

# Charcot-Marie-Tooth Association

Financial Statements  
Year Ended December 31, 2018



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# CHARCOT-MARIE-TOOTH ASSOCIATION

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## INDEPENDENT AUDITOR'S REPORT

### **Boards of Directors Charcot-Marie-Tooth Association**

We have audited the accompanying financial statements of the Charcot-Marie-Tooth Association (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2018, and the related statements of revenues, support and expenses – modified cash basis and functional expenses – modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 auditor's 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 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 assets, liabilities and net assets of the Charcot-Marie-Tooth Association as of December 31, 2018, and its revenues, support and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

*BBD, LLP.*

**Philadelphia, Pennsylvania  
June 17, 2019**

# CHARCOT-MARIE-TOOTH ASSOCIATION

## STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

December 31, 2018

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### ASSETS

Cash	\$ 1,603,177
Investments	<u>2,042,232</u>
<b>Total assets</b>	<b><u>\$ 3,645,409</u></b>

### LIABILITIES

\$ -

### NET ASSETS

Without donor restrictions	561,978
With donor restrictions	<u>3,083,431</u>
<b>Total net assets</b>	<b><u>3,645,409</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,645,409</u></b>

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See accompanying notes

# CHARCOT-MARIE-TOOTH ASSOCIATION

## STATEMENT OF REVENUES, SUPPORT AND EXPENSES - MODIFIED CASH BASIS

Year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 1,230,260	\$ 2,828,291	\$ 4,058,551
Special events income	531,203	-	531,203
Support group revenue	469,701	-	469,701
Interest income	1,808	24,937	26,745
Other revenue	8,704	-	8,704
Net assets released from restrictions	<u>890,551</u>	<u>(890,551)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>3,132,227</u>	<u>1,962,677</u>	<u>5,094,904</u>
<b>EXPENSES</b>			
Program services			
Research, education and other	2,748,978	-	2,748,978
Supporting services			
Management and general	227,490	-	227,490
Fundraising	<u>283,905</u>	<u>-</u>	<u>283,905</u>
<b>Total expenses</b>	<u>3,260,373</u>	<u>-</u>	<u>3,260,373</u>
<b>CHANGE IN NET ASSETS</b>	(128,146)	1,962,677	1,834,531
<b>NET ASSETS</b>			
Beginning of year	<u>690,124</u>	<u>1,120,754</u>	<u>1,810,878</u>
<b>End of year</b>	<u>\$ 561,978</u>	<u>\$ 3,083,431</u>	<u>\$ 3,645,409</u>

See accompanying notes

# CHARCOT-MARIE-TOOTH ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

Year ended December 31, 2018

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	<u>Research, Education and Other</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 567,790	\$ 83,159	\$ 112,441	\$ 763,390
Advertising and promotion	46,286	3,637	13,547	63,470
Camp fees	120,750	-	-	120,750
Special event costs	162,766	-	68,470	231,236
Research grants	1,136,525	-	-	1,136,525
Information technology	195,509	5,105	22,291	222,905
Meetings and travel	193,107	28,397	2,603	224,107
Office expense	74,355	55,680	50,332	180,367
Professional fees	229,419	51,512	6,975	287,906
Miscellaneous	22,471	-	7,246	29,717
<b>Total expenses</b>	<u>\$ 2,748,978</u>	<u>\$ 227,490</u>	<u>\$ 283,905</u>	<u>\$ 3,260,373</u>

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See accompanying notes

# CHARCOT-MARIE-TOOTH ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### (1) NATURE OF OPERATIONS

The Charcot-Marie-Tooth Association (the "**Association**") was established to create awareness of Charcot-Marie-Tooth ("**CMT**") disorders within the healthcare community and the general public, and to be a leading source of information regarding CMT disorders. The Association encourages, promotes and supports research into the cause, treatment and cure of CMT disorders. The Association also facilitates education and support for persons affected by CMT disorders.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the modified cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. The cash basis has been modified by the recording of investments.

#### **Basis of Presentation**

The Association reports information regarding its financial position and activities according to the following classes of net assets:

##### ***Without donor restrictions***

Net assets that are not subject to donor-imposed restrictions.

##### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Association and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues, support and expenses – modified cash basis as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Association to expend the income generated in accordance with the provisions of the contribution. The Association had no net assets required to be maintained indefinitely at December 31, 2018.

#### **Fair Value Measurements of Assets and Liabilities**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Association. Unobservable inputs reflect the Association's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.



# CHARCOT-MARIE-TOOTH ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the Association's own assumptions.

### **Accounting Estimates**

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statement of revenues, support and expenses – modified cash basis. Interest income is recorded as received.

The Association invests in a professionally-managed portfolio that contains various types of investments (**See Note 3**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that the amounts reported in the financial statements could change materially in the near term.

### **Contributions**

Contributions, special events income and support group revenue received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions, special events income and support group revenue whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

### **Income Taxes**

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). However, income from certain activities not directly related to the Association's tax-exempt purpose may be subject to taxation as unrelated business income.

Accounting standards require entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. Accounting standards prescribe a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Association believes that they had no uncertain tax positions.

### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been presented on a functional basis in the statements of revenue, support and expenses – modified cash basis and functional expenses – modified cash basis. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and benefits, information technology and professional fees, which are allocated based on estimates of time and effort.

### **Concentrations of Credit Risk**

Cash is a financial instrument which potentially subjects the Association to concentrations of credit risk. The Association maintains cash deposits at high-quality financial institutions. At times, such deposits may exceed federally-insured limits.

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# CHARCOT-MARIE-TOOTH ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### Accounting Pronouncements Adopted

On August 18, 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Association has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Association's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. There were no permanently restricted net assets.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (**Note 6**).

### (3) INVESTMENTS

Investments at December 31, 2018 consisted of the following:

Money market funds	\$ 291,909
Certificates of deposit	1,701,886
Equity exchange traded fund	<u>48,437</u>
	<u>\$2,042,232</u>

Investments are measured at fair value using Level 1 (quoted prices in active markets) valuation inputs, except for certificates of deposit which are measured using Level 2 valuation inputs.

### (4) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2018</u>
Subject to expenditure for specified purposes				
Strategy to Accelerate Research (STAR) initiative	\$1,120,754	\$ 760,129	\$(890,551)	\$ 990,332
Research and diagnostic improvement	<u>-</u>	<u>2,093,099</u>	<u>-</u>	<u>2,093,099</u>
	<u>\$1,120,754</u>	<u>\$2,853,228</u>	<u>\$(890,551)</u>	<u>\$3,083,431</u>

### (5) RETIREMENT PLAN

The Association participates in a 403(b) plan that covers substantially all of its employees. Employees can contribute any percentage of their income up to the Internal Revenue Service limit for the year. The Association can make a discretionary 3% matching contribution. Employer contributions made to the plan for the year ended December 31, 2018 were \$12,779.

# CHARCOT-MARIE-TOOTH ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### (6) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Association's financial assets as of the statement of assets, liabilities and net assets – modified cash basis date, which has been reduced by financial assets not available within one year.

Cash	\$ 1,603,177
Investments	<u>2,042,232</u>
Total financial assets	3,645,409
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes	<u>(3,083,431)</u>
Total financial assets available within one year	<u>\$ 561,978</u>

#### Liquidity Management

As part of the Association's liquidity management, it invests its cash in excess of daily requirements in short-term investments, typically money market funds and certificates of deposit.

### (7) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in the financial statements.