

Financial Statements

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

YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

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

FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

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THOMPSON, GREENSPON & CO., P.C.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Reagan-Udall Foundation for the Food and Drug Administration, Inc. as of December 31, 2011, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Reagan-Udall Foundation for the Food and Drug Administration, Inc.'s management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses 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.



Fairfax, Virginia
November 19, 2012

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011, 2010 AND 2009

	2011	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 882,486	\$ 3,300	\$ 15,765
Grants receivable	-	75,000	-
Prepaid expenses	15,169	-	34
Total Current Assets	897,655	78,300	15,799
Other Assets			
Security deposits	5,880	-	-
Total Assets	\$ 903,535	\$ 78,300	\$ 15,799
 LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 13,480	\$ 2,547	\$ 6,056
Accrued wages	-	13,735	-
Deferred rent	3,316	-	-
Total Liabilities	16,796	16,282	6,056
Net Assets			
Unrestricted	126,258	62,018	9,743
Temporarily restricted	760,481	-	-
Total Net Assets	886,739	62,018	9,743
Total Liabilities and Net Assets	\$ 903,535	\$ 78,300	\$ 15,799

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, 2011, 2010 AND 2009

	2011		2010		2009	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support and Revenue						
Contributions	\$ 20,795	\$ -	\$ 49,370	\$ -	\$ 128,780	\$ -
Grants	127,456	939,709	150,000	-	-	-
Net assets released from restrictions	179,228	(179,228)	-	-	-	-
Total Support and Revenue	327,479	760,481	199,370	-	128,780	-
Expenses						
Programs	179,228	-	-	-	-	-
Development	13,000	-	9,480	-	4,881	-
Management and general	71,011	-	137,615	-	114,156	-
Total Expenses	263,239	-	147,095	-	119,037	-
Change in Net Assets	64,240	760,481	52,275	-	9,743	-
Net Assets, beginning of year	62,018	-	9,743	-	-	-
Net Assets, end of year	\$ 126,258	\$ 760,481	\$ 62,018	\$ -	\$ 9,743	\$ -

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, 2011, 2010 AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities			
Change in net assets	\$ 824,721	\$ 52,275	\$ 9,743
(Increase) Decrease in			
Grants receivable	75,000	(75,000)	-
Prepaid expenses	(15,169)	34	(34)
Increase (Decrease) in			
Accounts payable	10,933	(3,509)	6,056
Accrued wages	(13,735)	13,735	-
Deferred rent	3,316	-	-
	<u>885,066</u>	<u>(12,465)</u>	<u>15,765</u>
Net Cash Provided (Used) by Operating Activities			
	<u>885,066</u>	<u>(12,465)</u>	<u>15,765</u>
Cash Flows from Investing Activities			
Increase in security deposits	<u>(5,880)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	879,186	(12,465)	15,765
Cash and Cash Equivalents, beginning of year	<u>3,300</u>	<u>15,765</u>	<u>-</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 882,486</u></u>	<u><u>\$ 3,300</u></u>	<u><u>\$ 15,765</u></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, 2011, 2010 AND 2009

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.

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 times throughout the year, cash and cash equivalents may temporarily exceed the established limits in these accounts.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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 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 2011, 2010 and 2009, the Foundation recognized \$20,795, \$14,370 and \$55,756 in donated legal services, respectively.

Subsequent Events

The date to which events occurring after December 31, 2011, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is November 19, 2012, 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, 2011, 2010 AND 2009

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, 2011:

	Released from Restriction	Temporarily Restricted Net Assets
System Toxicology Project	\$ 54,094	\$ 35,906
CPTR	125,134	724,575
	\$ 179,228	\$ 760,481

3. CONCENTRATION OF RISK

At December 31, 2011 and 2010, one entity accounted for 89% and 75% of revenue, respectively. At December 31, 2010, one entity accounted for the grants receivable balance.

4. LEASE COMMITMENTS

In October 2011, the Foundation entered into a 13 month lease for office space in Washington, D.C., which commenced in November 2011. Rental payments under the lease include a fixed base rental charge subject to a five percent annual escalation clause plus a pro-rata portion of pass-through expenses. The lease includes various services such as furniture rental. The lease is automatically renewed for an additional 13 months unless terminated as specified in the agreement.

Future minimum lease payments under this noncancelable operating lease at December 31, 2011 is \$78,220 for 2012.

Rent expense for the year ended December 31, 2011 was \$7,236. There was no rent expense for the years ended December 31, 2010 and 2009.

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

SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	2011			2010			2009			
	Programs	Development	Management and General	Programs	Development	Management and General	Programs	Development	Management and General	Total
Salaries and fringe benefits	\$ 148,425	\$ 13,000	\$ 21,150	\$ -	\$ 3,000	\$ 37,927	\$ -	\$ -	\$ -	\$ -
Meetings and conferences	9,101	-	-	-	-	-	-	-	-	-
Occupancy	-	-	8,134	-	-	-	-	-	-	-
Office expense	1,360	-	1,694	-	-	753	-	-	1,211	1,211
Professional services	15,458	-	39,192	-	6,480	91,192	-	4,881	112,911	117,792
Travel	4,884	-	841	-	-	7,743	-	-	34	34
Totals	\$ 179,228	\$ 13,000	\$ 71,011	\$ -	\$ 9,480	\$ 137,615	\$ -	\$ 4,881	\$ 114,156	\$ 119,037