



## **SPINA BIFIDA ASSOCIATION OF AMERICA**

### **Financial Statements**

*For the Year Ended December 31, 2016*

*(With Summarized Financial Information for the Year Ended December 31, 2015)*



**and  
Report Thereon**





*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

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, 2016, 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.

### **Auditor's 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 of 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 auditor's 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 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, 2016, 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.

**Continued**

## **Report on Summarized Comparative Information**

We have previously audited the Association's 2015 financial statements, and our report dated May 31, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
CE \* ~ • CA, 2017

**SPINA BIFIDA ASSOCIATION OF AMERICA**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2016**

**(With Summarized Financial Information as of December 31, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 179,373	\$ 114,070
Grants and contributions receivable	232,011	326,843
Investments	241,527	324,346
Prepaid expenses	74,580	107,176
Inventory	9,736	15,567
Property and equipment, net	124,481	147,640
<b>TOTAL ASSETS</b>	<b>\$ 861,708</b>	<b>\$ 1,035,642</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 42,980	\$ 70,051
Deferred revenue	61,035	10,288
Deferred rent	190,003	189,441
<b>TOTAL LIABILITIES</b>	294,018	269,780
<b>Net Assets</b>		
Unrestricted	506,603	199,530
Temporarily restricted	1,087	506,332
Permanently restricted	60,000	60,000
<b>TOTAL NET ASSETS</b>	567,690	765,862
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 861,708</b>	<b>\$ 1,035,642</b>

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, 2016**

**(With Summarized Financial Information for the Year Ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>REVENUE AND SUPPORT</b>					
Direct Public Support:					
Federal grants	\$ 655,708	\$ -	\$ -	\$ 655,708	\$ 710,179
Foundation grants and contributions	438,883	-	-	438,883	418,677
Special events	337,231	-	-	337,231	315,429
Donated services	12,604	-	-	12,604	32,298
Indirect Public Support:					
Federated fundraising organizations	35,914	-	-	35,914	83,055
<b>Total Public Support</b>	<u>1,480,340</u>	<u>-</u>	<u>-</u>	<u>1,480,340</u>	<u>1,559,638</u>
Other Revenue:					
Conference and meetings	391,556	-	-	391,556	113,073
Investment income (loss)	10,725	1,225	-	11,950	(1,437)
Other	5,460	-	-	5,460	1,769
Sales of materials and services	3,125	-	-	3,125	3,267
<b>Total Other Revenue</b>	<u>410,866</u>	<u>1,225</u>	<u>-</u>	<u>412,091</u>	<u>116,672</u>
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	506,470	(506,470)	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>2,397,676</u>	<u>(505,245)</u>	<u>-</u>	<u>1,892,431</u>	<u>1,676,310</u>
<b>EXPENSES</b>					
Program Services:					
Research	672,691	-	-	672,691	682,235
Education	642,348	-	-	642,348	343,606
Member services/chapter development	190,235	-	-	190,235	133,318
Information and referral	72,403	-	-	72,403	103,757
Government relations	40,669	-	-	40,669	19,697
<b>Total Program Services</b>	<u>1,618,346</u>	<u>-</u>	<u>-</u>	<u>1,618,346</u>	<u>1,282,613</u>
Supporting Services:					
Management and general	184,245	-	-	184,245	400,036
Fundraising	288,012	-	-	288,012	431,817
<b>Total Supporting Services</b>	<u>472,257</u>	<u>-</u>	<u>-</u>	<u>472,257</u>	<u>831,853</u>
<b>TOTAL EXPENSES</b>	<u>2,090,603</u>	<u>-</u>	<u>-</u>	<u>2,090,603</u>	<u>2,114,466</u>
<b>CHANGE IN NET ASSETS</b>	307,073	(505,245)	-	(198,172)	(438,156)
<b>NET ASSETS, BEGINNING OF YEAR</b>	199,530	506,332	60,000	765,862	1,204,018
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 506,603</u>	<u>\$ 1,087</u>	<u>\$ 60,000</u>	<u>\$ 567,690</u>	<u>\$ 765,862</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, 2016**

**(With Summarized Financial Information for the Year Ended December 31, 2015)**

	Program Services					Supporting Services			2016 Total	2015 Total
	Research	Education	Member Services/ Chapter Development	Information and Referral	Government Relations	Total Program Services	Management and General	Fundraising		
Salaries and fringe benefits	\$ 383,793	\$ 177,635	\$ 78,545	\$ 41,097	\$ 10,354	\$ 691,424	\$ 140,771	\$ 85,934	\$ 918,129	\$ 1,011,670
Consultant fees	147,975	132,175	3,242	5,876	27,234	316,502	13	33,670	350,185	285,609
Conference and meetings	6,462	203,990	40,455	20	303	251,230	6,640	4,404	262,274	39,932
Travel costs	32,036	20,744	19,482	1,026	395	73,683	6,260	7,197	87,140	86,704
Office	1,401	10,460	356	250	-	12,467	23,428	44,671	80,566	79,980
Rent	-	15,899	9,497	7,910	90	33,396	23,707	21,180	78,283	81,080
Equipment rental and maintenance	1,164	10,400	4,364	3,302	1,042	20,272	22,053	9,143	51,468	52,361
Supplies	-	7,095	6,923	757	29	14,804	2,625	21,075	38,504	29,967
Printing	774	14,399	2,402	84	-	17,659	875	19,451	37,985	46,423
Postage	-	8,699	1,714	3,436	-	13,849	4,334	18,844	37,027	40,339
Legal and accounting fees	10,288	11,314	3,349	1,275	716	26,942	4,806	5,073	36,821	59,859
Scholarships	-	16,019	10,220	-	-	26,239	739	471	27,449	42,093
Depreciation and amortization	-	-	-	-	-	-	24,078	-	24,078	27,701
Telephone	-	3,579	5,422	2,987	477	12,465	4,936	4,112	21,513	26,857
Filing registration	150	3,924	-	-	-	4,074	4,755	10,156	18,985	11,592
Miscellaneous	-	2,411	2,469	-	-	4,880	1,203	950	7,033	1,485
Entertainment	-	1,921	1,174	-	-	3,095	1,542	1,538	6,175	3,914
Publications and materials	-	-	-	4,270	-	4,270	15	-	4,285	21,709
Website hosting	-	1,571	121	-	29	1,721	-	29	1,750	10,957
Grants	-	-	500	-	-	500	-	-	500	44,500
Taxes	-	113	-	113	-	226	113	114	453	734
Bad debt expense	-	-	-	-	-	-	-	-	-	109,000
Indirect cost allocation – grants	88,648	-	-	-	-	88,648	(88,648)	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 672,691</b>	<b>\$ 642,348</b>	<b>\$ 190,235</b>	<b>\$ 72,403</b>	<b>\$ 40,669</b>	<b>\$ 1,618,346</b>	<b>\$ 184,245</b>	<b>\$ 288,012</b>	<b>\$ 2,090,603</b>	<b>\$ 2,114,466</b>

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, 2016**

**(With Summarized Financial Information for the Year Ended December 31, 2015)**

**Increase (Decrease) in Cash and Cash Equivalents**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (198,172)	\$ (438,156)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	24,078	27,701
Provision for doubtful accounts	-	109,000
Net realized and unrealized (gains) losses on investments	(5,003)	12,838
Changes in assets and liabilities:		
Grants and contributions receivable	94,832	(97,940)
Prepaid expenses	32,596	(31,454)
Inventory	5,831	19,168
Accounts payable and accrued expenses	(27,071)	12,047
Deferred revenue	50,747	(23,794)
Deferred rent	562	16,597
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(21,600)</b>	<b>(393,993)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	322,881	1,014,259
Purchases of investments	(235,059)	(730,500)
Purchases of property and equipment	(919)	(6,494)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>86,903</b>	<b>277,265</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>65,303</b>	<b>(116,728)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>114,070</b>	<b>230,798</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 179,373</b>	<b>\$ 114,070</b>

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, 2016

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### 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 205, *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 fair 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, corporate bonds 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, 2016**

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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, 2016, 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 the lower of cost or market 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 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 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 expenses in the accompanying statement of activities.

**Classification of Net Assets**

The Association's net assets are reported as follows:

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

Continued

# SPINA BIFIDA ASSOCIATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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

#### **Classification of Net Assets (continued)**

- Temporarily restricted net assets represent revenue and contributions subject to donor-imposed stipulations that will be met by the Association's actions and/or the passage of time.
- Permanently restricted net assets represent funds restricted by the donor to be maintained by the Association in perpetuity.

#### **Revenue Recognition**

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 are 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 unrestricted 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 temporarily restricted revenue and support. Amounts received that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the period in which the revenue is recognized. Conditional promises to give are not included as revenue and support until such time as the conditions are substantially met. 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 restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted and are recognized as special events revenue in the accompanying statement of activities in the period in which the event occurs.

#### **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

# SPINA BIFIDA ASSOCIATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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

#### **Donated Services (continued)**

revenue and support and expense 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 activities. 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 are included in indirect cost allocation – grants on the statement of functional expenses.

#### **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.

### 2. Grants and Contributions Receivable

At December 31, 2016, grants and contributions receivable were composed of the following:

Federal grants receivable	\$ 190,958
Other contributions receivable	<u>41,053</u>
Total Grants and Contributions Receivable	<u>\$ 232,011</u>

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

### 3. Investments and Fair Value Measurement

Investments, at fair value, consisted of the following as of December 31, 2016:

Money market funds	\$ 111,343
Equity mutual funds	61,943
Corporate bonds	50,038
Growth and income stocks	<u>18,203</u>
Total Investments	<u>\$ 241,527</u>

Continued

**SPINA BIFIDA ASSOCIATION OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

3. Investments and Fair Value Measurement (continued)

Investment income is summarized as follows for the year ended December 31, 2016:

Interest and dividends	\$ 6,947
Realized losses on investments	(124)
Unrealized gains on investments	<u>5,127</u>
Total Investment Income	<u>\$ 11,950</u>

The following table summarizes the Association's financial assets measured at fair value on a recurring basis as of December 31, 2016:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Money market funds	<u>\$ 111,343</u>	<u>\$ 111,343</u>	<u>\$ -</u>	<u>\$ -</u>
Equity mutual funds:				
Moderate allocation	33,490	33,490	-	-
Tactical allocation	9,939	9,939	-	-
Mid cap growth	9,256	9,256	-	-
Growth and income	<u>9,258</u>	<u>9,258</u>	<u>-</u>	<u>-</u>
Total Equity Mutual Funds	<u>61,943</u>	<u>61,943</u>	<u>-</u>	<u>-</u>
Corporate bonds	<u>50,038</u>	<u>-</u>	<u>50,038</u>	<u>-</u>
Growth and income stock	<u>18,203</u>	<u>18,203</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 241,527</u>	<u>\$ 191,489</u>	<u>\$ 50,038</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.

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

**SPINA BIFIDA ASSOCIATION OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

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4. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of December 31, 2016:

Leasehold Improvements	\$ 132,484
Equipment	49,053
Computer software	30,144
Furniture	<u>28,501</u>
Total Property and Equipment	240,182
Less: Accumulated Depreciation and Amortization	<u>(115,701)</u>
Property and Equipment, Net	<u>\$ 124,481</u>

Depreciation and amortization expense totaled \$24,078 for the year ended December 31, 2016.

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 ten-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, 2016, the future minimum lease payments required under this lease are as follows:

For the Year Ending <u>December 31,</u>	
2017	\$ 67,399
2018	69,252
2019	71,157
2020	73,113
2021	75,124
Thereafter	<u>251,639</u>
Total Minimum Future Lease Obligations	<u>\$ 607,684</u>

Rent expense totaled \$78,283 for the year ended December 31, 2016.

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**SPINA BIFIDA ASSOCIATION OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

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5. Commitments and Risks (continued)

**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. Temporarily Restricted Net Assets

The Association's temporarily restricted net assets of \$1,087 were available for scholarships as of December 31, 2016.

7. Endowment Funds

The Association has certain donor-restricted endowment funds, whereby 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) 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;

**SPINA BIFIDA ASSOCIATION OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

7. Endowment Funds (continued)

**Interpretation of Relevant Law (continued)**

- 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, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ <u>-</u>	\$ <u>1,087</u>	\$ <u>60,000</u>	\$ <u>61,087</u>

For the year ended December 31, 2016, the Association's endowment had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>(138)</u>	\$ <u>-</u>	\$ <u>60,000</u>	\$ <u>59,862</u>
Investment return:				
Investment income	-	696	-	696
Net appreciation (realized and unrealized)	<u>-</u>	<u>529</u>	<u>-</u>	<u>529</u>
Total Investment Return	<u>-</u>	<u>1,225</u>	<u>-</u>	<u>1,225</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>138</u>	<u>(138)</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, End of Year	\$ <u>-</u>	\$ <u>1,087</u>	\$ <u>60,000</u>	\$ <u>61,087</u>

Continued

**SPINA BIFIDA ASSOCIATION OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

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7. Endowment Funds (continued)

**Permanently Restricted Net Assets**

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA:

Sabadie Family Endowed Fund	\$ 50,000
Carolyn Elizabeth Gilbert Endowed Fund	<u>10,000</u>
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 60,000</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, 2016.

**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 2016.

8. Donated Services

The Association received pro bono legal and consulting services during the year ended December 31, 2016. These services are recorded in the financial statements if the services create or enhance long-lived assets or 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 \$5,612 in the accompanying statement of activities.



## SPINA BIFIDA ASSOCIATION OF AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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#### 9. 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, 2015, as there was no net 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, 2016, 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, 2016, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Association files tax returns. It is the Association's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2016, the Association had no accrual for interest and/or penalties.

#### 10. 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, 2015, from which the summarized financial information was derived.

#### 11. Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 3, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.