

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

DECEMBER 31, 2015 & 2014

CONTENTS

	<u>page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

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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 2015 and 2014, along with the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the years then ended, and the related notes to said financial statements.

Management's Responsibility. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Charcot-Marie-Tooth Association as of 31st December 2015 and 2014, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information. We have previously audited the 2014 financial statements of the Charcot-Marie-Tooth Association, and we expressed an unmodified audit opinion on those audited financial statements in our report dated 1st February 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended 31st December 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Peterson, Fieo & Co.

Peterson, Fieo & Co.
20th March 2016

CHARCOT-MARIE-TOOTH ASSOCIATION

STATEMENT of FINANCIAL POSITION

	as of December 31,	
	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current Assets		
Cash & cash equivalents	\$ 1,365,878	\$ 1,688,854
Accounts receivable	-	-
Grants receivable	142,000	7,750
Prepaid Insurance	7,415	3,319
Total Current Assets	<u>1,515,293</u>	<u>1,699,923</u>
Fixed Assets		
Office equipment, website, etc. (<i>net of depreciation</i>)	<u>31,332</u>	<u>7,461</u>
Total Assets	<u>\$ 1,546,625</u>	<u>\$ 1,707,384</u>
<u>Liabilities & Net Assets</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 151,710	\$ 22,538
Payroll Liabilities	857	804
Research Grants Payable	<u>363,888</u>	<u>266,328</u>
Total Liabilities	<u>516,455</u>	<u>289,670</u>
<u>Net Assets</u>		
Unrestricted	80,771	1,390,133
Unrestricted - Fixed Assets	<u>31,332</u>	<u>7,461</u>
Total Unrestricted Net Assets	112,103	1,397,594
Temporarily Restricted Net Assets	<u>918,067</u>	<u>20,120</u>
Total Net Assets	<u>1,030,170</u>	<u>1,417,714</u>
Total Liabilities & Net Assets	<u>\$ 1,546,625</u>	<u>\$ 1,707,384</u>

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

CHARCOT-MARIE-TOOTH ASSOCIATION

STATEMENT of ACTIVITIES

	<u>Year Ended December 31, 2015</u>			<u>Year Ended Dec. 31, 2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues				
Contributions	\$ 459,161	\$ 1,789,901	\$ 2,249,062	\$ 2,363,470
Special events revenue <i>(net of expenses)</i>	648,214	86,614	734,828	452,098
Sale of Promotional Products <i>(net of expenses)</i>	(1,350)		(1,350)	(1,798)
Support group revenue	618,370		618,370	336,617
Investment income	1,191		1,191	2,615
Grants received	49,993		49,993	-
Release Restrictions	1,423,134	(1,423,134)	-	-
Total Revenues	<u>3,198,713</u>	<u>453,381</u>	<u>3,652,094</u>	<u>3,153,002</u>
Expenses				
Program services	3,299,104	-	3,299,104	2,386,232
Management and general	107,300		107,300	80,061
Fundraising	633,234		633,234	331,800
Total Expenses	<u>4,039,638</u>	<u>-</u>	<u>4,039,638</u>	<u>2,798,093</u>
Increase (decrease) in net assets	(840,925)	453,381	(387,544)	354,909
reclassify opening balances	(444,566)	444,566	-	-
Net assets - beginning of year	<u>1,397,594</u>	<u>20,120</u>	<u>1,417,714</u>	<u>1,062,805</u>
Net assets - end of year	<u>\$ 112,103</u>	<u>\$ 918,067</u>	<u>\$ 1,030,170</u>	<u>\$ 1,417,714</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, 2015</u>				<u>Year Ended Dec. 31, 2014</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries & Benefits	\$ 597,193	\$ 35,767	\$ 332,791	\$ 965,751	\$ 600,150
Publications & Supplies	58,427		8,584	67,011	72,888
Occupancy & Admin	70,887	59,796	-	130,683	150,131
Direct Program Expenses	2,415,189	-	24,635	2,439,824	1,706,148
Conference Expenses	-	11,737	-	11,737	77,566
Consulting & Lobbying	110,278	-	127,275	237,553	130,165
Other Direct Expenses	47,130	-	139,949	187,079	61,045
Total Expenses	<u>\$ 3,299,104</u>	<u>\$ 107,300</u>	<u>\$ 633,234</u>	<u>\$ 4,039,638</u>	<u>\$ 2,798,093</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>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase (Decrease) in net assets	\$ (387,544)	\$ 354,909
Depreciation expense	9,986	2,473
Decrease (Increase) in assets		
Grants receivable	(134,250)	(7,750)
Prepaid expenses & security deposits	(4,096)	3,177
Increase (Decrease) in liabilities		
Accounts payable	129,172	12,426
Payroll liabilities payable	53	(14)
Research grants payable	97,560	266,328
Net cash provided (used) by operating activities	(289,119)	631,549
Cash flows from investing activities		
Expenditures for computer equipment	(33,857)	(7,362)
Cash flows from financing activities	-	-
Net increase (decrease) in Cash & cash equivalents	(322,976)	624,187
Cash & cash equivalents - beginning of year	1,688,854	1,064,667
Cash & cash equivalents - end of year	<u>\$ 1,365,878</u>	<u>\$ 1,688,854</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, 2015

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.

Prior to 2015, grants received to support research into specific strains of CMT disorders were not considered restricted activities, but instead, given the rather narrow focus of the Association's activities, as grants in support of the Association's general mission, and were accounted for as unrestricted activities.

Starting with 2015, grants received to support research into specific strains of CMT disorders are classified as temporarily restricted activities. A reclassification transfer of \$444,566 of unrestricted funds to restricted funds has been recognized in these financial statements to reflect the restated opening balances of these activities.

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2015

Income Taxes. The Association is organized as a Pennsylvania not-for-profit corporation and as such, is exempt from income taxes under Internal Revenue Code (IRC) Section 501(a). Further, the U.S. Internal Revenue Service has granted the corporation permanent status as an organization described in IRC Section 501(c)(3). Accordingly, contributions to the Association qualify as deductible charitable contributions as provided in IRC Section 170(b)(1)(a)(vi). Accordingly, no provision has been made for income taxes with respect to this period, nor any prior period.

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, 2015 the carrying amount of the Association's deposits was \$1,365,878 and the bank balance was \$1,076,748.

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 \$9,986 and \$2,473 for 2015 and 2014, respectively. Changes in the property and equipment accounts are as follows:

Year Ended December 31, 2015	Beginning of year	Additions	Deletions	End of year
Office Equipment	84,125	10,388	72,264	22,249
Website & Software	78,511	23,469	78,511	23,469
Less: Accumulated Depreciation	155,175	9,986	150,775	14,386
Net Value	7,461	23,871	-	31,332

CHARCOT-MARIE-TOOTH ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2015

Year Ended December 31, 2014	Beginning of year	Additions	Deletions	End of year
Office Equipment	76,763	7,362		84,125
Website & Software	150,775		72,264	78,511
Less: Accumulated Depreciation	224,966	2,473	72,264	155,175
Net Value	2,572	4,889	-	7,461

5. Research Grants Payable

Research Grants Payable reflects amounts earmarked for research payment, but which haven't yet been paid because certain contractual milestones have not been met. While it is expected that these milestones will indeed be met at some point, due to the nature of the research it is not possible to determine exactly when. Obligations for these unmet milestones total approximately \$866,837.

6. Special Events & Sale of Promotional Products.

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 for the years 2015 & 2014 is as follows:

Year ended 31 December 2015	Total	CMTA Golf Outing	CMTA NY Event	CYCLE 4 Event	Other
Revenues	1,010,050	499,514	185,246	118,029	207,261
Expenses	275,222	125,589	39,492	7,304	102,837
Net	734,828	373,925	145,754	110,725	104,424

Year Ended 31 December 2014	Total	CMTA Golf Outing	CMTA NY Event	Other
Revenues	607,963	203,499	169,238	235,226
Expenses	155,865	93,795	51,168	10,902
Net	452,098	109,704	118,070	224,324

While not considered a core function of the Association, the Association does have available for sale various promotional products. For the years 2015 & 2014, this activity had the following results:

	2015	2014
Revenues	6,054	5,746
Expenses	7,404	7,544
Net	(1,350)	(1,798)

CHARCOT-MARIE-TOOTH ASSOCIATION
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. Leases

In November 2013, the Association leased an automobile for the use of the executive director. There is \$2,720 remaining to be paid under this lease during 2016.

8. 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 2015 and 2014 was \$9,496 and \$5,588, respectively.

9. 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.

10. 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.

11. Subsequent Events

The Association has evaluated all events subsequent to the financial statement date of 31st December 2015 through 20th March 2016, 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.