

CHARCOT-MARIE-TOOTH ASSOCIATION
FINANCIAL STATEMENTS &
AUDITORS' REPORT

DECEMBER 31, 2016 & 2015

CONTENTS

	<u>page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Charcot-Marie-Tooth Association

We have audited the accompanying Statement of Financial Position of the Charcot-Marie-Tooth Association as of 31st December 2016 and 2015, along with the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the years then ended, and the related notes to said financial statements.

Management's Responsibility. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. The auditor's responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which require that the auditor 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 and 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. Risk assessments involve consideration of 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, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Charcot-Marie-Tooth Association as of 31st December 2016 and 2015, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information. We have previously audited the 2015 financial statements of the Charcot-Marie-Tooth Association, and we expressed an unmodified audit opinion on those audited financial statements in our report dated 20th March 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended 31st December 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Peterson, Fieo & Co.

Peterson, Fieo & Co.
9th June 2017

CHARCOT-MARIE-TOOTH ASSOCIATION

STATEMENT of FINANCIAL POSITION

	as of December 31,	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current Assets		
Cash & cash equivalents	\$ 1,002,637	\$ 1,365,878
Accounts receivable	-	-
Grants receivable	160,544	142,000
Prepaid Insurance & Other Expenses	8,789	7,415
Total Current Assets	<u>1,171,970</u>	<u>1,515,293</u>
Fixed Assets		
Office equipment, website, etc. (net of depreciation)	<u>19,474</u>	<u>31,332</u>
Total Assets	<u>\$ 1,191,444</u>	<u>\$ 1,546,625</u>
<u>Liabilities & Net Assets</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 21,359	\$ 151,710
Payroll Liabilities	7,195	857
Research Grants Payable	363,888	363,888
Total Liabilities	<u>392,442</u>	<u>516,455</u>
<u>Net Assets</u>		
Unrestricted	(66,613)	80,771
Unrestricted - Fixed Assets	19,474	31,332
Total Unrestricted Net Assets	(47,139)	112,103
Temporarily Restricted Net Assets	<u>846,141</u>	<u>918,067</u>
Total Net Assets	<u>799,002</u>	<u>1,030,170</u>
Total Liabilities & Net Assets	<u>\$ 1,191,444</u>	<u>\$ 1,546,625</u>

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

CHARCOT-MARIE-TOOTH ASSOCIATION

STATEMENT of ACTIVITIES

	<u>Year Ended December 31, 2016</u>			<u>Year Ended Dec. 31, 2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues				
Contributions	\$ 1,045,834	\$ 567,610	\$ 1,613,444	\$ 2,249,062
Special events revenue <i>(net of expenses)</i>	634,704	115,291	749,995	734,828
Sale of Promotional Products <i>(net of expenses)</i>	2,146		2,146	(1,350)
Support group revenue	783,564		783,564	618,370
Investment income	695		695	1,191
Grants received	27,185		27,185	49,993
Release Restrictions	754,827	(754,827)	-	-
Total Revenues	<u>3,248,955</u>	<u>(71,926)</u>	<u>3,177,029</u>	<u>3,652,094</u>
Expenses				
Program services	2,847,701	-	2,847,701	3,299,104
Management and general	241,257		241,257	107,300
Fundraising	319,239		319,239	633,234
Total Expenses	<u>3,408,197</u>	<u>-</u>	<u>3,408,197</u>	<u>4,039,638</u>
Increase (decrease) in net assets	(159,242)	(71,926)	(231,168)	(387,544)
reclassify opening balances	-		-	-
Net assets - beginning of year	<u>112,103</u>	<u>918,067</u>	<u>1,030,170</u>	<u>1,417,714</u>
Net assets - end of year	<u>\$ (47,139)</u>	<u>\$ 846,141</u>	<u>\$ 799,002</u>	<u>\$ 1,030,170</u>

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

CHARCOT-MARIE-TOOTH ASSOCIATION

STATEMENT of FUNCTIONAL EXPENSES

	<u>Year Ended December 31, 2016</u>				<u>Year Ended Dec. 31, 2015</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries & Benefits	\$ 678,049	\$ 27,693	\$ 195,164	\$ 900,906	\$ 965,751
Publications & Supplies	54,600		-	54,600	67,011
Occupancy & Admin	28,992	206,128	-	235,120	130,683
Direct Program Expenses	1,905,711	-	76,693	1,982,404	2,439,824
Conference Expenses	-	7,436	-	7,436	11,737
Consulting & Lobbying	51,585	-	47,382	98,967	237,553
Other Direct Expenses	128,764	-	-	128,764	187,079
Total Expenses	<u>\$ 2,847,701</u>	<u>\$ 241,257</u>	<u>\$ 319,239</u>	<u>\$ 3,408,197</u>	<u>\$ 4,039,638</u>

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

CHARCOT-MARIE-TOOTH ASSOCIATION

STATEMENT of CASH FLOWS

	Year Ended December 31	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase (Decrease) in net assets	\$ (231,168)	\$ (387,544)
Depreciation expense	11,858	9,986
Decrease (Increase) in assets		
Grants receivable	(18,544)	(134,250)
Prepaid expenses & security deposits	(1,374)	(4,096)
Increase (Decrease) in liabilities		
Accounts payable	(130,351)	129,172
Payroll liabilities payable	6,338	53
Research grants payable	-	97,560
Net cash provided (used) by operating activities	<u>(363,241)</u>	<u>(289,119)</u>
Cash flows from investing activities		
Expenditures for computer equipment	-	(33,857)
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in Cash & cash equivalents	(363,241)	(322,976)
Cash & cash equivalents - beginning of year	<u>1,365,878</u>	<u>1,688,854</u>
Cash & cash equivalents - end of year	<u>\$ 1,002,637</u>	<u>\$ 1,365,878</u>
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. Nature of the Organization

The Charcot-Marie-Tooth Association (the "Association") was established to create awareness of Charcot-Marie-Tooth ("CMT") disorders within the health care 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. Significant Accounting Policies

Basis of Presentation. The Association has adopted FASB ASC 958-205 (formerly SFAS #117), *Financial Statements of Not-For-Profit Organizations*. FASB ASC 958-205 establishes standards for financial statements for not-for-profit organizations, which requires reporting amounts of total assets, liabilities, and net assets in a statement of financial position; reporting the change in an organization's net assets in a statement of activities; and reporting the change in cash and cash equivalents in a statement of cash flows. The statement also requires classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts of each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position, and that the amounts of changes in each of those classes of net assets be displayed in a statement of activities.

Measurement Focus. The Statement of Financial Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restrictions. When a restriction expires, or when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Investment earnings are recorded in unrestricted net assets.

Prior to 2015, grants received to support research into specific strains of CMT disorders were not considered restricted activities, but instead, given the rather narrow focus of the Association's activities, as grants in support of the Association's general mission, and were accounted for as unrestricted activities.

Income Taxes. The Association is organized as a Pennsylvania not-for-profit corporation and as such, is exempt from income taxes under Internal Revenue Code (IRC) Section 501(a). Further, the U.S. Internal Revenue Service has granted the corporation permanent status as an organization described in IRC Section 501(c)(3). Accordingly, contributions to the Association qualify as

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2016

deductible charitable contributions as provided in IRC Section 170(b)(1)(a)(vi). Accordingly, no provision has been made for income taxes with respect to this period, nor any prior period.

Other Filings. The Association is registered with the Pennsylvania Bureau of Charitable Organizations and files an annual registration and report therewith.

Cash & Cash Equivalents. The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets. The Association defines capital assets as tangible assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets of the Association are recorded at either their actual cost or estimated historical cost. Donated assets are valued at their estimated fair value on the date donated.

Donated Services & Materials. The Association receives donated services from a variety of unpaid volunteers assisting it in its mission. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS #116 have not been satisfied. Donated materials, supplies, and other items have however, been recognized in the financial statements at an arms length cost.

3. Concentration of Credit Risk.

During the year the Association had deposits with a major commercial bank that exceeded Federal Depository Insurance (FDIC) limit of \$250,000 per depositor, per bank. At December 31, 2016 the carrying amount of the Association's deposits was \$1,024,280 and the bank balance was \$1,002,637.

4. Fixed Assets.

Acquisition of property and equipment are capitalized at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. These range from three to ten years. Depreciation expense was \$11,858 and \$9,986 for 2016 and 2015, respectively. Changes in the property and equipment accounts are as follows:

Year Ended December 31, 2016	Beginning of year	Additions	Deletions	End of year
Office Equipment	22,249			22,249
Website & Software	23,469			23,469
Less: Accumulated Depreciation	14,386	11,858		26,244
Net Value	31,332	(11,858)	-	19,474

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2016

Year Ended December 31, 2015	Beginning of year	Additions	Deletions	End of year
Office Equipment	84,125	10,388	72,264	22,249
Website & Software	78,511	23,469	78,511	23,469
Less: Accumulated Depreciation	155,175	9,986	150,775	14,386
Net Value	7,461	23,871	-	31,332

5. Research Grants Payable

Research Grants Payable reflects amounts earmarked for research payment, but which haven't yet been paid because certain contractual milestones have not been met. While it is expected that these milestones will indeed be met at some point, due to the nature of the research it is not possible to determine exactly when. Obligations for these unmet milestones totaled approximately \$427,122 and \$866,837 as of December 31, 2016 & 2015, respectively.

6. Special Events & Sale of Promotional Products.

The Association runs numerous special events activities as part of its fundraising activities, the largest two being the CMTA Golf Outing and CMTA NY Event. The recap for these special events for the years 2016 & 2015 is as follows:

Year ended 31 December 2016	Total	CMTA Golf Outing	CMTA NY Event	CYCLE 4 Event	Other
Revenues	983,839	399,074	254,021	118,618	212,127
Expenses	233,845	136,303	46,559	26,123	24,860
Net	749,994	262,771	207,462	92,495	187,267

Year Ended 31 December 2015	Total	CMTA Golf Outing	CMTA NY Event	CYCLE 4 Event	Other
Revenues	1,010,050	499,514	185,246	118,029	207,261
Expenses	275,222	125,589	39,492	7,304	102,837
Net	734,828	373,925	145,754	110,725	104,424

While not considered a core function of the Association, the Association does have available for sale various promotional products. For the years 2016 & 2015, this activity had the following results:

	2016	2015
Revenues	2,146	6,054
Expenses		7,404
Net	2,146	(1,350)

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2016

7. Tax-Deferred Annuity Plan

The Association has a tax-deferred annuity plan qualified under IRC Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Association. The Association contributes 3% of gross salaries for qualified employees to the plan. Plan expense for 2016 and 2015 was \$7,950 and \$9,496, respectively.

8. Functional Reporting of Expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Compensated Absences

The Association provides paid vacation for its full-time employees. The amount of unused vacation was immaterial and no liability has been recorded.

10. Subsequent Events

The Association has evaluated all events through 9th June 2017, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure under FASB ASC 885-10 Subsequent Events.