

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

DECEMBER 31, 2013 & 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Charcot-Marie-Tooth Association

We have audited the accompanying Statement of Financial Position of the Charcot-Marie-Tooth Association as of 31st December 2013 and 2012, along with the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the years then ended. These financial statements are the responsibility of the Charcot-Marie-Tooth Association. Our responsibility is to express an opinion on these financial statements based on our audit.

Auditor's Responsibility. The auditor's responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Risk assessments involve consideration of internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Charcot-Marie-Tooth Association as of 31st December 2013 and 2012, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Peterson, Fieo & Co.

Peterson, Fieo & Co.
1st February 2014

CHARCOT-MARIE-TOOTH ASSOCIATION

STATEMENT of FINANCIAL POSITION

| | as of December 31, | |
|---|---------------------|---------------------|
| | <u>2013</u> | <u>2012</u> |
| <u>Assets</u> | | |
| Current Assets | | |
| Cash & cash equivalents | \$ 1,064,667 | \$ 1,064,834 |
| Accounts receivable | - | - |
| Prepaid Insurance | 6,496 | 1,215 |
| Total Current Assets | <u>1,071,163</u> | <u>1,066,049</u> |
| Fixed Assets | | |
| Office equipment, website, etc. <i>(net of depreciation)</i> | <u>2,572</u> | <u>40,710</u> |
| Total Assets | <u>\$ 1,073,735</u> | <u>\$ 1,106,759</u> |
| <u>Liabilities & Net Assets</u> | | |
| <u>Liabilities</u> | | |
| Accounts Payable | \$ 10,112 | \$ 12,000 |
| Payroll Liabilities | 818 | 1,418 |
| Research Grants Payable | - | - |
| Total Liabilities | <u>10,930</u> | <u>13,418</u> |
| <u>Net Assets</u> | | |
| Unrestricted | 1,060,233 | 1,052,631 |
| Unrestricted - Fixed Assets | <u>2,572</u> | <u>40,710</u> |
| Total Unrestricted Net Assets | 1,062,805 | 1,093,341 |
| Temporarily Restricted Net Assets | <u>-</u> | <u>-</u> |
| Total Net Assets | <u>1,062,805</u> | <u>1,093,341</u> |
| Total Liabilities & Net Assets | <u>\$ 1,073,735</u> | <u>\$ 1,106,759</u> |

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

CHARCOT-MARIE-TOOTH ASSOCIATION

STATEMENT of ACTIVITIES

| | <u>Year Ended December 31, 2013</u> | | <u>Year Ended Dec. 31, 2012</u> | |
|--|-------------------------------------|-----------------------------------|-------------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Total</u> |
| Revenues | | | | |
| Contributions | 1,109,793 | | \$ 1,109,793 | \$ 847,651 |
| Special events revenue <i>(net of expenses)</i> | 455,097 | | 455,097 | 626,558 |
| Sale of Promotional Products <i>(net of expenses)</i> | (434) | | (434) | (3,090) |
| Support group revenue | 374,949 | | 374,949 | 176,833 |
| Investment income | 2,165 | | 2,165 | 1,778 |
| Grants received | 5,000 | | 5,000 | 49,000 |
| Release Restrictions | - | | - | - |
| Total Revenues | <u>1,946,570</u> | <u>-</u> | <u>1,946,570</u> | <u>1,698,730</u> |
| Expenses | | | | |
| Program services | 1,621,531 | - | 1,621,531 | 910,341 |
| Management and general | 99,300 | | 99,300 | 382,373 |
| Fundraising | 256,275 | | 256,275 | 153,287 |
| Total Expenses | <u>1,977,106</u> | <u>-</u> | <u>1,977,106</u> | <u>1,446,001</u> |
| Increase (decrease) in net assets | (30,536) | - | (30,536) | 252,729 |
| Net assets - beginning of year | <u>1,093,341</u> | <u>-</u> | <u>1,093,341</u> | <u>840,612</u> |
| Net assets - end of year | <u>\$ 1,062,805</u> | <u>\$ -</u> | <u>\$ 1,062,805</u> | <u>\$ 1,093,341</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, 2013</u> | | | | <u>Year Ended Dec. 31, 2012</u> |
|--------------------------------------|-------------------------------------|-------------------------------------|--------------------|---------------------|-------------------------------------|
| | <u>Program Services</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> | <u>Total</u> |
| Salaries & Benefits | \$ 384,502 | \$ 18,477 | \$ 126,460 | \$ 529,439 | \$ 403,932 |
| Publications & Supplies | 50,347 | | 5,549 | 55,896 | 36,274 |
| Occupancy & Admin | 47,901 | 78,874 | 18,620 | 145,395 | 143,837 |
| Direct Program Expenses | 1,063,915 | - | 17,548 | 1,081,463 | 521,833 |
| Conference Expenses | 532 | 1,949 | - | 2,481 | 143,916 |
| Consulting & Lobbying | 74,334 | - | 88,098 | 162,432 | 190,480 |
| Other Direct Fundraising Expenses | - | - | - | - | 5,729 |
| Total Expenses | <u>\$ 1,621,531</u> | <u>\$ 99,300</u> | <u>\$ 256,275</u> | <u>\$ 1,977,106</u> | <u>\$ 1,446,001</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>2013</u> | <u>2012</u> |
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ (30,536) | \$ 252,729 |
| Depreciation expense | 38,138 | 50,867 |
| Decrease (increase) in assets | | |
| Grants receivable | - | - |
| Prepaid expenses & security deposits | (5,281) | (1,215) |
| Increase (decrease) in liabilities | | |
| Accounts payable | (1,888) | (12,935) |
| Payroll liabilities payable | (600) | 1,418 |
| Research grants payable | - | - |
| Net cash provided (used) by operating activities | <u>(167)</u> | <u>290,864</u> |
| Cash flows from investing activities | | |
| Expenditures for computer equipment | - | (1,195) |
| Cash flows from financing activities | <u>-</u> | <u>-</u> |
| Net increase (decrease) in Cash & cash equivalents | (167) | 289,669 |
| Cash & cash equivalents - beginning of year | <u>1,064,834</u> | <u>775,165</u> |
| Cash & cash equivalents - end of year | <u>\$ 1,064,667</u> | <u>\$ 1,064,834</u> |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

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

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. Nature of the Organization

The Charcot-Marie-Tooth Association (the "Association") was established to create awareness of Charcot-Marie-Tooth ("CMT") disorders within the health care community and the general public, and to be a leading source of information regarding CMT disorders. The Association encourages, promotes and supports research into the cause, treatment and cure of CMT disorders. The Association also facilitates education and support for persons affected by CMT disorders.

2. Significant Accounting Policies

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

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

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

The Association received several grants to support research into specific strains of CMT disorders. Given the rather narrow focus of the Association's activities, these grants are not considered restricted activities, but rather as grants in support of the Association's general mission.

As of December 31, 2013, there are neither permanently restricted nor temporarily restricted net assets.

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

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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

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

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

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

3. Concentration of Credit Risk.

During the year the Association had deposits with a major commercial bank that exceeded Federal Depository Insurance (FDIC) limit of \$250,000 per depositor, per bank. At December 31, 2013 the carrying amount of the Association's deposits was \$1,064,603 and the bank balance was \$1,045,763. Management believes the credit risk related to these deposits is minimal.

4. Fixed Assets.

Acquisition of property and equipment are capitalized at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. These range from three to ten years. Depreciation expense was \$38,138 and \$50,867 for 2013 and 2012, respectively. Changes in the property and equipment accounts are as follows:

| Year Ended | Beginning | | | End |
|--------------------------------|-----------|-----------|-----------|---------|
| December 31, 2013 | of year | Additions | Deletions | of year |
| Office Equipment | 76,763 | - | | 76,763 |
| Website & Software | 150,775 | | | 150,775 |
| Less: Accumulated Depreciation | 186,828 | 38,138 | | 224,966 |
| Net Value | 40,710 | (38,138) | - | 2,572 |

| Year Ended | Beginning | | | End |
|--------------------------------|-----------|-----------|-----------|---------|
| December 31, 2012 | of year | Additions | Deletions | of year |
| Office Equipment | 75,568 | 1,195 | | 76,763 |
| Website & Software | 150,775 | | | 150,775 |
| Less: Accumulated Depreciation | 135,961 | 50,867 | | 186,828 |
| Net Value | 90,382 | (49,672) | - | 40,710 |

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2013

5. Leases

In November 2013, the Association leased an automobile for the use of the executive director. The future payment obligations under this lease are as follows:

| | |
|-------|--------------|
| 2014 | 3,715 |
| 2015 | 3,715 |
| 2016 | 2,477 |
| 2017 | - |
| Total | <u>9,907</u> |

6. Tax-Deferred Annuity Plan

The Association has a tax-deferred annuity plan qualified under IRC Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Association. The Association contributes 3% of gross salaries for qualified employees to the plan. Plan expense for 2013 and 2012 was \$4,680 and \$4,986, respectively.

7. Special Events

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

| | Total | CMTA Golf Outing | CMTA NY Event | Other |
|----------|----------------|---------------------|------------------|----------------|
| Revenues | 583,266 | 257,500 | 158,965 | 166,801 |
| Expenses | 128,169 | 101,164 | 26,093 | 913 |
| Net | <u>455,097</u> | <u>156,336</u> | <u>132,872</u> | <u>165,889</u> |

8. Functional Reporting of Expenses

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

9. Compensated Absences

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

10. Subsequent Events

The Association has evaluated all events subsequent to the financial statement date of December 31, 2013 through February 1, 2014, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure under FASB ASC 885-10 Subsequent Events.