



## FINANCIAL REPORT

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

YEARS ENDED DECEMBER 31, 2013 AND 2012

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

**FINANCIAL REPORT  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 8
<b>SUPPLEMENTARY INFORMATION</b>	
Schedules of Functional Expenses	9

## 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, 2013 and 2012, 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, 2013 and 2012, 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 audits were 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 audits 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  
January 7, 2015

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

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 479,527	\$ 1,105,444
Grants receivable, current portion	700,000	-
Prepaid expenses	53,862	10,347
	<u>1,233,389</u>	<u>1,115,791</u>
<b>Property and Equipment</b>		
Property and equipment	7,912	3,385
Website	33,786	30,286
Accumulated depreciation	(19,417)	(7,360)
	<u>22,281</u>	<u>26,311</u>
<b>Other Assets</b>		
Grants receivable, net of current portion	207,010	-
Security deposits	15,660	9,780
	<u>222,670</u>	<u>9,780</u>
<b>Total Assets</b>	<u>\$ 1,478,340</u>	<u>\$ 1,151,882</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 418,823	\$ 201,277
Accrued wages	12,240	4,199
	<u>431,063</u>	<u>205,476</u>
<b>Net Assets</b>		
Unrestricted	95,327	125,868
Temporarily restricted	951,950	820,538
	<u>1,047,277</u>	<u>946,406</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,478,340</u>	<u>\$ 1,151,882</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 ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Contributions	\$ 395	\$ -	\$ 395	\$ 11,428	\$ -	\$ 11,428
Grants	150,000	4,016,446	4,166,446	-	900,000	900,000
Net assets released from restrictions	3,885,034	(3,885,034)	-	839,943	(839,943)	-
<b>Total Support and Revenue</b>	<b>4,035,429</b>	<b>131,412</b>	<b>4,166,841</b>	<b>851,371</b>	<b>60,057</b>	<b>911,428</b>
<b>Expenses</b>						
Programs	3,579,276	-	3,579,276	520,960	-	520,960
Development	8,846	-	8,846	15,468	-	15,468
Management and general	477,848	-	477,848	315,333	-	315,333
<b>Total Expenses</b>	<b>4,065,970</b>	<b>-</b>	<b>4,065,970</b>	<b>851,761</b>	<b>-</b>	<b>851,761</b>
<b>Change in Net Assets</b>	<b>(30,541)</b>	<b>131,412</b>	<b>100,871</b>	<b>(390)</b>	<b>60,057</b>	<b>59,667</b>
<b>Net Assets, beginning of year</b>	<b>125,868</b>	<b>820,538</b>	<b>946,406</b>	<b>126,258</b>	<b>760,481</b>	<b>886,739</b>
<b>Net Assets, end of year</b>	<b>\$ 95,327</b>	<b>\$ 951,950</b>	<b>\$ 1,047,277</b>	<b>\$ 125,868</b>	<b>\$ 820,538</b>	<b>\$ 946,406</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 CASH FLOWS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 100,871	\$ 59,667
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	12,057	7,360
(Increase) Decrease in		
Grants receivable	(907,010)	-
Prepaid expenses	(43,515)	4,822
Increase (Decrease) in		
Accounts payable	217,546	187,797
Accrued wages	8,041	4,199
Deferred rent	-	(3,316)
	<u>(612,010)</u>	<u>260,529</u>
<b>Cash Flows from Investing Activities</b>		
Increase in security deposits	(5,880)	(3,900)
Payments for the purchase of property	(8,027)	(33,671)
	<u>(13,907)</u>	<u>(37,571)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(625,917)	222,958
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,105,444</u>	<u>882,486</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 479,527</u>	<u>\$ 1,105,444</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, 2013 AND 2012**

**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 Critical Path to Tuberculosis Drug Regimens Project (CPTR), the Innovation in Medical Evidence Development and Surveillance (IMEDS) and the Alzheimer's Association fellowship (AA). 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 (the 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. 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. At December 31, 2013, the Foundation's uninsured cash balances total approximately \$567,000.



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

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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 and amortization expense for the years ended December 31, 2013 and 2012 was \$12,057 and \$7,360, respectively.

**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 2012, 2011 and 2010 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 years ended December 31, 2013 and 2012, there were no donated services.

**Subsequent Events**

The date to which events occurring after December 31, 2013, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 7, 2015, 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, 2013 AND 2012**

**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:

	2013	
	Released from Restriction	Temporarily Restricted Net Assets
IMEDS	\$ 3,031,006	\$ 222,439
AA	6,050	406,951
CPTR	194,856	322,560
FDA	653,122	-
Totals	\$ 3,885,034	\$ 951,950
	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

**3. CONCENTRATION OF RISK**

At December 31, 2013 and 2012, one entity accounted for 12 percent and 99 percent of revenue, respectively. At December 31, 2013, three entities accounted for all of the grants receivable.

During 2013, approximately \$313,000 of funds was received by the Foundation to continue work on the Observational Medical Outcomes Partnership (OMOP), which had been housed at the Foundation for the National Institute of Health. The funds received and related expenses are included with the Foundation's IMEDS program.

**4. LEASE COMMITMENTS**

In October 2011, the Foundation entered into a lease 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 2013. 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 15, 2014. These leases include various services such as furniture rental. Future minimum lease payments under these noncancelable operating leases at December 31, 2013 is \$164,400.

Rent expense for the years ended December 31, 2013 and 2012 was \$157,824 and \$90,524, respectively.

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

**SCHEDULES OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013				2012			
	Programs	Development	Management and General	Total	Programs	Development	Management and General	Total
Salaries and fringe benefits	\$ 287,083	\$ 5,968	\$ 151,339	\$ 444,390	\$ 204,515	\$ 11,818	\$ 82,265	\$ 298,598
Travel, meetings, and conferences	208,204	558	22,005	230,767	23,872	-	6,412	30,284
Occupancy	111,095	2,309	58,565	171,969	63,760	3,650	32,963	100,373
Office and communication expenses	502,850	11	44,692	547,553	2,536	-	42,771	45,307
Professional services	2,470,044	-	201,247	2,671,291	226,277	-	150,922	377,199
<b>Totals</b>	<b><u>\$ 3,579,276</u></b>	<b><u>\$ 8,846</u></b>	<b><u>\$ 477,848</u></b>	<b><u>\$ 4,065,970</u></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>

THOMPSON GREENSPON