



SPINA BIFIDA ASSOCIATION OF AMERICA

Financial Statements

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)



**and
Report Thereon**



**Report Required in Accordance with
The Uniform Guidance**

For the Year Ended December 31, 2022



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 Audit of Financial Statements

Opinion

We have audited the financial statements of the Spina Bifida Association of America (the Association), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Association's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional

analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
September 29, 2023

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF FINANCIAL POSITION

December 31, 2022

(With Summarized Financial Information as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 297,686	\$ 381,363
Grants and contributions receivable	193,502	153,998
Investments	733,082	796,120
Prepaid expenses	126,930	71,076
Inventory	-	5,139
Right-of-use asset – operating lease	57,658	-
Property and equipment, net	<u>9,119</u>	<u>34,840</u>
TOTAL ASSETS	<u><u>\$ 1,417,977</u></u>	<u><u>\$ 1,442,536</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 73,910	\$ 57,155
Contract liabilities	151,928	8,532
Lease liability – operating lease	177,914	-
Deferred rent and leasehold incentives	<u>-</u>	<u>170,847</u>
TOTAL LIABILITIES	<u>403,752</u>	<u>236,534</u>
Net Assets		
Without donor restrictions	774,316	964,523
With donor restrictions	<u>239,909</u>	<u>241,479</u>
TOTAL NET ASSETS	<u>1,014,225</u>	<u>1,206,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,417,977</u></u>	<u><u>\$ 1,442,536</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, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
REVENUE AND SUPPORT				
Direct Public Support:				
Federal grants	\$ 890,700	\$ -	\$ 890,700	\$ 694,924
Foundation grants and contributions	635,735	60,080	695,815	1,007,595
Special events	269,388	-	269,388	162,647
Bequests	176,318	-	176,318	500
Other	-	-	-	5,855
Indirect Public Support:				
Federated fundraising organizations	59,946	-	59,946	49,586
Releases from restriction:				
Satisfaction of purpose restrictions	<u>57,531</u>	<u>(57,531)</u>	<u>-</u>	<u>-</u>
Total Public Support	<u>2,089,618</u>	<u>2,549</u>	<u>2,092,167</u>	<u>1,921,107</u>
Other Revenue:				
PPP loan forgiveness	-	-	-	229,100
Conference and meetings	67,671	-	67,671	110,069
Investment income, net	(65,501)	(4,119)	(69,620)	65,657
Sales of materials and services and other	<u>20,115</u>	<u>-</u>	<u>20,115</u>	<u>8,850</u>
Total Other Revenue	<u>22,285</u>	<u>(4,119)</u>	<u>18,166</u>	<u>413,676</u>
TOTAL REVENUE AND SUPPORT	<u>2,111,903</u>	<u>(1,570)</u>	<u>2,110,333</u>	<u>2,334,783</u>
EXPENSES				
Program Services:				
Education	795,686	-	795,686	375,452
Research	685,964	-	685,964	768,772
Member services/chapter development	270,267	-	270,267	251,327
Government relations	172,984	-	172,984	159,288
Information and referral	<u>48,061</u>	<u>-</u>	<u>48,061</u>	<u>39,525</u>
Total Program Services	<u>1,972,962</u>	<u>-</u>	<u>1,972,962</u>	<u>1,594,364</u>
Supporting Services:				
Management and general	168,845	-	168,845	143,867
Fundraising	<u>160,303</u>	<u>-</u>	<u>160,303</u>	<u>300,645</u>
Total Supporting Services	<u>329,148</u>	<u>-</u>	<u>329,148</u>	<u>444,512</u>
TOTAL EXPENSES	<u>2,302,110</u>	<u>-</u>	<u>2,302,110</u>	<u>2,038,876</u>
CHANGE IN NET ASSETS	<u>(190,207)</u>	<u>(1,570)</u>	<u>(191,777)</u>	<u>295,907</u>
NET ASSETS, BEGINNING OF YEAR	<u>964,523</u>	<u>241,479</u>	<u>1,206,002</u>	<u>910,095</u>
NET ASSETS, END OF YEAR	<u>\$ 774,316</u>	<u>\$ 239,909</u>	<u>\$ 1,014,225</u>	<u>\$ 1,206,002</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, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	Program Services					Supporting Services			2022 Total	2021 Total
	Education	Research	Member Services/ Chapter Development	Government Relations	Information and Referral	Total Program Services	Management and General	Fundraising		
Salaries and fringe benefits	\$ 535,457	\$ 396,212	\$ 200,137	\$ 57,243	\$ 24,360	\$ 1,213,409	\$ 66,917	\$ 71,720	\$ 1,352,046	\$ 1,223,804
Consultant fees	157,524	157,117	8,969	85,076	5,646	414,332	12,064	13,477	439,873	414,740
Travel costs	19,280	57,903	18,700	1,056	108	97,047	3,203	8,055	108,305	10,102
Office	9,708	2,476	11,100	7,051	4,588	34,923	16,769	27,108	78,800	53,685
Equipment rental and maintenance	20,420	3,896	6,352	11,369	4,418	46,455	3,969	6,543	56,967	56,080
Legal and accounting fees	8,436	16,119	5,033	3,838	1,318	34,744	4,736	1,704	41,184	44,948
Grants	-	33,015	1,425	-	-	34,440	-	-	34,440	1,339
Rent	9,901	12,193	2,139	1,323	166	25,722	5,560	1,478	32,760	80,078
Supplies	6,332	924	5,845	124	124	13,349	4,478	14,112	31,939	16,631
Depreciation and amortization	-	-	-	-	-	-	28,102	-	28,102	29,234
Conference and meetings	12,507	1,355	3,058	2,650	-	19,570	3,486	1,109	24,165	26,085
Postage	3,127	100	1,966	128	133	5,454	1,508	8,214	15,176	23,370
Printing	6,017	163	1,020	460	4,866	12,526	331	1,600	14,457	13,032
Miscellaneous	943	2,500	362	-	-	3,805	8,152	331	12,288	15,341
Telephone	2,684	-	1,657	1,599	1,599	7,539	1,626	1,148	10,313	17,235
Filing registration	1,000	675	1,050	-	-	2,725	6,677	25	9,427	4,967
Taxes	605	1,222	665	386	196	3,074	1,267	347	4,688	3,931
Licenses	1,077	-	539	539	539	2,694	-	1,832	4,526	-
Entertainment	-	-	-	-	-	-	-	1,500	1,500	1,224
Website hosting	668	-	-	-	-	668	-	-	668	1,131
Scholarships	-	94	250	142	-	486	-	-	486	1,919
TOTAL EXPENSES	\$ 795,686	\$ 685,964	\$ 270,267	\$ 172,984	\$ 48,061	\$ 1,972,962	\$ 168,845	\$ 160,303	\$ 2,302,110	\$ 2,038,876

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, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (191,777)	\$ 295,907
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	28,102	29,234
PPP loan forgiveness	-	(229,100)
Net realized and unrealized gains on investments	67,724	(61,635)
Changes in assets and liabilities:		
Grants and contributions receivable	(39,504)	(72,187)
Prepaid expenses	(55,854)	(26,913)
Inventory	5,139	-
Right-of-use asset – operating lease	(57,658)	-
Accounts payable and accrued expenses	16,755	(12,994)
Contract liabilities	143,396	(7,212)
Lease liability – operating lease	177,914	-
Deferred rent and leasehold incentives	<u>(170,847)</u>	<u>(7,706)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(76,610)</u>	<u>(92,606)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	257,641	255,330
Purchases of investments	(260,366)	(14,776)
Purchases of property and equipment	<u>(2,381)</u>	<u>(1,706)</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(5,106)</u>	<u>238,848</u>
NET INCREASE (DECREASE) IN CASH	<u>(81,716)</u>	<u>146,242</u>
CASH, BEGINNING OF YEAR	<u>383,528</u>	<u>237,286</u>
CASH, END OF YEAR	<u>\$ 301,812</u>	<u>\$ 383,528</u>
CASH REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash	\$ 297,686	\$ 381,363
Cash held for investment purposes	<u>4,126</u>	<u>2,165</u>
	<u>\$ 301,812</u>	<u>\$ 383,528</u>
NONCASH FINANCING ACTIVITIES		
PPP loan forgiveness	<u>\$ -</u>	<u>\$ 229,100</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, 2022

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, money market mutual funds, common stock, fixed income securities, exchange traded 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, 2022

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, 2022, 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.

Right-of-Use Asset and Lease Liability

The Association determines if an arrangement contains a lease at the inception of the agreement, based on whether the Association has the right to control the asset during the contract period and other facts and circumstances. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. The ROU asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using the Association's estimated incremental borrowing rate or implicit rate, when readily determinable, and is adjusted for lease incentives. The ROU asset is amortized on a straight-line basis over the lease term and is reflected as occupancy costs in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to lease expense for the difference. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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 have 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.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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

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, 2022, the Association had \$60,000 in net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

The Association receives unconditional foundation grants and contributions that 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 and support 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 also 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.

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.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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

Revenue Recognition (continued)

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

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 revenue represents donated services that enhance nonfinancial assets or contributed services that are considered specialized and can be estimated, and would have been purchased if not donated. 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. The Association's policy is to utilize gifts in-kind instead of monetizing.

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.

Accounting Pronouncements Adopted

Effective January 1, 2022, the Association adopted FASB ASC 842, *Leases* (ASC 842), which increased transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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

Accounting Pronouncements Adopted (continued)

leasing arrangements for lessees and lessors. The standard applies a right-of-use (ROU) model that requires, all leases with a lease term of more than 12 months, to recognize an asset representing its right to use the underlying asset for the lease term and liability to make lease payments to be recorded. The Association elected not to restate the comparative period. The Association also elected not to reassess, at adoption the adoption of ASC 842, (i) any expired or existing contracts to determine whether they had or contained a lease, (ii) the lease classification of any existing leases, and (iii) the initial direct costs for existing leases. The adoption of ASC 842 resulted in the recognition of a right-of-use asset and lease liability of \$82,160 and \$252,450 respectively. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the Association's historical accounting treatment. The adoption of ASC 842 did not have a material impact on the Association's result of operations and cash flows. (See Note 5.)

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires separate line items for contributed nonfinancial assets on the statement of activities and a disaggregation by type if there are many different kinds of nonfinancial assets that are received in the notes. The guidance also requires qualitative information about whether gifts-in-kind were either monetized or held and used, policy requirements for monetizing gifts-in-kind rather than utilizing them, descriptions of donor-imposed restrictions, description of valuation techniques used to estimate fair value at initial recognition, and principal or most advantageous market used to arrive at a fair value only if the donor restricts the sale or use of the assets in that market. The Association adopted ASU 2020-07 on January 1, 2022.

Accounting Pronouncements Yet to be Adopted

In June 2016, FASB issued ASU 2016-13 *Financial Instruments – Credit Losses – (Topic 326)*. This ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. The guidance applies to loans, accounts receivable, trade receivables and other financial assets measured at amortized costs, loan commitments, debt securities and beneficial interests in securitized financial assets, but the effect on the Association is projected to be limited to accounts and grants receivable. The guidance will be effective for the fiscal year beginning after December 15, 2022. The Association is evaluating the impact this ASU will have on its financial statements.

2. Grants and Contributions Receivable

At December 31, 2022, grants and contributions receivable were composed of the following:

Federal grants receivable	\$ 138,763
Contributions receivable	<u>54,739</u>
Total Grants and Contributions Receivable	<u>\$ 193,502</u>

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

2. Grants and Contributions Receivable (continued)

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

The Association was awarded federal grants totaling \$3,930,000. The grants are 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, 2022, the Association recognized revenue totaling \$890,700 under the awards. As of December 31, 2022, the Association has yet to recognize \$1,760,573 of the grants 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>	<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:				
Mutual funds:				
Equity	\$ 212,687	\$ 212,687	\$ -	\$ -
Fixed income	<u>113,498</u>	<u>113,498</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	<u>326,185</u>	<u>326,185</u>	<u>-</u>	<u>-</u>
Fixed income securities:				
Corporate bonds	76,768	-	76,768	-
Government bonds	<u>29,639</u>	<u>-</u>	<u>29,639</u>	<u>-</u>
Total Fixed Income Securities	<u>106,407</u>	<u>-</u>	<u>106,407</u>	<u>-</u>
Money market mutual funds	150,905	150,905	-	-
Common stock	86,615	86,615	-	-
Certificates of deposits	34,274	-	34,274	-
Exchange traded funds	<u>24,570</u>	<u>24,570</u>	<u>-</u>	<u>-</u>
Measured at Fair Value	728,956	<u>\$ 588,275</u>	<u>\$ 140,681</u>	<u>\$ -</u>
Cash	<u>4,126</u>			
Total Investments	<u>\$ 733,082</u>			

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

3. Investments and Fair Value Measurement (continued)

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

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

Fixed-income securities and certificates of deposits – Valued based on current yields, the securities' terms and conditions, and market activity. Information used includes market sources, credit information, observed market movement and sector news.

4. Right-of-Use Asset and Lease Liability

As discussed in Note 1, on January 1, 2022, the Association adopted ASC 842. The ROU asset represents the Association's right to use the underlying asset for the lease term, and the lease liability represents the obligation to make lease payments arising from the lease. The ROU asset and lease liability, which arises from the Association's operating lease for its headquarters office, was calculated based on the present value of the future lease payments over the lease term. As the office lease agreement did not provide an implicit rate, based on the information available at the commencement date, the Association elected to use a risk-free rate. The remaining lease term as of December 31, 2022 was 2.3 years and the risk-free discount rate utilized to present value the future lease payments was 1.08%. The Association's operating office lease is described below.

The Association has 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. In addition, the Association is obligated to pay its share of real estate tax and operating expense of the building.

For the year ended December 31, 2022, the total operating lease cost was \$26,637, which is included in rent expense in the accompanying statement of functional expenses. Cash paid for the operating lease for the year ended December 31, 2022 totaled \$76,671. There were no noncash investing and financing transactions relating to leasing other than the transition entry described in Note 1 related to the adoption of the new lease standard.

The right-of-use asset totaled \$82,160 net of accumulated amortization of \$24,502 at December 31, 2022.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2022:

Operating right-of-use asset	<u>\$ 57,658</u>
Operating lease liabilities:	
Current portion of operating lease liability	\$ 77,235
Operating lease liability	<u>100,679</u>
Total Operating Lease Liability	<u>\$ 177,914</u>

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

4. Right-of-Use Asset and Lease Liability (continued)

Weighted average lease term and discount rate as of December 31, were as follows:

Weighted average remaining lease term	2.3 years
Weighted average discount rate	1.08%

The maturities of the operating lease liability as of December 31, 2022, are as follows:

For the Year Ending <u>December 31,</u>	
2023	\$ 78,780
2024	80,946
2025	<u>20,464</u>
Total Lease Payments	180,190
Less: Present Value Discount	<u>(2,276)</u>
Lease Liability	<u>\$ 177,914</u>

5. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of December 31, 2022:

Leasehold improvements	\$ 132,484
Furniture	47,300
Computer software	43,745
Equipment	<u>36,312</u>
Total Property and Equipment	259,841
Less: Accumulated Depreciation and Amortization	<u>(250,722)</u>
Property and Equipment, Net	<u>\$ 9,119</u>

Depreciation and amortization expense totaled \$28,102 for the year ended December 31, 2022.

6. Commitments and Risks

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, 2022**

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.

Concentration of Credit Risk

The Association maintains its cash deposits at several financial institutions, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following programs or purposes as of December 31, 2022:

Perpetual in nature:	
Endowment fund	\$ <u>60,000</u>
Purpose-restricted:	
Research	106,370
Educational scholarships	41,388
Living Well Series	8,850
Unspent endowment earnings	7,016
Tom Broch Memorial Scholarships – Teal on the Hill	<u>6,285</u>
Total Purpose-Restricted Net Assets	169,909
Time restricted:	
General purpose – 2023 World Congress Meeting	<u>10,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 239,909</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, 2022**

8. Endowment Funds

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>7,016</u>	<u>7,016</u>
Total Endowment Net Assets	<u>\$ -</u>	<u>\$ 67,016</u>	<u>\$ 67,016</u>

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

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, 2021	\$ -	\$ 71,135	\$ 71,135
Net investment loss	<u>-</u>	<u>(4,119)</u>	<u>(4,119)</u>
Endowment Net Assets, December 31, 2022	<u>\$ -</u>	<u>\$ 67,016</u>	<u>\$ 67,016</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, 2022.

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 2022.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

9. 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, 2022, were as follows:

Cash	\$ 297,686
Grants and contributions receivable	193,502
Investments	<u>733,082</u>
Total Financial Assets Available	1,224,270
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>(179,909)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 984,361</u>

The Association's working capital and cash from government grants, contributions and program service revenue 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.

10. 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, 2022, 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, 2022, 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, 2022, the statute of limitations for tax years remained open with the U.S. federal jurisdiction or the 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, 2022, the Association had no accrual for interest and/or penalties.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

11. 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, 2021, from which the summarized financial information was derived.

12. Subsequent Events

In preparing these financial statements, the Association has evaluated, for potential recognition or disclosure, events and transactions through September 29, 2023, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Spina Bifida Association of America, which comprise the Association's statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which

could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003.

The Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Washington, DC
September 29, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Spina Bifida Association of America's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2022. The Association's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Association's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005. Our opinion on the major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses

or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-004 through 2022-005 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Washington, DC
September 29, 2023

SPINA BIFIDA ASSOCIATION OF AMERICA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Health and Human Services				
Rare Disorders: Research, Surveillance, Health Promotion, and Education	93.315	N/A	\$ 33,015	\$ 637,517
<i>Pass through from Association of University Centers on Disabilities</i>				
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	93.185	1 NU51DD000001-01-00	-	238,266
Trans-NIH Research Support	93.310	202206	-	14,917
Total U.S. Department Health and Human Services			<u>33,015</u>	<u>890,700</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 33,015</u>	<u>\$ 890,700</u>

See accompanying notes to this schedule.

SPINA BIFIDA ASSOCIATION OF AMERICA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Association under programs of the federal government for the year ended December 31, 2022. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Association elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SPINA BIFIDA ASSOCIATION OF AMERICA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of report the auditors’ issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal program(s):

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None Reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

 X Yes No

Identification of Major Federal Programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Numbers</u>
Rare Disorders: Research, Surveillance, Health Promotion, and Education	93.315
Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 750,000 </u>
Auditee qualified as a low-risk auditee?	<u> </u> Yes <u> X </u> No

SPINA BIFIDA ASSOCIATION OF AMERICA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

(continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2022-001: Account Reconciliations, Financial Close Process and Management Review – Material Weakness in Internal Control Over Financial Reporting

Condition and Context

Several general ledger accounts were not properly reconciled throughout the year, resulting in variances in the balances reported in the general ledger and the underlying schedules. These general ledger accounts included grants receivables and revenue, prepaid expenses, deferred revenue, net assets and expenses. As a result, several adjustments were either proposed during the audit or proposed by management during the audit to correct balances that were overstated or understated for issues such as recognizing unearned revenue when no cash was received as of year-end, donor restricted contributions not classified properly, unconditional contributions for use in subsequent year recognized as unearned revenue instead of contribution revenue in the current year and to correct receivable balances and related expenses for miscoding of expenses between funders of the Association. Additionally, there are several expense accruals originating in prior years that continue to be reported as obligations of the Association. We further observed that such reconciliations were not timely and thoroughly reviewed by management.

Criteria

A strong system of internal controls for financial management requires that all accounts in the financial statements be reconciled and reviewed on a monthly basis and at year end to ensure the accuracy and completeness of the accounting records.

Cause

Lack of timely and adequate review of work performed by finance department staff to assure accuracy and completeness of the accounting records.

Effect

Financial reports prepared and reviewed by the Board and management were inaccurate which could lead to decisions being made on inaccurate information.

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that all general ledger accounts be reconciled timely. A monthly and year-end financial close checklist should be utilized to identify and track all general ledger account reconciliations. This will reduce the occurrence of unreconciled general accounts and activity that may result in material misstatements of the financial statements. We further recommend that management perform thorough and timely review of work prepared or performed by finance

SPINA BIFIDA ASSOCIATION OF AMERICA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

(continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding No. 2022-001: Account Reconciliations, Financial Close Process and Management Review – Material Weakness in Internal Control Over Financial Reporting (continued)

Recommendation (continued)

department staff for accuracy and completeness. We also recommend that finance staff participate in periodic trainings on new and upcoming accounting pronouncements, especially in areas of accounting for grants and contributions and other program service revenue.

Views of Responsible Officials and Planned Corrective Action

See corrective action plan.

Finding No. 2022-002: Implementation of New Pronouncement – Material Weakness in Internal Control Over Financial Reporting

Condition and Context

No controls were identified to track new accounting pronouncements issued by FASB that are applicable to the Association's operations. Management failed to adopt the new lease standard which required the office lease to be recognized as an asset representing its right to use the underlying asset for the lease term and a liability for the lease payments to be made.

Cause

Management was unaware of the new pronouncement related to the lease arrangements and lack of tracking and monitoring tool or system.

Effect

At December 31, 2022, assets and liabilities were understated by approximately \$58,000 and \$16,000, respectively. Expenses were overstated by approximately \$41,347 for the year ended December 31, 2022.

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that management develop a tracker of all upcoming FASB pronouncements that will impact the Association's financial statements. We further recommend that management participate and provide periodic continuing professional education opportunities for all finance department staff members.

SPINA BIFIDA ASSOCIATION OF AMERICA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

(continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding No. 2022-002: Implementation of New Pronouncement – Material Weakness in Internal Control Over Financial Reporting (continued)

Views of Responsible Officials and Planned Corrective Action

See corrective action plan.

Finding No. 2022-003: Revenue Recognition – Material Weakness in Internal Control Over Financial Reporting

Condition and Context

Unconditional contribution revenue from sponsorships for the 2023 World Congress on Spina Bifida Research and Care were inappropriately recorded and reported as deferred revenue in the financial statements. FASB ASC 958, *Clarifying The Scope and the Accounting Guidance for Contributions Received and Contribution Made*, requires that the contribution portion of sponsorships payments be bifurcated from the fee of service portion and recognized when the receipt becomes unconditional.

Cause

Lack of understanding of the revenue recognition standards by finance staff.

Effect

At December 31, 2022, liabilities were overstated by approximately \$24,000 and contribution revenue was understated by \$24,000 for the year then ended, misstating the current year accounts.

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that management establish procedures to ensure that revenue from sponsorships be evaluated and bifurcated between contributions revenue and fees for services and that the financial close checklist or tracker be updated to include this procedure.

Views of Responsible Officials and Planned Corrective Action

See corrective action plan.

SPINA BIFIDA ASSOCIATION OF AMERICA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

(continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2022-004: Procurement Policy – Material Weakness in Internal Control Over Financial Reporting; U.S. Department of Health and Human Services, Rare Disorders: Research, Surveillance, Health Promotion, and Education; Assistance Listing Number 93.315

Condition

There is no evidence of a documented formal procurement policy with regards to federal grant awards and expenditures, no documented support that a competitive price analysis for vendors and organizations funded with federal grant funds were performed and no evidence that suspension and debarment verifications were performed for certain vendors and organizations, as required by the general procurement standards of the Uniform Guidance.

Context

We selected four samples which were deemed sole sourced by management and noted no written documentation for this conclusion or evidence of suspension or debarment verification being performed was maintained in the file. Based on our discussions with management, they were not aware of the Uniform Guidance requirements with regards to procurement.

Criteria

Under the Uniform Guidance Section 200.318, *General Procurement Standards*, a non-Federal entity must have and use documented procurement procedures for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in Sections 200.317 through 200.327. These sections include policies and procedures related to competition, informal and formal procurement methods and noncompetitive procurement also known as sole source.

Under Uniform Guidance Section 200.214, *Suspension and Debarment*, and 2 CFR Part 180, non-federal entities are required to verify that vendors are not suspended or debarred from participating in federal funds.

Cause

Management stated it was not aware of the Uniform Guidance requirements with regards to procurement and, therefore, did not develop a procurement policy that includes the provisions of the general procurement standards required under the Uniform Guidance.

Effect

Charges relating to vendor services and sub-awards that were charged to the federal award may not be in accordance with the specific compliance requirements of the Uniform Guidance.

Questioned Costs

\$97,078, representing total sub-awards and consulting expenses paid during the year.

SPINA BIFIDA ASSOCIATION OF AMERICA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

(continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding No. 2022-004: Procurement Policy – Material Weakness in Internal Control Over Financial Reporting; U.S. Department of Health and Human Services, Rare Disorders: Research, Surveillance, Health Promotion, and Education; Assistance Listing Number 93.315 (continued)

Repeat Finding

No.

Recommendation

We recommend that the Association establish a written procurement policy governing contracts with vendors that will be reimbursed by federal grants to incorporate all of the provisions included in the general procurement standards of the Uniform Guidance Section 200.318 and the debarment and suspension regulations of Uniform Guidance Section 200.214. We also recommend that a review of all existing vendor or sub-awardee contract files be performed to ensure that the documentation as required under the Uniform Guidance is maintained in the files.

Views of Responsible Officials and Planned Corrective Action

See corrective action plan.

Finding No. 2022-005: Reporting – Material Weakness in Internal Control Over Compliance and Compliance; U.S. Department of Health and Human Services, Rare Disorders: Research, Surveillance, Health Promotion, and Education; Assistance Listing Number 93.315

Condition

The Association does not have controls in place to ensure that FFATA reporting requirements were met. As a result, the Association did not submit the required data on its first-tier sub-awards.

Context

We requested a sample of the FFATA reporting for the Association's major program, but we were not provided with the reports as they had not been completed. There was only one sub-recipient. Our sample of the first-tier sub-award was not a statistically valid sample.

Criteria

Under 2 CFR Part 170, recipients of grants or cooperative agreements are required to report first-tier sub-awards of \$30,000 or more to the Federal Funding Accountability and Transparency Act (FFATA) Sub-award Reporting System (FSRS). Through FSRS, the recipient is responsible for submitting key data elements including sub-awardee name, DUNS number, amount of sub-award, sub-award obligation/action date, date of report submission, sub-award number, project description, and names and compensation of highly compensated officers.

SPINA BIFIDA ASSOCIATION OF AMERICA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

(continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding No. 2022-005: Reporting – Material Weakness in Internal Control Over Compliance and Compliance; U.S. Department of Health and Human Services, Rare Disorders: Research, Surveillance, Health Promotion, and Education; Assistance Listing Number 93.315 (continued)

Cause

The Association's management stated it was unaware of the FFATA reporting requirements within the FSRS system.

Effect

The Association was not in compliance with the FFATA reporting requirements.

Repeat Finding

No

Questioned Costs

None

Recommendation

We recommend that management review all active sub-awards for the year ended December 31, 2022, and submit the required data elements within the FSRS system. Furthermore, we recommend that the Association's management design control procedures to ensure that all reporting requirements are identified and submitted in a timely fashion.

Views of Responsible Officials and Planned Corrective Action

See Corrective Action Plan.

SECTION IV – SUMMARY OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.



CORRECTIVE ACTION PLAN

September 29, 2023

To Whom It May Concern:

Spina Bifida Association of America (the Association) respectfully submits the following corrective action plan for the year ended December 31, 2022.

Independent Audit Firm:

Marcum, LLP
1899 L Street NW, Suite 900
Washington, DC 20036

Audit period:

The findings from the December 31, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

Finding No. 2022-001: Account Reconciliations, Financial Close Process and Management Review – Material Weakness in Internal Control Over Financial Reporting

Condition and Context

Several general ledger accounts were not properly reconciled throughout the year, resulting in variances in the balances reported in the general ledger and the underlying schedules. These general ledger accounts included grants receivables and revenue, prepaid expenses, deferred revenue, net assets and expenses. As a result, several adjustments were either proposed during the audit or proposed by management during the audit to correct balances that were overstated or understated for issues such as recognizing unearned revenue when no cash was received as of year-end, donor restricted contributions not classified properly, unconditional contributions for use in subsequent year recognized as unearned revenue instead of contribution revenue in the current year and to correct receivable balances and related expenses for miscoding of expenses between funders of the Association. Additionally, there are several expense accruals originating in prior years that continue to be reported as obligations of the Association. It was further observed that such reconciliations were not timely and thoroughly reviewed by management.

Recommendation

It was recommended that all general ledger accounts be reconciled timely. A monthly and year-end financial close checklist could be utilized to identify and track all general ledger account reconciliations. This will reduce the occurrence of unreconciled general accounts and activity that may result in material misstatements of the financial statements. Further recommendations indicated that management perform thorough and timely review of work prepared or performed by finance department staff for accuracy and completeness and that finance staff participate in periodic trainings on new and upcoming generally accepted accounting principles pronouncements especially in areas of accounting for grants and contributions and other program service revenue.

Action Taken

On December 12, 2022, the Spina Bifida Association hired another person in the finance department, in doing so this has allowed monthly closing to be completed by the second week of the prior month and has allowed us to conduct monthly business and finance committee meetings. These meetings began in August of 2023. The CFO has signed on with Turnkey for periodic training on new and upcoming generally accepted accounting principles pronouncements. The first training is scheduled for December 7, 2023.

Anticipated Completion Date

Monthly reconciliations and checklist are being utilized currently. Training for this will be begin on December 7, 2023.

Finding No. 2022-002: Implementation of New Pronouncement – Material Weakness in Internal Control Over Financial Reporting

Condition and Context

There are currently no controls identified to track new accounting pronouncements issued by FASB that are applicable to the Association's operations. Management failed to adopt the new lease standard which required the office lease to be recognized as an asset representing its right to use of the underlying asset for the lease term and a liability for the lease payments to be made.

Recommendation

It was recommended that management develop a tracker of all upcoming FASB pronouncements that will impact the Association's financial statements. We further recommend that management participate and provide periodic continuing professional education opportunities for all finance department staff members.

Action Taken

The CFO has signed on with Turnkey for periodic training on new and upcoming generally accepted accounting principles pronouncements. The first training is scheduled for December 7, 2023.

Anticipated Completion Date

Training for this will be begin on December 7, 2023.

Finding No. 2022-003: Revenue Recognition – Material Weakness in Internal Control Over Financial Reporting

Condition and Context

Unconditional contribution revenue from sponsorships for the 2023 World Congress on Spina Bifida Research and Care were inappropriately recorded and reported as deferred revenue in the financial statements. FASB ASC 958, *Clarifying The Scope and the Accounting Guidance for Contributions Received and Contribution Made*, requires that the contribution portion of sponsorships payments be bifurcated from the fee of service portion and recognized when the receipt becomes unconditional.

Recommendation

It was recommended that management establish procedures to ensure that accounting standards such as revenue from sponsorships evaluated and bifurcated between contributions revenue and fees for services and that an existing financial close checklist or tracker be updated to include this procedure.

Action Taken

The Development Department has created an in-kind service fee schedule that will be used in conjunction with the event prospectus and sponsorship guides.

Completion Date

August 2023

FINDINGS – FEDERAL AWARDS

Finding No. 2022-004: Procurement Policy – Material Weakness in Internal Control Over Financial Reporting; U.S. Department of Health and Human Services, Rare Disorders: Research, Surveillance, Health Promotion, and Education; Assistance Listing Number 93.315

Condition

There is no evidence of a documented formal procurement policy with regards to federal grant awards and expenditures, no documented support that a competitive price analysis for vendors and organizations funded with federal grant funds were performed and no evidence that suspension and debarment verifications were performed for certain vendors and organizations, as required by the general procurement standards of the Uniform Guidance.

Recommendation

It was recommended that the Association establish a written procurement policy governing contracts with vendors that will be reimbursed by federal grants to incorporate all of the provisions included in the general procurement standards of the Uniform Guidance Section 200.318 and the debarment and suspension regulations of Uniform Guidance Section 200.214. It was also recommended that a review of all existing vendor or sub-awardee contract files be performed to ensure that the documentation as required under the Uniform Guidance is maintained in the files.

Action Taken

The Spina Bifida Association will take action to ensure an up-to-date Procurement Policy is approved by the Board of Directors.

Anticipated Completion Date

December 2023

Finding No. 2022-005: Reporting – Material Weakness in Internal Control Over Compliance and Compliance; U.S. Department of Health and Human Services, Rare Disorders: Research, Surveillance, Health Promotion, and Education; Assistance Listing Number 93.315

Condition

The Association does not have controls in place to ensure that FFATA reporting requirements were met. As a result, the Association did not submit the required data on its first-tier sub-awards.

Recommendation

It was recommended that management review all active sub-awards for the year ended December 31, 2022, and submit the required data elements within the FSRS system. Furthermore, it was recommended that the Association's management design control procedures to ensure that all reporting requirements are identified and submitted in a timely fashion.

Action Taken

The Spina Bifida Association will take the necessary actions to meet the requirements set forth to be in compliance with FFATA.

Anticipated Completion Date

December 2023

If there are any questions regarding this plan, please call GlenRae Brown, Chief Financial Officer (CFO) at 202-618-4750.

Submitted by,

GlenRae Brown

GlenRae Brown

Chief Financial Officer