



SPINA BIFIDA ASSOCIATION OF AMERICA

Financial Statements

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)



**and
Report Thereon**



SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Spina Bifida Association of America

Report on the Financial Statements

We have audited the accompanying financial statements of the Spina Bifida Association of America (the Association), 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 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 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 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.

Continued

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Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of the Spina Bifida Association of America 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

The Association's 2017 financial statements as of and for the year ended December 31, 2017, were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated June 25, 2018, expressed an unmodified opinion on those statements. 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.

Marcum LLP

Washington, DC
July 29, 2019

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

| | 2018 | 2017 |
|---|---------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,213,965 | \$ 320,582 |
| Grants and contributions receivable | 427,091 | 187,967 |
| Investments | 250,883 | 248,740 |
| Prepaid expenses | 44,575 | 30,566 |
| Inventory | 6,601 | 8,229 |
| Property and equipment, net | 79,746 | 101,446 |
| TOTAL ASSETS | \$ 2,022,861 | \$ 897,530 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 71,936 | \$ 47,649 |
| Deferred revenue | - | 4,608 |
| Deferred rent and leasehold incentives | 187,885 | 189,822 |
| TOTAL LIABILITIES | 259,821 | 242,079 |
| Net Assets | | |
| Without donor restrictions | 1,421,382 | 592,888 |
| With donor restrictions | 341,658 | 62,563 |
| TOTAL NET ASSETS | 1,763,040 | 655,451 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,022,861 | \$ 897,530 |

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

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2018 Total</u> | <u>2017 Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| REVENUE AND SUPPORT | | | | |
| Direct Public Support: | | | | |
| Bequests | \$ 1,179,050 | \$ 213,575 | \$ 1,392,625 | \$ 204,938 |
| Federal grants | 701,234 | - | 701,234 | 591,283 |
| Foundation grants and contributions | 330,018 | 65,531 | 395,549 | 404,556 |
| Special events | 288,147 | - | 288,147 | 324,707 |
| Donated services | 19,413 | - | 19,413 | 10,000 |
| Indirect Public Support: | | | | |
| Federated fundraising organizations | 134,106 | - | 134,106 | 52,497 |
| Total Public Support | <u>2,651,968</u> | <u>279,106</u> | <u>2,931,074</u> | <u>1,587,981</u> |
| Other Revenue: | | | | |
| Conference and meetings | 36,810 | - | 36,810 | 305,275 |
| Investment income (loss), net | (300) | (11) | (311) | 15,446 |
| Other | 1,622 | - | 1,622 | 11,253 |
| Sales of materials and services | 364 | - | 364 | 1,239 |
| Total Other Revenue | <u>38,496</u> | <u>(11)</u> | <u>38,485</u> | <u>333,213</u> |
| TOTAL REVENUE AND SUPPORT | <u>2,690,464</u> | <u>279,095</u> | <u>2,969,559</u> | <u>1,921,194</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Research | 728,629 | - | 728,629 | 603,964 |
| Education | 201,659 | - | 201,659 | 568,886 |
| Member services/chapter development | 227,581 | - | 227,581 | 164,736 |
| Government relations | 172,827 | - | 172,827 | 67,937 |
| Information and referral | 60,463 | - | 60,463 | 56,623 |
| Total Program Services | <u>1,391,159</u> | <u>-</u> | <u>1,391,159</u> | <u>1,462,146</u> |
| Supporting Services: | | | | |
| Management and general | 214,074 | - | 214,074 | 141,117 |
| Fundraising | 256,737 | - | 256,737 | 230,170 |
| Total Supporting Services | <u>470,811</u> | <u>-</u> | <u>470,811</u> | <u>371,287</u> |
| TOTAL EXPENSES | <u>1,861,970</u> | <u>-</u> | <u>1,861,970</u> | <u>1,833,433</u> |
| CHANGE IN NET ASSETS | 828,494 | 279,095 | 1,107,589 | 87,761 |
| NET ASSETS, BEGINNING OF YEAR | 592,888 | 62,563 | 655,451 | 567,690 |
| NET ASSETS, END OF YEAR | <u>\$ 1,421,382</u> | <u>\$ 341,658</u> | <u>\$ 1,763,040</u> | <u>\$ 655,451</u> |

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

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

| | Program Services | | | | | Supporting Services | | | 2018 Total | 2017 Total |
|-------------------------------------|-------------------|-------------------|---|-------------------------|--------------------------------|------------------------------|------------------------------|-------------------|---------------------|---------------------|
| | Research | Education | Member Services/ Chapter Development | Government Relations | Information and Referral | Total Program Services | Management and General | Fundraising | | |
| Salaries and fringe benefits | \$ 488,573 | \$ 108,366 | \$ 127,362 | \$ 47,353 | \$ 35,110 | \$ 806,764 | \$ 60,784 | \$ 104,019 | \$ 971,567 | \$ 773,535 |
| Consultant fees | 177,224 | 18,760 | 4,710 | 79,488 | 2,560 | 282,742 | 2,372 | 5,070 | 290,184 | 219,136 |
| Travel costs | 47,814 | 1,527 | 17,784 | 2,956 | 952 | 71,033 | 5,028 | 15,744 | 91,805 | 79,043 |
| Rent | - | 47,094 | 8,262 | 1,679 | 6,951 | 63,986 | 11,314 | 13,612 | 88,912 | 84,771 |
| Office | 1,407 | 840 | 1,141 | 2,422 | 789 | 6,599 | 21,699 | 26,045 | 54,343 | 81,171 |
| Conference and meetings | - | 149 | 12,009 | 21,460 | 43 | 33,661 | 5,017 | 11,870 | 50,548 | 279,836 |
| Legal and accounting fees | 9,823 | 7,320 | 3,121 | 963 | 1,759 | 22,986 | 22,313 | 3,999 | 49,298 | 42,373 |
| Equipment rental and maintenance | 1,050 | 6,951 | 4,190 | 10,031 | 4,290 | 26,512 | 5,769 | 4,060 | 36,341 | 42,820 |
| Supplies | - | 590 | 7,545 | 2,414 | 555 | 11,104 | 4,019 | 16,705 | 31,828 | 40,365 |
| Printing | - | 1,323 | 2,708 | 1,172 | 155 | 5,358 | 933 | 23,382 | 29,673 | 26,865 |
| Postage | - | 655 | 2,846 | 77 | 1,159 | 4,737 | 4,914 | 18,454 | 28,105 | 26,709 |
| Scholarships | - | 150 | 16,923 | - | - | 17,073 | 10,000 | 560 | 27,633 | 4,419 |
| Temporary help | - | 1,250 | 1,250 | - | 1,250 | 3,750 | 22,233 | 1,250 | 27,233 | 15,439 |
| Depreciation and amortization | - | - | - | - | - | - | 26,402 | - | 26,402 | 28,172 |
| Telephone | - | 3,209 | 3,646 | 2,596 | 3,188 | 12,639 | 3,808 | 2,807 | 19,254 | 20,267 |
| Filing registration | 1,190 | 216 | 8,724 | 216 | 216 | 10,562 | 4,370 | 3,941 | 18,873 | 8,724 |
| Miscellaneous | - | 851 | 271 | - | - | 1,122 | 1,425 | 2,774 | 5,321 | 23,630 |
| Grants | - | - | 4,393 | - | - | 4,393 | - | - | 4,393 | 1,210 |
| Entertainment | - | - | 696 | - | - | 696 | - | 2,445 | 3,141 | 3,087 |
| Publications and materials | 1,548 | - | - | - | 1,486 | 3,034 | - | - | 3,034 | 2,425 |
| Website hosting | - | 2,408 | - | - | - | 2,408 | - | - | 2,408 | 1,382 |
| Taxes | - | - | - | - | - | - | 1,674 | - | 1,674 | 5,400 |
| Bad debt expense | - | - | - | - | - | - | - | - | - | 22,654 |
| TOTAL EXPENSES | \$ 728,629 | \$ 201,659 | \$ 227,581 | \$ 172,827 | \$ 60,463 | \$ 1,391,159 | \$ 214,074 | \$ 256,737 | \$ 1,861,970 | \$ 1,833,433 |

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

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

| | 2018 | 2017 |
|---|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,107,589 | \$ 87,761 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 26,402 | 28,172 |
| Net realized and unrealized losses (gain) on investments | 2,099 | (12,664) |
| Changes in assets and liabilities: | | |
| Grants and contributions receivable | (239,124) | 44,044 |
| Prepaid expenses | (14,009) | 44,014 |
| Inventory | 1,628 | 1,507 |
| Accounts payable and accrued expenses | 24,287 | 4,669 |
| Deferred revenue | (4,608) | (56,427) |
| Deferred rent and leasehold incentives | (1,937) | (181) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 902,327 | 140,895 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 134,268 | 77,146 |
| Purchases of investments | (138,510) | (71,695) |
| Purchases of property and equipment | (4,702) | (5,137) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (8,944) | 314 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 893,383 | 141,209 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 320,582 | 179,373 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 1,213,965 | \$ 320,582 |

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

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies

Organization

The Spina Bifida Association of America (the Association) provides information related to spina bifida, including progress in the areas of medicine, education, legislation and financial support; helps to fund research into the causes, effects and treatment of spina bifida; and encourages the training of professionals involved in treatment.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Presentation of Financial Statements*.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, unless they are held as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered.

Grants and Contributions Receivable

Grants and contributions receivable are stated at net realizable value. All grants and contributions receivable are expected to be collected in less than one year. The Association uses the allowance method to record potentially uncollectible receivables.

Investments

Investments consist of money market funds, equity mutual funds, certificates of deposit and growth and income stocks. These investments are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received upon the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices are used to value marketable equities and fixed-income securities. Investment gains and losses are based on the appreciation or depreciation of the fair value of investments held at the end of the year and those that are disposed of during the year. Interest and dividend income are recorded as earned.

Fair Value Measurement

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Association has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2018, the Association's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of FASB ASC Topic *Fair Value Measurement*.

Inventory

Inventory consists of books, pamphlets and videos, which are recorded at their net realizable value using the first-in, first-out method.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost. Donated furniture and equipment are recorded at fair value at the date of donation. Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of five to seven years. Computer software is amortized over an estimated useful life of three to five years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the life of the lease. The Association follows the practice of capitalizing all expenditures that are more than \$500 and a useful life in excess of one year for property and equipment. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalized. At the time the assets are retired or otherwise disposed of, the property and the related accumulated depreciation and amortization are relieved of the applicable amounts, and any gain or loss is credited or charged to revenue and support or to expenses in the accompanying statement of activities.

Classification of Net Assets

The Association's net assets are reported as follows:

- Net assets without donor restrictions represent revenue and contributions received without donor-imposed restrictions. These net assets are available for the Association's operations.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- Net assets with donor restrictions represent revenue and contributions subject to donor-imposed stipulations that will be met by the Association's actions and/or for a specific time period. These donor restrictions are temporary in nature that will be met by the Association's actions or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2018, the Association had \$60,000 in net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

Wills are recorded as bequests revenue when the probate courts declare the wills valid and the proceeds are measurable. In cases in which a will's approval is required by state government authorities, bequests revenue is recognized after final approval.

Federal grants treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants for which billings have not been presented to, or collected from, the awarding agency is included in grants and contributions receivable in the accompanying statement of financial position. Amounts received in advance of the performance of services are recorded as deferred revenue in the accompanying statement of financial position.

Foundation grants and contributions are considered available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. Amounts received that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized. Unconditional promises to give and conditional promises to give for which the inability to meet the conditions is remote are recognized as revenue in the year in which they are promised and, if uncollected, are reflected as grants and contributions receivable in the accompanying statement of financial position. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose of a restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Conference and meetings revenue is recognized in the period in which the activities are held. Accordingly, sponsorships and related fees received in advance of the related conference or meetings are reflected as deferred revenue in the accompanying statement of financial position.

The Association holds various fundraising events that include multiple Walk-N-Roll events and marathons held in various cities throughout the nation. Fees received from such events are considered without restriction and are recognized as special events revenue in the accompanying statement of activities in the reporting period in which the event occurs.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Donated Services

The value of contributions that enhance a nonfinancial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. Donated services are recognized as revenue and support and as expenses in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt. Donated services consist of contributed professional services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributed to specific functional areas of the Association are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. The Association allocates indirect costs to nongovernment programs based on the percentage of direct costs related to each program and supporting service. Indirect costs reimbursed by the federal government have been calculated using the lower of actual or the award-specific indirect cost rate, and the allocated costs are included in salaries and fringe benefits, consultant fees, and travel costs in the statement of functional expenses. Costs such as depreciation are not allocated and are directly attributed to management and general.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended December 31, 2017. The major changes of the ASU affecting the Association include (a) requiring the representation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; and (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

2. Grants and Contributions Receivable

At December 31, 2018, grants and contributions receivable were composed of the following:

| | |
|---|-------------------|
| Bequests receivable | \$ 191,376 |
| Federal grants receivable | 141,471 |
| Contributions receivable | <u>94,244</u> |
| Total Grants and Contributions Receivable | <u>\$ 427,091</u> |

All amounts were deemed fully collectible and due within one year.

3. Investments and Fair Value Measurement

The following table summarizes the Association's financial assets measured at fair value on a recurring basis as of December 31, 2018:

| | Total Fair Value | Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|------------------------------|---------------------|---|---|--|
| Investments: | | | | |
| Certificates of deposit | \$ <u>113,888</u> | \$ - | \$ <u>113,888</u> | \$ - |
| Equity mutual funds: | | | | |
| Moderate allocation | 49,118 | 49,118 | - | - |
| Mid-cap growth | 10,100 | 10,100 | - | - |
| Growth and income | <u>3,691</u> | <u>3,691</u> | - | - |
| Total Equity Mutual Funds | <u>62,909</u> | <u>62,909</u> | - | - |
| Money market funds | <u>47,544</u> | <u>47,544</u> | - | - |
| Growth and income stock | <u>26,542</u> | <u>26,542</u> | - | - |
| Total Investments | <u>\$ 250,883</u> | <u>\$ 136,995</u> | <u>\$ 113,888</u> | <u>\$ -</u> |

The Association used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Equity mutual funds, money market funds, and growth and income stock – Value based on quoted market prices that are available in an active market.

Certificates of deposit – Value based on observable market information, rather than market quotes.

Continued

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

4. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of December 31, 2018:

| | |
|---|------------------|
| Leasehold improvements | \$ 131,076 |
| Equipment | 55,058 |
| Computer software | 30,144 |
| Furniture | <u>26,959</u> |
| Total Property and Equipment | 243,237 |
| Less: Accumulated Depreciation and Amortization | <u>(163,491)</u> |
| Property and Equipment, Net | <u>\$ 79,746</u> |

Depreciation and amortization expense totaled \$26,402 for the year ended December 31, 2018.

5. Commitments and Risks

Operating Lease

In February 2014, the Association entered into a noncancelable operating lease for office space in Arlington, Virginia. The lease commenced on May 15, 2014, and expires in 2025. The lease requires a monthly base rent of \$5,201 with annual increases of 2.75% and a 10-month rental abatement. Under GAAP, all fixed rent increases are recognized on a straight-line basis over the term of the lease. In addition, the Association is obligated to pay its share of real estate tax and operating expense of the building.

As of December 31, 2018, the future minimum lease payments required under this lease were as follows:

| For the Year Ending <u>December 31,</u> | |
|--|-------------------|
| 2019 | \$ 71,157 |
| 2020 | 73,113 |
| 2021 | 75,124 |
| 2022 | 77,190 |
| 2023 | 79,313 |
| Thereafter | <u>95,137</u> |
| Total | <u>\$ 471,034</u> |

Rent expense totaled \$88,912 for the year ended December 31, 2018.

Concentration of Credit Risk

The cash and cash equivalents of the Association are composed of amounts in accounts at various financial institutions. While the amounts, at times, exceed the amount guaranteed by federal agencies and, therefore, bear some risk, the Association has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2018, the Federal Deposit Insurance

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

5. Commitments and Risks (continued)

Concentration of Credit Risk (continued)

Corporation (FDIC) insured balances of a depositor at each FDIC-insured institution up to \$250,000. The amount held by the Association in excess of the FDIC-insured limit as of December 31, 2018, totaled approximately \$994,000.

Employment Agreement

The Association signed an employment agreement with its Executive Director on December 5, 2015. Under the terms of the agreement, if the Association terminates the agreement for reasons other than cause, the Executive Director is entitled to receive severance pay in the amount of three months' current salary plus insurance, fringe and other benefits, and payment for unused earned vacation and sick/personal days accrued as of the date of termination.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following programs or purposes as of December 31, 2018:

| | |
|--|-------------------|
| Perpetual in nature: | |
| Endowment fund | \$ 60,000 |
| Time-restricted: | |
| Restricted for 2019 | 50,000 |
| Purpose-restricted: | |
| Unspent endowment earnings | 2,552 |
| Research | 122,998 |
| Educational scholarships | 100,000 |
| Tom Broch Memorial Scholarships – Teal Hill 2019 | <u>6,108</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 341,658</u> |

7. Endowment Funds

The Association has certain donor-restricted endowment funds, of which the principal is to be invested in perpetuity and the investment earnings are to be restricted for the purposes of funding an annual scholarship award to an eligible individual with spina bifida and funding spina bifida research.

Interpretation of Relevant Law

The Association's Board of Directors has interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c)

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

7. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Association and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The Association's other resources; and
- The Association's investment policies.

The Association's endowment net asset composition by fund type was as follows as of December 31, 2018:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---|--|------------------|
| Original value donor-restricted endowment funds | \$ - | \$ 60,000 | \$ 60,000 |
| Accumulated earnings | <u>-</u> | <u>2,552</u> | <u>2,552</u> |
| Total Endowment Net Assets | <u>\$ -</u> | <u>\$ 62,552</u> | <u>\$ 62,552</u> |

Endowment net assets and changes in endowment net assets consisted of the following as of and for the year ended December 31, 2018:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---|--|------------------|
| Endowment net assets, December 31, 2017 | \$ - | \$ 62,563 | \$ 62,563 |
| Net investment losses | <u>-</u> | <u>(11)</u> | <u>(11)</u> |
| Endowment Net Assets, December 31, 2018 | <u>\$ -</u> | <u>\$ 62,552</u> | <u>\$ 62,552</u> |

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SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

7. Endowment Funds (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no funds with deficiencies as of December 31, 2018.

Return Objectives and Strategies Employed for Achieving Objectives

The Association has adopted an investment policy and a spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested in a manner that is intended to achieve a balanced return of current income for program support and modest capital appreciation.

Spending Policy

The Board of Directors authorizes spending of up to a maximum of 4% of the cumulative investment earnings generated by the donor-restricted endowment funds for the Sabadie Family Endowed Fund and Carolyn Elizabeth Gilbert Endowed Fund. Earnings are spent based on the purposes designated by the donors (i.e., funding an annual scholarship award to an eligible individual with spina bifida and the duration and preservation of the funds). There was no spending from these funds in 2018.

8. Donated Services

The Association received pro bono legal and consulting services during the year ended December 31, 2018. These services are recorded in the financial statements if the services create or enhance long-lived assets or if they require specialized skills which are provided by individuals possessing these skills and would typically need to be purchased if not donated. The services, which are included in donated services, are recorded at fair value in the amount of \$19,413 in the accompanying statement of activities.

9. Availability and Liquidity

The Association's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2018, were as follows:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 1,213,965 |
| Grants and contributions receivable | 427,091 |
| Investments | <u>250,883</u> |
| Total Financial Assets Available | 1,891,939 |
| Less: Amounts not available to be used within one year: | |
| Amounts restricted by donors with purpose restrictions | <u>(291,658)</u> |
| Financial Assets Available to Meet General Expenditures Within One Year | <u>\$ 1,600,281</u> |

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SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

9. Availability and Liquidity (continued)

The Association's working capital and cash from government grants, contributions and program service revenue, which are billed based on expenses incurred, as received and when the events are held, respectively, are collected throughout the year. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

10. Income Taxes

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under IRC Section 509(a)(1). As such, the Association is taxed only on its net unrelated business income. No provision for income taxes has been made in the accompanying financial statements for the year ended December 31, 2018, as there was no significant unrelated business income.

The Association follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Association evaluated its uncertainty in income taxes for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Association files tax returns; however, there are currently no examinations in progress. It is the Association's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2018, the Association had no accrual for interest and/or penalties.

11. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2017, from which the summarized financial information was derived.

12. Reclassifications

Certain 2017 amounts have been reclassified to conform with the 2018 financial statement presentation.

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SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

13. Subsequent Events

In preparing these financial statements, the Association has evaluated, for potential recognition or disclosure, events and transactions through July 29, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.