

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

DECEMBER 31, 2017 & 2016

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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 31<sup>st</sup> December 2017 and 2016, 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 31<sup>st</sup> December 2017 and 2016, 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 2016 financial statements of the Charcot-Marie-Tooth Association, and we expressed an unmodified audit opinion on those audited financial statements in our report dated 9<sup>th</sup> June 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended 31<sup>st</sup> December 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Peterson, Fieo & Co.*  
Peterson, Fieo & Co.  
9<sup>th</sup> May 2018

**CHARCOT-MARIE-TOOTH ASSOCIATION**

**STATEMENT of FINANCIAL POSITION**

	as of December 31,	
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets		
Cash & cash equivalents	\$ 1,685,878	1,002,637
Other receivables	125,000	-
Grants receivable		160,544
Prepaid Insurance & Other Expenses	<u>7,650</u>	<u>8,789</u>
Total Current Assets	1,818,528	1,171,970
Fixed Assets		
Office equipment, website, etc. (net of depreciation)	<u>17,235</u>	<u>19,474</u>
Total Assets	<u>\$ 1,835,763</u>	<u>\$ 1,191,444</u>
<u>Liabilities &amp; Net Assets</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 57,802	\$ 21,359
Payroll Liabilities	15,929	7,195
Research Grants Payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>73,731</u>	<u>28,554</u>
<u>Net Assets</u>		
Unrestricted	624,043	297,275
Unrestricted - Fixed Assets	<u>17,235</u>	<u>19,474</u>
Total Unrestricted Net Assets	641,278	316,749
Temporarily Restricted Net Assets	<u>1,120,754</u>	<u>846,141</u>
Total Net Assets	<u>1,762,032</u>	<u>1,162,890</u>
Total Liabilities & Net Assets	<u>\$ 1,835,763</u>	<u>\$ 1,191,444</u>

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

**CHARCOT-MARIE-TOOTH ASSOCIATION**

**STATEMENT of ACTIVITIES**

	<u>Year Ended December 31, 2017</u>			<u>Year Ended Dec. 31, 2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues				
Contributions	\$ 1,339,631	\$ 597,935	\$ 1,937,566	\$ 1,613,444
Special events revenue <i>(net of expenses)</i>	229,706	325,754	555,460	749,995
Sale of Promotional Products <i>(net of expenses)</i>	(434)		(434)	2,146
Support group revenue	494,088		494,088	783,564
Investment income		835	835	695
Grants received	151,314	-	151,314	27,185
Release Restrictions	649,911	(649,911)	-	-
Total Revenues	<u>2,864,216</u>	<u>274,613</u>	<u>3,138,829</u>	<u>3,177,029</u>
Expenses				
Program services	2,239,791	-	2,239,791	2,483,813
Management and general	83,448		83,448	241,257
Fundraising	216,448		216,448	319,239
Total Expenses	<u>2,539,687</u>	<u>-</u>	<u>2,539,687</u>	<u>3,044,309</u>
Increase (decrease) in net assets	324,529	274,613	599,142	132,720
Net assets - beginning of year	<u>316,749</u>	<u>846,141</u>	<u>1,162,890</u>	<u>1,030,170</u>
Net assets - end of year	<u>\$ 641,278</u>	<u>\$ 1,120,754</u>	<u>\$ 1,762,032</u>	<u>\$ 1,162,890</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, 2017</u>				<u>Year Ended Dec. 31, 2016</u>
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries & Benefits	\$ 477,000	\$ 24,709	\$ 98,773	\$ 600,482	\$ 900,906
Publications & Supplies	61,580		892	62,472	54,600
Occupancy & Admin	262,718	41,208	72,563	376,489	235,120
Direct Expenses	1,285,611		24,830	1,310,441	1,747,280
Conference Expenses	63,870			63,870	7,436
Consulting & Lobbying	89,012	17,531	19,390	125,933	98,967
Total Expenses	<u>\$ 2,239,791</u>	<u>\$ 83,448</u>	<u>\$ 216,448</u>	<u>\$ 2,539,687</u>	<u>\$ 3,044,309</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>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase (Decrease) in net assets	\$ 599,142	\$ (231,168)
Depreciation expense	12,239	11,858
Decrease (Increase) in assets		
Grants receivable & other receivables	35,544	(18,544)
Prepaid expenses & security deposits	1,139	(1,374)
Increase (Decrease) in liabilities		
Accounts payable	36,443	(130,351)
Payroll liabilities payable	8,734	6,338
Research grants payable	-	-
Net cash provided (used) by operating activities	<u>693,241</u>	<u>(363,241)</u>
Cash flows from investing activities		
Expenditures for fixed assets (website upgrade)	(10,000)	-
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in Cash & cash equivalents	683,241	(363,241)
Cash & cash equivalents - beginning of year	<u>1,002,637</u>	<u>1,365,878</u>
Cash & cash equivalents - end of year	<u>\$ 1,685,878</u>	<u>\$ 1,002,637</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, 2017

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### 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.

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 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.

The organization believes it has appropriate support for any & all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. None of the organization's federal income tax returns (Form 990) are currently under examination. However, tax years 2013-2016 remain subject to examination by the Internal Revenue Service.

# CHARCOT-MARIE-TOOTH ASSOCIATION

## NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2017

Other Filings. The Association is registered with the state bureau registering charitable organizations in 32 different states, 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 \$2,500 (more than \$500 for 2016) 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, 2017 the carrying amount of the Association's deposits was \$1,620,167 and the bank balance was \$1,685,878.

### 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 \$12,239 and \$11,858 for 2017 and 2016, respectively. Changes in the property and equipment accounts are as follows:

Year Ended December 31, 2017	Beginning of year	Additions	Deletions	End of year
Office Equipment	22,249			22,249
Website & Software	23,469	10,000		33,469
Less: Accumulated Depreciation	26,244	12,239		38,483
Net Value	19,474	(2,239)	-	17,235

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, 2017

### 5. Research Grants Payable - Restatement

Research Grants Payable as of 31<sup>st</sup> December 2016 have been restated from \$363,888 to \$0, resulting in a reduction in expenses for program services for 2016 (from \$2,847,701 to \$2,483,813). This restatement is the result of a reanalysis of contractual milestones that were expected to be met and accrued as liabilities accordingly, but were not in fact met. There were no such obligations at 31<sup>st</sup> December 2017.

### 6. Special Events & Sale of Promotional Products

The Association runs numerous special events activities as part of its fundraising activities. The recap for these special events for the years 2017 & 2016 is as follows:

Year ended 31 December 2017	Total	Oxford Biathlon	CMTA NY Event	CYCLE 4 CMTA Event	CMTA All Star
Revenues	708,477	68,663	232,509	184,929	222,376
Expenses	153,017	5,526	54,522	18,861	74,108
Net	555,460	63,137	177,987	166,068	148,268

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

While not considered a core function of the Association, the Association does have available for sale various promotional products. For the years 2017 & 2016, this activity had the following results:

	2017	2016
Revenues	8,682	2,146
Expenses	9,116	0
Net	(434)	2,146

### 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 2017 and 2016 was \$12,727 and \$7,950, respectively.

**CHARCOT-MARIE-TOOTH ASSOCIATION**  
**NOTES to FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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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 9<sup>th</sup> May 2018, 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.