



SPINA BIFIDA ASSOCIATION OF AMERICA

Financial Statements

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)



**and
Report Thereon**



SPINA BIFIDA ASSOCIATION OF AMERICA

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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, 2020, 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.

Opinion

In our opinion, the 2020 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, 2020, 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 the Summarized Comparative Financial Statements

We have previously audited the Spina Bifida Association of America's 2019 financial statements, and in our report dated October 16, 2020, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
July 29, 2021

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Summarized Financial Information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 236,118	\$ 303,834
Grants and contributions receivable	81,811	111,088
Investments	974,042	1,114,546
Prepaid expenses	44,163	55,344
Inventory	5,139	5,139
Property and equipment, net	<u>62,368</u>	<u>90,059</u>
TOTAL ASSETS	<u><u>\$ 1,403,641</u></u>	<u><u>\$ 1,680,010</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 70,149	\$ 85,775
Contract liabilities	15,744	738
Deferred rent and leasehold incentives	178,553	184,257
Note payable	<u>229,100</u>	<u>-</u>
TOTAL LIABILITIES	<u>493,546</u>	<u>270,770</u>
Net Assets		
Without donor restrictions	635,249	1,097,206
With donor restrictions	<u>274,846</u>	<u>312,034</u>
TOTAL NET ASSETS	<u>910,095</u>	<u>1,409,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,403,641</u></u>	<u><u>\$ 1,680,010</u></u>

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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
REVENUE AND SUPPORT				
Direct Public Support:				
Foundation grants and contributions	\$ 569,840	\$ 5,600	\$ 575,440	\$ 652,466
Federal grants	561,818	-	561,818	651,206
Special events	190,435	-	190,435	364,122
Bequests	93,991	-	93,991	14,640
Donated services	10,943	-	10,943	7,000
Indirect Public Support:				
Federated fundraising organizations	38,319	-	38,319	31,177
Releases from restriction:				
Satisfaction of purpose restrictions	<u>46,127</u>	<u>(46,127)</u>	<u>-</u>	<u>-</u>
Total Public Support	<u>1,511,473</u>	<u>(40,527)</u>	<u>1,470,946</u>	<u>1,720,611</u>
Other Revenue:				
Conference and meetings	37,514	-	37,514	116,505
Investment income, net	47,307	3,339	50,646	47,268
Sales of materials and services and other	<u>928</u>	<u>-</u>	<u>928</u>	<u>1,141</u>
Total Other Revenue	<u>85,749</u>	<u>3,339</u>	<u>89,088</u>	<u>164,914</u>
TOTAL REVENUE AND SUPPORT	<u>1,597,222</u>	<u>(37,188)</u>	<u>1,560,034</u>	<u>1,885,525</u>
EXPENSES				
Program Services:				
Research	702,364	-	702,364	763,238
Education	370,061	-	370,061	308,798
Member services/chapter development	281,575	-	281,575	302,099
Government relations	147,759	-	147,759	191,578
Information and referral	<u>51,195</u>	<u>-</u>	<u>51,195</u>	<u>51,179</u>
Total Program Services	<u>1,552,954</u>	<u>-</u>	<u>1,552,954</u>	<u>1,616,892</u>
Supporting Services:				
Management and general	233,108	-	233,108	294,327
Fundraising	<u>273,117</u>	<u>-</u>	<u>273,117</u>	<u>328,106</u>
Total Supporting Services	<u>506,225</u>	<u>-</u>	<u>506,225</u>	<u>622,433</u>
TOTAL EXPENSES	<u>2,059,179</u>	<u>-</u>	<u>2,059,179</u>	<u>2,239,325</u>
CHANGE IN NET ASSETS	(461,957)	(37,188)	(499,145)	(353,800)
NET ASSETS, BEGINNING OF YEAR	<u>1,097,206</u>	<u>312,034</u>	<u>1,409,240</u>	<u>1,763,040</u>
NET ASSETS, END OF YEAR	<u>\$ 635,249</u>	<u>\$ 274,846</u>	<u>\$ 910,095</u>	<u>\$ 1,409,240</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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	Program Services					Supporting Services			2020 Total	2019 Total
	Research	Education	Member Services/ Chapter Development	Government Relations	Information and Referral	Total Program Services	Management and General	Fundraising		
Salaries and fringe benefits	\$ 472,372	\$ 237,928	\$ 203,071	\$ 33,849	\$ 33,152	\$ 980,372	\$ 141,418	\$ 173,047	\$ 1,294,837	\$ 1,253,138
Consultant fees	145,143	38,566	3,406	81,274	2,675	271,064	21,593	8,614	301,271	285,666
Rent	-	41,877	16,976	4,502	2,669	66,024	11,970	5,811	83,805	81,070
Office	1,462	3,351	7,109	3,402	2,555	17,879	22,185	27,918	67,982	75,802
Legal and accounting fees	22,855	7,822	5,566	3,914	1,363	41,520	10,272	6,032	57,824	37,060
Equipment rental and maintenance	11,240	10,296	6,027	9,949	4,027	41,539	4,816	5,414	51,769	55,805
Conference and meetings	3,116	10,000	14,832	4,045	-	31,993	681	1,056	33,730	87,533
Supplies	19,099	1,630	1,583	99	729	23,140	3,945	5,736	32,821	44,603
Depreciation and amortization	10,143	5,370	4,176	2,088	597	22,374	3,579	3,878	29,831	31,223
Travel costs	14,114	971	3,968	743	-	19,796	12	1,511	21,319	113,419
Printing	570	1,200	913	638	-	3,321	395	15,778	19,494	35,644
Telephone	-	4,168	2,993	2,370	2,410	11,941	2,849	2,802	17,592	17,022
Postage	-	290	-	-	551	841	1,573	13,926	16,340	32,874
Scholarships	2,250	465	7,961	253	-	10,929	-	220	11,149	32,415
Filing registration	-	416	575	366	266	1,623	5,031	266	6,920	6,860
Miscellaneous	-	3,149	533	100	100	3,882	1,686	907	6,475	19,021
Taxes	-	883	386	167	101	1,537	1,043	201	2,781	4,223
Website hosting	-	1,679	-	-	-	1,679	-	-	1,679	2,595
Grants	-	-	1,000	-	-	1,000	-	-	1,000	2,805
Entertainment	-	-	500	-	-	500	60	-	560	5,817
Temporary help	-	-	-	-	-	-	-	-	-	12,706
Publications and materials	-	-	-	-	-	-	-	-	-	2,024
TOTAL EXPENSES	\$ 702,364	\$ 370,061	\$ 281,575	\$ 147,759	\$ 51,195	\$ 1,552,954	\$ 233,108	\$ 273,117	\$ 2,059,179	\$ 2,239,325

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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (499,145)	\$ (353,800)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	29,831	31,223
Net realized and unrealized gains on investments	(39,579)	(27,225)
Changes in assets and liabilities:		
Grants and contributions receivable	29,277	316,003
Prepaid expenses	11,181	(10,769)
Inventory	-	1,462
Accounts payable and accrued expenses	(15,626)	13,839
Contract liabilities	15,006	738
Deferred rent and leasehold incentives	(5,704)	(3,628)
Note payable	<u>229,100</u>	<u>-</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(245,659)</u>	<u>(32,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	343,991	1,262,448
Purchases of investments	(162,740)	(2,098,886)
Purchases of property and equipment	<u>(2,140)</u>	<u>(41,536)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>179,111</u>	<u>(877,974)</u>
NET DECREASE IN CASH	(66,548)	(910,131)
CASH, BEGINNING OF YEAR	<u>303,834</u>	<u>1,213,965</u>
CASH, END OF YEAR	<u>\$ 237,286</u>	<u>\$ 303,834</u>
CASH REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash	\$ 236,118	\$ 303,834
Cash held for investment purposes	<u>1,168</u>	<u>-</u>
	<u>\$ 237,286</u>	<u>\$ 303,834</u>

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, 2020

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*.

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 mutual funds, corporate bonds, common stock, government bonds, money market funds and cash held for investment purposes. 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).

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.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

Fair Value Measurement (continued)

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, 2020, 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.
- 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. Some 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, 2020, the Association had \$60,000 in net assets with donor restrictions that are required to be maintained in perpetuity.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

Revenue Recognition

The Association receives grants from the Federal government, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue recognized on these grants for which billings have not been presented to the grantor, or cash has not been received from the grantor, is reflected as grants and contributions receivable in the accompanying statement of financial position. Amounts earned and released within the same year under conditional awards are reported as increases in net assets without donor restrictions in the accompanying statement of activities.

Unconditional 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 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.

The Association receives contributions from several organizations that raise contributions on behalf of various recipients. Amounts contributed are recognized as increases in net assets without donor restrictions and included as federated fundraising organizations in the accompanying statement of activities.

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 at the point in time the event occurs.

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.

Conference and meetings revenue is recognized when the performance obligation is satisfied. The performance obligation is satisfied when the events are held. Accordingly, sponsorships and related fees received in advance of the related conference or meetings are reflected as contract liabilities in the accompanying statement of financial position.

Sales of materials and services are recognized as revenue at the time of sale. Other income includes the gain on disposed asset and the refund of a deposit. Gains on disposed assets are recognized when the assets are disposed of and refunds of deposits are recognized when received.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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 costs to nongovernment programs based on the percentage of direct costs related to each program and supporting service. 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 Pronouncements

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which require that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-year and end-of-year total amounts shown on the statement of cash flows. The Association adopted the standard in 2020 as it had no impact on the prior year financial statements.

Accounting Pronouncements to be Adopted

In 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. The new standard applies to capital or operating leases entered into after the standard was issued. The guidance will be effective for the fiscal year beginning after December 15, 2022, including interim periods within that year. The Association is currently evaluating the impact this ASU will have on its financial statements.

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Accounting Pronouncements to be Adopted (continued)

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributions Nonfinancial Assets*. This ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The guidance will be effective for the fiscal year beginning after June 15, 2021, including interim periods within that year. The Association is currently evaluating the impact this ASU will have on its financial statements.

2. Grants and Contributions Receivable

At December 31, 2020, grants and contributions receivable were composed of the following:

Federal grants receivable	\$ 41,543
Contributions receivable	<u>40,268</u>
Total Grants and Contributions Receivable	<u><u>\$ 81,811</u></u>

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

In August 2019, the Association was awarded a federal grant for \$3,000,000. The grant is contingent upon certain performance requirements and/or incurrence of allowable qualifying expenses. As such, the revenue is not recorded in the financial statements until conditions are met. During the year ended December 31, 2020, the Association recognized revenue totaling \$561,818 under the award. As of December 31, 2020, the Association has yet to recognize \$2,234,210 of the grant as they had not yet met the respective conditions.

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:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Money market funds	\$ 431,312	\$ 431,312	\$ -	\$ -
Mutual funds:				
Equity	276,733	276,733	-	-
Fixed income	<u>96,561</u>	<u>96,561</u>	-	-
Total Mutual Funds	<u>373,294</u>	<u>373,294</u>	-	-

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

3. Investments and Fair Value Measurement (continued)

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (continued):				
Corporate bonds	\$ 100,923	\$ -	\$ 100,923	\$ -
Common stock	57,288	57,288	-	-
Government bonds	<u>10,057</u>	<u>-</u>	<u>10,057</u>	<u>-</u>
Total Investments Measured at Fair Value	972,874	<u>\$ 861,894</u>	<u>\$ 110,980</u>	<u>\$ -</u>
Cash	<u>1,168</u>			
Total Investments	<u>\$ 974,042</u>			

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

Money market funds, mutual funds and common stock – Value based on quoted prices that are available in an active market.

Corporate bonds and government bonds – Value based on observable information, rather than market quotes.

4. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of December 31, 2020:

Leasehold improvements	\$ 128,355
Furniture	47,300
Computer software	43,744
Equipment	<u>62,660</u>
Total Property and Equipment	282,059
Less: Accumulated Depreciation and Amortization	<u>(219,691)</u>
Property and Equipment, Net	<u>\$ 62,368</u>

Depreciation and amortization expense totaled \$29,831 for the year ended December 31, 2020.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

5. Note Payable

On May 6, 2020, the Association entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$229,100. The loan will mature on May 6, 2022, with a fixed interest rate of 1% per annum. The loan amount may be eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. On March 5, 2021, the Association received confirmation from the Lender and the SBA for the formal forgiveness of the PPP Loan. As a result, forgiveness of debt in the amount of \$229,100 will be recorded during the year ending December 31, 2021.

6. Commitments and Risks

Operating Lease

The Association has entered into a noncancelable operating lease for office space in Arlington, Virginia, that expires in 2025. The lease requires 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, 2020, the future minimum lease payments required under this lease were as follows:

For the Year Ending <u>December 31,</u>	
2021	\$ 75,124
2022	77,190
2023	79,313
2024	81,454
2025	<u>13,683</u>
Total	<u>\$ 326,764</u>

Rent expense totaled \$83,805 for the year ended December 31, 2020.

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.

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

6. Commitments and Risks (continued)

Federal Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, might constitute a liability of the applicable funds. It is management's opinion that there are not any significant contingent liabilities relating to these grants.

Risk and Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Association has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact the Association's financial condition or results of operations is uncertain and being evaluated by management and the Board.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following programs or purposes as of December 31, 2020:

Perpetual in nature:	
Endowment fund	\$ <u>60,000</u>
Purpose-restricted:	
Research	102,558
Educational scholarships	100,000
Unspent endowment earnings	7,903
Tom Broch Memorial Scholarships – Teal on the Hill	<u>4,385</u>
Total Purpose-Restricted Net Assets	<u>214,846</u>
Total Net Assets With Donor Restrictions	<u>\$ 274,846</u>

8. 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

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

donor stipulations to the contrary. As a result of this interpretation, the Association classifies as donor restricted net assets in perpetuity (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) 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 donor restricted net assets in perpetuity is classified as donor 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:

	<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>7,903</u>	<u>7,903</u>
Total Endowment Net Assets	<u>\$ -</u>	<u>\$ 67,903</u>	<u>\$ 67,903</u>

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ -	\$ 64,564	\$ 64,564
Net investment income	<u>-</u>	<u>3,339</u>	<u>3,339</u>
Endowment Net Assets, December 31, 2020	<u>\$ -</u>	<u>\$ 67,903</u>	<u>\$ 67,903</u>

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, 2020.

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. It is the Association's policy not to spend on underwater endowments. 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 2020.

9. Donated Services

The Association received pro bono legal and consulting services during the year ended December 31, 2020. 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

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

9. Donated Services (continued)

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 \$10,943 in the accompanying statement of activities.

10. 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, 2020, were as follows:

Cash	\$ 236,118
Grants and contributions receivable	81,811
Investments	<u>974,042</u>
Total Financial Assets Available	1,291,971
Less: Amounts not available to be used within one year:	
Amounts to be held in perpetuity	(60,000)
Amounts restricted by donors with purpose restrictions	<u>(214,846)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 1,017,125</u>

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.

11. Income Taxes

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (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, 2020, 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, 2020, 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, 2020, the statute of limitations for tax years remained open with the U.S. federal jurisdiction or the

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

11. Income Taxes (continued)

various states and local jurisdictions in which the Association files tax returns; however, there are currently no examinations pending or 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, 2020, the Association had no accrual for interest and/or penalties.

12. Reclassifications

Certain 2019 amounts have been reclassified to conform with the 2020 financial statement presentation.

13. 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, 2019, from which the summarized financial information was derived.

14. Subsequent Events

In preparing these financial statements, the Association has evaluated, for potential recognition or disclosure, events and transactions through July 29, 2021, the date the financial statements were available to be issued. Except as disclosed in Note 5 relating to the PPP note payable forgiveness, there were no subsequent events identified that require recognition or disclosure in the financial statements.