

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

DECEMBER 31, 2010 & 2009

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# Peterson, Fieo & Co.

*Certified Public Accountants*

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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 Charcot-Marie-Tooth Association as of 31<sup>st</sup> December 2010 & 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Charcot-Marie-Tooth Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charcot-Marie-Tooth Association as of 31<sup>st</sup> December 2010 & 2009 and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Peterson, Fieo & Co.*

5<sup>th</sup> May 2011

**CHARCOT-MARIE-TOOTH ASSOCIATION**

**STATEMENT of FINANCIAL POSITION**

	as of December 31,	
	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash & cash equivalents	\$ 353,736	\$ 631,463
Accounts receivable	6,700	
Prepaid Insurance	2,463	
Total Current Assets	<u>362,899</u>	<u>631,463</u>
<b>Fixed Assets</b>		
Office equipment, website, etc. ( <i>net of depreciation</i> )	145,592	14,303
<b>Other Assets</b>		
Security deposits	-	2,800
Total Assets	<u>\$ 508,491</u>	<u>\$ 648,566</u>
<b><u>Liabilities &amp; Net Assets</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable	\$ 107,475	\$ 8,545
Research grants payable within one year	-	301,833
Total Liabilities	<u>107,475</u>	<u>310,378</u>
<b><u>Net Assets</u></b>		
Unrestricted	230,424	172,171
Unrestricted - Net Assets	<u>145,592</u>	<u>14,303</u>
Total Unrestricted Net Assets	376,016	186,474
Temporarily restricted	<u>25,000</u>	<u>151,714</u>
Total Net Assets	<u>401,016</u>	<u>338,188</u>
Total Liabilities & Net Assets	<u>\$ 508,491</u>	<u>\$ 648,566</u>

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

**CHARCOT-MARIE-TOOTH ASSOCIATION**

**STATEMENT of ACTIVITIES**

	<u>Year Ended December 31, 2010</u>			<u>Year Ended Dec. 31, 2009</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues				
Contributions	\$ 479,246	\$ 25,000	\$ 504,246	\$ 565,653
Special events revenue <i>(net of expenses)</i>	438,603		438,603	269,345
Sale of promotional products <i>(net of expenses)</i>	4,526		4,526	-
Support group revenue	15,362		15,362	-
Investment income	2,057		2,057	5,529
Net assets released from restrictions	151,714	(151,714)	-	-
Total Revenues	<u>1,091,508</u>	<u>(126,714)</u>	<u>964,794</u>	<u>840,527</u>
Expenses				
Program services	499,599	-	499,599	854,995
Management and general	258,579		258,579	285,919
Fundraising	143,788		143,788	180,269
Total Expenses	<u>901,966</u>	<u>-</u>	<u>901,966</u>	<u>1,321,183</u>
Increase (decrease) in net assets	189,542	(126,714)	62,828	(480,656)
Net assets - beginning of year	<u>186,474</u>	<u>151,714</u>	<u>338,188</u>	<u>818,844</u>
Net assets - end of year	<u>\$ 376,016</u>	<u>\$ 25,000</u>	<u>\$ 401,016</u>	<u>\$ 338,188</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, 2010</u>				<u>Year Ended Dec. 31, 2009</u>
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries & benefits	\$ 195,913	\$ 139,955	\$ 109,855	\$ 445,723	\$ 455,156
Publications & supplies	24,582	-	5,262	29,844	167,453
Occupancy & office	24,248	79,479	12,747	116,474	150,312
Direct program expenses	183,785	-	-	183,785	421,451
Conference expenses	17,118	34,478	15,924	67,520	14,489
Consulting & lobbying	53,953	4,667	-	58,620	112,322
Total Expenses	<u>\$ 499,599</u>	<u>\$ 258,579</u>	<u>\$ 143,788</u>	<u>\$ 901,966</u>	<u>\$ 1,321,183</u>

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

**CHARCOT-MARIE-TOOTH ASSOCIATION**

**STATEMENT of CASH FLOWS**

	<u>Year Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 62,828	\$ (480,656)
Depreciation expense	20,335	7,395
Decrease (increase) in assets		
Grants receivable	(6,700)	237,000
Prepaid expenses & security deposits	337	-
Increase (decrease) in liabilities		
Accounts payable	98,930	(11,091)
Research grants payable	(301,833)	(202,334)
Net cash provided (used) by operating activities	<u>(126,103)</u>	<u>(449,686)</u>
Cash flows from investing activities		
Expenditures for website development & software	<u>(151,624)</u>	<u>-</u>
Cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(277,727)	(449,686)
Cash and cash equivalents - beginning of year	<u>631,463</u>	<u>1,081,149</u>
Cash and cash equivalents - end of year	<u>\$ 353,736</u>	<u>\$ 631,463</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

31<sup>st</sup> DECEMBER 2010

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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. The Association also facilitates education and support for persons affected by CMT.

### 2. Significant Accounting Policies

Basis of Presentation. The Association follows Statement of Financial Accounting Standards ("SFAS") #117 *Financial Statements for Not-for-Profit Organizations* to prepare its financial statements. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Furthermore, several Statements of Financial Accounting Standards have been deemed inapplicable due to materiality (e.g., SFAS #106 "Employers' Accounting for Post-Employment Benefits Other Than Pensions" and SFAS #112 "Employers' Accounting for Post-Employment Benefits").

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. 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. There are no permanently restricted net assets.

Income Taxes. The Association is organized as a Pennsylvania not-for-profit corporation and as such, is exempt from income taxes. Further, the U.S. Internal Revenue Service (IRS) has granted the corporation permanent status as an organization categorized under IRC Section 503(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.

Other Filings. Since the Association solicits funds in Pennsylvania, it has registered with the Pennsylvania Bureau of Charitable Organizations (BCO) and files an annual registration and report therewith.

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



# CHARCOT-MARIE-TOOTH ASSOCIATION

## NOTES to FINANCIAL STATEMENTS

31<sup>st</sup> DECEMBER 2010

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

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

### 3. Concentration of Credit Risk

During the year the Association had deposits with a major commercial bank that exceeded Federal Depository Insurance (FDIC) limit of \$250,000 per depositor, per bank. At 31<sup>st</sup> December 2010, these balances were \$46,751 in excess of the FDIC insured limits. Management believes the credit risk related to these deposits is minimal.

### 4. Property and Equipment.

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.

Changes in the property and equipment accounts are as follows:

Year ended December 31, 2010	Beginning of year	Additions	Deletions	End of year
Office equipment	73,952	849	-	74,801
Website & software	-	150,775	-	150,775
less: Accumulated depreciation	59,649	20,335	-	79,984
Net value	14,303	131,289	-	145,592

Year ended December 31, 2009	Beginning of year	Additions	Deletions	End of year
Office equipment	73,952	-	-	73,952
less: Accumulated depreciation	52,254	7,395	-	59,649
Net value	21,698	(7,395)	-	14,303

### 5. Temporarily Restricted Net Assets

At 31<sup>st</sup> December 2010, the temporarily restricted net assets of \$25,000 comprised of funds received for specific research grants and education.

**CHARCOT-MARIE-TOOTH ASSOCIATION**  
**NOTES to FINANCIAL STATEMENTS**  
**31<sup>st</sup> DECEMBER 2010**

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6. Leases

By 31<sup>st</sup> December 2010, the Association's lease for its business offices in Chester Pennsylvania had expired. As of said date, the Association rents no real estate.

In December 2010, the Association leased an automobile for the use of the executive director. The future payment obligations under this lease are as follows:

2011	6,432
2012	6,432
2013	6,432
2014	-
Total	<u>19,296</u>

This lease replaced a similar three-year automobile lease begun in 2007.

7. Tax-Deferred Annuity Plan

The Association has a tax-deferred annuity plan qualified under 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 was \$10,687 for 2010.

8. Special Events.

The Association runs numerous special events activities as part of its fundraising activities, the largest two being the Joe Paterno Dinner and the Livney Golf Outing. The recap for these special events is as follows:

	Total	Paterno Dinner	Livney Golf Outing	Other Special Events
Revenues	714,910	292,690	84,500	337,720
Expenses	276,307	179,325	83,080	13,902
Net	<u>438,603</u>	<u>113,365</u>	<u>1,420</u>	<u>323,818</u>

**CHARCOT-MARIE-TOOTH ASSOCIATION**

**NOTES to FINANCIAL STATEMENTS**

**31<sup>st</sup> DECEMBER 2010**

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9. Sale of Promotional Products.

The Association offers numerous promotional items for sale as part of its fundraising activities. Expenditures for these products are expensed when paid. Values of inventory on hand at the end of each year are nominal, and not reflected in these financial statements. The recap for these special events is as follows:

Revenues	7,580
Expenses	<u>3,054</u>
Net	<u><u>4,526</u></u>

10. 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.

11. Compensated Absences

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