



OPEN MEDICINE FOUNDATION
(A NON-PROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals For the Year Ended December 31, 2017)
with

INDEPENDENT AUDITORS' REPORT THEREON



OPEN MEDICINE FOUNDATION
(A NON-PROFIT CORPORATION)

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Independent Auditors' Report

To the Board of Directors
Open Medicine Foundation

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, 2018, 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 audit. We conducted our audit 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 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 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 the Organization as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PDM, LLC

Torrance, California
March 21, 2019

OPEN MEDICINE FOUNDATION
(A NON-PROFIT CORPORATION)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,965,136	\$ 3,061,297
Contributions receivable	6,186	56,664
Prepaid expense	-	1,244
	<u>\$ 7,971,322</u>	<u>\$ 3,119,205</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 16,726	\$ 19,891
Grants payable	<u>2,980,959</u>	<u>1,224,758</u>
	<u>2,997,685</u>	<u>1,244,649</u>
NET ASSETS		
Without donor restrictions	2,642,840	1,820,449
With donor restrictions	<u>2,330,797</u>	<u>54,107</u>
	<u>4,973,637</u>	<u>1,874,556</u>
	<u>\$ 7,971,322</u>	<u>\$ 3,119,205</u>

*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, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
REVENUE AND SUPPORT				
Contributions	\$ 1,087,832	\$ 536,930	\$ 1,624,762	\$ 1,515,425
Grants	5,369,779	1,909,316	7,279,095	1,140,613
Interest income	4,938	-	4,938	1,069
Net assets released from restrictions	169,556	(169,556)	-	-
	<u>6,632,105</u>	<u>2,276,690</u>	<u>8,908,795</u>	<u>2,657,107</u>
FUNCTIONAL EXPENSES				
Program services	5,494,893	-	5,494,893	1,902,078
Supporting services	139,771	-	139,771	116,751
Fundraising	175,050	-	175,050	127,680
	<u>5,809,714</u>	<u>-</u>	<u>5,809,714</u>	<u>2,146,509</u>
CHANGE IN NET ASSETS	822,391	2,276,690	3,099,081	510,598
NET ASSETS, beginning of year	<u>1,820,449</u>	<u>54,107</u>	<u>1,874,556</u>	<u>1,363,958</u>
NET ASSETS, end of year	<u>\$ 2,642,840</u>	<u>\$ 2,330,797</u>	<u>\$ 4,973,637</u>	<u>\$ 1,874,556</u>

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OPEN MEDICINE FOUNDATION
(A NON-PROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	<u>2018</u>			<u>2017</u>	
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>	<u>Summarized Total</u>
Salaries and wages	\$ 198,123	\$ 76,386	\$ 107,166	\$ 381,675	\$ 333,487
Payroll taxes	13,485	5,199	7,292	25,976	23,517
Employee benefits	1,542	594	834	2,970	2,167
Total personnel expenses	213,150	82,179	115,292	410,621	359,171
Grant research	4,970,186	-	-	4,970,186	1,578,473
Professional services	101,018	38,680	16,770	156,468	58,002
Scientific meetings and program expenses	185,953	-	-	185,953	90,158
Administrative Travel	3,076	1,200	-	4,276	4,858
Merchant fees	-	-	27,766	27,766	14,706
Information technology	11,898	1,508	3,352	16,758	10,164
Promotion and advertising	-	4,640	11,824	16,464	5,368
Administrative	-	8,329	10	8,339	13,759
Meals and entertainment	5,293	-	-	5,293	3,003
Website	4,319	-	-	4,319	4,179
Insurance	-	3,085	-	3,085	2,257
Taxes	-	150	-	150	150
Fundraising	-	-	36	36	2,261
	<u>\$5,494,893</u>	<u>\$ 139,771</u>	<u>\$ 175,050</u>	<u>\$ 5,809,714</u>	<u>\$2,146,509</u>

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OPEN MEDICINE FOUNDATION
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STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,099,081	\$ 510,598
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	50,478	(38,499)
Prepaid expense	1,244	(1,244)
Accounts payable and accrued expenses	(3,165)	(339)
Grants payable	<u>1,756,201</u>	<u>901,628</u>
Net cash flows from operating activities	<u>4,903,839</u>	<u>1,372,144</u>
Net change cash and cash equivalents	4,903,839	1,372,144
Cash and cash equivalents, beginning of year	<u>3,061,297</u>	<u>1,689,153</u>
Cash and cash equivalents, end of year	<u>\$ 7,965,136</u>	<u>\$ 3,061,297</u>

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

OPEN MEDICINE FOUNDATION
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - ORGANIZATION

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

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. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions - Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as gifts to an Endowment, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restrictions expires, that is, when the stipulation of time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

OPEN MEDICINE FOUNDATION
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Contributions - Contributions are recognized at a 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, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions of donated non-cash assets are recorded at fair value in the period received. 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. During the year ended December 31, 2018, several 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.

The President/CEO and Director of Communications & Development of the Organization contribute office spaces to the Organization. As the value of the contributed rent could not be estimated, no amount for the contributed rent was recorded on the accompanying financial statements.

Cash and cash equivalents - For the purpose of reporting cash flows, cash and cash equivalents include operating cash held in banks. The Organization maintains its cash balances in a financial institution, the balances of which may, at times, exceed federally insured limits.

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 receivables at year end, as well as any historical bad debt write-offs, to establish an allowance for uncollectable amounts. Collection losses related to contributions receivable have historically been minimal. As such, no allowance for uncollectible accounts was recorded.

OPEN MEDICINE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Grants payable - Grants payable as of December 31, 2018, were funds committed by the Organization to other entities for an advancement of research and to increase an awareness of ME/CFS.

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 and other costs supporting medical research.

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

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

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, 2018.

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. During the year ended December 31, 2018, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. As of December 31, 2018, all federal tax returns since the 2015 tax year and state tax returns since the 2014 tax year are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

OPEN MEDICINE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Risks and uncertainties - Certain services of the Organization are governed by grants 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 award.

Comparative totals - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. The notes to the financial statements do not contain the financial information on a comparative basis. Such summarized information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassifications - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between reporting periods presented. The reclassifications are due to the adoption of Accounting Standards Update 2016-14, a new accounting pronouncement, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified at December 31, 2017 as "unrestricted" are now classified as "without donor restrictions". Net assets previously classified as "temporarily restricted" and "permanently restricted" are now classified as "with donor restrictions – temporary in nature" and "with donor restrictions – permanent in nature", respectively.

Subsequent events - Subsequent events have been evaluated by the Organization through March 21, 2019, which is the date these financial statements were able to be issued, and no subsequent events have arisen that would require disclosure.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization has approximately \$4,973,600 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of approximately \$7,965,000, and contribution receivable of approximately \$6,300, net of liabilities of approximately \$2,997,700 at the year end. Approximately \$2,330,800 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date which allows for approximately \$2,642,800 available assets for unrestricted purposes. This is well above the Organization's goal to maintain financial assets on hand to meet at least 90 days of normal operating expenses which, on average, totals approximately \$500,000 per month given full programmatic expenditures.

OPEN MEDICINE FOUNDATION
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the following purposes or periods at December 31, 2018 consist of the following:

	<u>January 1,</u> <u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31,</u> <u>2018</u>
With Donor Restrictions				
Swedish ME Research Project	\$ -	\$ 62,466	\$ (62,466)	\$ -
ME Action Network	-	49,995	(49,995)	-
Stanford ME/CFS Collaborative Research Center	-	2,110,396	-	2,110,396
ME/CFS Community Symposium Sponsorship	-	42,500	(32,500)	10,000
Harvard Collaborative Research Center	-	150,000	-	150,000
Clinical Symposium	53,757	26,038	(23,237)	56,558
Suramin Pilot Study	350	-	(350)	-
ME/CFS Awareness Campaign	-	1,008	(1,008)	-
IDO Metabolic Trap	-	3,843	-	3,843
	<u>\$ 54,107</u>	<u>\$ 2,446,246</u>	<u>\$ (169,556)</u>	<u>\$ 2,330,797</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

The Organization has a contract with a firm to provide business strategy, operations and act as an interim-CFO in order to fill a gap in critical personnel needs of the Organization. The contracted firm's officer is also a board member of the Organization. During 2018, professional services expense paid to the firm totaled \$83,850.