNDATION  
FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,105,444	\$ 882,486
Prepaid expenses	10,347	15,169
	1,115,791	897,655
<b>Property and Equipment</b>		
Property and equipment	3,385	-
Website	30,286	-
Accumulated depreciation	(7,360)	-
	26,311	-
<b>Other Assets</b>		
Security deposits	9,780	5,880
	9,780	5,880
<b>Total Assets</b>	<b>\$ 1,151,882</b>	<b>\$ 903,535</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 201,277	\$ 13,480
Accrued wages	4,199	-
Deferred rent	-	3,316
	205,476	16,796
<b>Net Assets</b>		
Unrestricted	125,868	126,258
Temporarily restricted	820,538	760,481
	946,406	886,739
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,151,882</b>	<b>\$ 903,535</b>

The Notes to Financial Statements are an integral part of these statements.

**REAGAN-UDALL FOUNDATION  
FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Contributions	\$ 11,428	\$ -	\$ 11,428	\$ 20,795	\$ -	\$ 20,795
Grants	-	900,000	900,000	127,456	939,709	1,067,165
Net assets released from restrictions	839,943	(839,943)	-	179,228	(179,228)	-
<b>Total Support and Revenue</b>	<u>851,371</u>	<u>60,057</u>	<u>911,428</u>	<u>327,479</u>	<u>760,481</u>	<u>1,087,960</u>
<b>Expenses</b>						
Programs	520,960	-	520,960	179,228	-	179,228
Development	15,468	-	15,468	13,000	-	13,000
Management and general	315,333	-	315,333	71,011	-	71,011
<b>Total Expenses</b>	<u>851,761</u>	<u>-</u>	<u>851,761</u>	<u>263,239</u>	<u>-</u>	<u>263,239</u>
<b>Change in Net Assets</b>	(390)	60,057	59,667	64,240	760,481	824,721
<b>Net Assets, beginning of year</b>	<u>126,258</u>	<u>760,481</u>	<u>886,739</u>	<u>62,018</u>	<u>-</u>	<u>62,018</u>
<b>Net Assets, end of year</b>	<u>\$ 125,868</u>	<u>\$ 820,538</u>	<u>\$ 946,406</u>	<u>\$ 126,258</u>	<u>\$ 760,481</u>	<u>\$ 886,739</u>

The Notes to Financial Statements are an integral part of these statements.

**REAGAN-UDALL FOUNDATION  
FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 59,667	\$ 824,721
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	7,360	-
(Increase) Decrease in		
Grants receivable	-	75,000
Prepaid expenses	4,822	(15,169)
Increase (Decrease) in		
Accounts payable	187,797	10,933
Accrued wages	4,199	(13,735)
Deferred rent	(3,316)	3,316
	<u>260,529</u>	<u>885,066</u>
<b>Net Cash Provided by Operating Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Increase in security deposits	(3,900)	(5,880)
Payments for the purchase of property	(33,671)	-
	<u>(37,571)</u>	<u>(5,880)</u>
<b>Net Cash Used by Investing Activities</b>		
<b>Net Increase in Cash and Cash Equivalents</b>	222,958	879,186
<b>Cash and Cash Equivalents, beginning of year</b>	<u>882,486</u>	<u>3,300</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 1,105,444</u>	<u>\$ 882,486</u>

The Notes to Financial Statements are an integral part of these statements.

**REAGAN-UDALL FOUNDATION  
FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Purpose**

Reagan-Udall Foundation for the Food and Drug Administration, Inc. (the Foundation) is a non-profit organization created by Congress in 2007 and incorporated under the laws of the State of Maryland. The Foundation was in organization until 2009. The Foundation's primary purpose is to advance the mission of the Food and Drug Administration to modernize medical, veterinary, food, food ingredient, and cosmetic product development, accelerate innovation, and enhance product safety pursuant to Section 770 of the Federal Food, Drug, and Cosmetic Act. The Foundation's current projects include the System Toxicology Project and the Critical Path to Tuberculosis Drug Regimens Project (CPTR). The Foundation is currently located in Washington, D.C.

The activities of the Foundation are financed by grants, contributions, and the Food and Drug Administration (FDA) funds specifically prescribed under the statute to be appropriated to the FDA and then transferred to the Foundation. The Commissioner of the FDA shall transfer not less than \$500,000 and not more than \$1,250,000 for each fiscal year. As of December 31, 2011, no funds had been transferred by the FDA. Approximately \$900,000 was transferred by the FDA in June 2012 and \$500,000 in May 2013. Funds received from the FDA are to be utilized for the core operations of the Foundation to include strategic planning.

**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Support and Revenue**

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Grants receivable represents amounts which have been promised but not yet received. All grants receivable are expected to be collectable. Various grants received by the Foundation periodically require progress reports on the activities of the Foundation.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, cash equivalents include demand deposits and certificate of deposits with original maturities of three months or less.

The Foundation maintains its cash accounts with one financial institution. The Federal Deposit Insurance Corporation (FDIC) secures these accounts up to \$250,000. All non-interest bearing accounts are fully insured through 2012. At December 31, 2012, all of the Foundation's cash funds are fully insured by the FDIC.



**REAGAN-UDALL FOUNDATION  
FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(continued)

**Property and Equipment**

The Foundation has a capitalization policy for qualifying assets in excess of \$1,000. Computer equipment and website charges are reported at cost. Assets are depreciated over a three year estimated life using the straight-line method. Depreciation expense for the year ended December 31, 2012 was \$7,360. There was no depreciation expense for the year ended December 31, 2011.

**Net Assets**

Unrestricted net assets are those that are not subject to donor-imposed stipulations. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

**Functional Allocation of Expenses**

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

**Income Tax Status**

Under Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Maryland, the Foundation is exempt from taxes on income related to its exempt purpose.

The Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

The Foundation files Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service. Currently, the 2011, 2010 and 2009 income tax returns are open and subject to examination. The Foundation is not currently under audit by any income tax jurisdiction.

**Donated Services**

Donated professional services are recognized at their fair value when the services are rendered. During the year ended December 31, 2011, the Foundation recognized \$20,795 in donated legal services. There were no donated services for the year ended December 31, 2012.

**Subsequent Events**

The date to which events occurring after December 31, 2012, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 21, 2014, which is the date on which the financial statements were available to be issued.

**REAGAN-UDALL FOUNDATION  
FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**2. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets released from restrictions and the remaining temporarily restricted net assets are as follows at December 31, 2012 and 2011:

	2012	
	Released from Restriction	Temporarily Restricted Net Assets
System Toxicology Project	\$ 35,906	\$ -
CPTR	207,160	517,416
FDA	596,877	303,122
Totals	\$ 839,943	\$ 820,538
	2011	
	Released from Restriction	Temporarily Restricted Net Assets
System Toxicology Project	\$ 54,094	\$ 35,906
CPTR	125,134	724,575
Totals	\$ 179,228	\$ 760,481

**3. CONCENTRATION OF RISK**

At December 31, 2012 and 2011, one entity accounted for 99 percent and 89 percent of revenue, respectively.

**4. LEASE COMMITMENTS**

In October 2011, the Foundation entered into a leases for office space in Washington, D.C., which commenced in November 2011. The Foundation entered into leases for additional office space within the same building during 2012. All the leases automatically renew every 6 months if termination notice is not given to the landlord within 60 days of expiration. The leases are currently scheduled to expire on December 31, 2013. The lease includes various services such as furniture rental. Future minimum lease payments under this noncancelable operating lease at December 31, 2012 is \$140,880.

Rent expense for the years ended December 31, 2012 and 2011 was \$90,524 and \$7,236, respectively.

**5. CONTINGENCY**

The Foundation expended greater than \$500,000 in Federal awards during the year ended December 31, 2012. The Foundation elected not to complete the required single audit and believes there is no significant contingency or risk associated with the non-compliance.

**REAGAN-UDALL FOUNDATION  
FOR THE FOOD AND DRUG ADMINISTRATION, INC.**

**SCHEDULES OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012				2011			
	Programs	Development	Management and General	Total	Programs	Development	Management and General	Total
Salaries and fringe benefits	\$ 204,515	\$ 11,818	\$ 82,265	\$ 298,598	\$ 148,425	\$ 13,000	\$ 21,150	\$ 182,575
Meetings and conferences	1,004	-	3,507	4,511	9,101	-	-	9,101
Occupancy	63,760	3,650	32,963	100,373	-	-	8,134	8,134
Office and communication expenses	2,536	-	42,771	45,307	1,360	-	1,694	3,054
Professional services	226,277	-	150,922	377,199	15,458	-	39,192	54,650
Travel	22,868	-	2,905	25,773	4,884	-	841	5,725
<b>Totals</b>	<b><u>\$ 520,960</u></b>	<b><u>\$ 15,468</u></b>	<b><u>\$ 315,333</u></b>	<b><u>\$ 851,761</u></b>	<b><u>\$ 179,228</u></b>	<b><u>\$ 13,000</u></b>	<b><u>\$ 71,011</u></b>	<b><u>\$ 263,239</u></b>

THOMPSON GREENSPON