

National Headquarters of
Myasthenia Gravis Foundation of America, Inc.

Independent Auditor's Report

December 31, 2007

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the National Headquarters of Myasthenia Gravis Foundation of America, Inc. (a not for profit corporation) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2006 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated March 27, 2007 was expressed.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Headquarters of Myasthenia Gravis Foundation of America, Inc. as of December 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedule of program expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ulbrich & Company, P.C.

April 14, 2008

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**National Headquarters of
Myasthenia Gravis Foundation of America, Inc.**

Statement of Financial Position

As of December 31, 2007

(with comparative totals as of December 31, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total All Funds</u>	<u>2006 Memo Total All Funds</u>
Assets					
Cash and Cash Equivalents	\$ 209,486	\$ 220,729	\$ 1,425,470	\$ 1,855,685	\$ 1,202,268
Investments	600,514	460,768	2,429,733	3,491,015	349,169
Bequests Receivable	-	-	-	-	3,726,522
Assessments Receivable from Affiliated Organizations	-	141,815	-	141,815	21,834
Less: Allowance for Uncollectible Assessments	-	(30,000)	-	(30,000)	(17,000)
Unconditional Promises to Give	14,829	-	-	14,829	30,637
Inventory	12,565	-	-	12,565	10,102
Prepaid Expenses	9,665	-	-	9,665	10,513
Total Assets	<u>\$ 847,059</u>	<u>\$ 793,312</u>	<u>\$ 3,855,203</u>	<u>\$ 5,495,574</u>	<u>\$ 5,334,045</u>
Liabilities and Net Assets					
Liabilities					
Accounts Payable	\$ 36,763	\$ -	\$ -	\$ 36,763	\$ 39,301
Fellowships Payable	-	62,500	-	62,500	100,000
Deferred Revenue	5,500	-	-	5,500	10,500
Interfund Payable	(34,799)	56,117	(21,318)	-	-
Total Current Liabilities	7,464	118,617	(21,318)	104,763	149,801
Net Assets					
Beginning Net Assets	752,502	713,708	3,718,034	5,184,244	1,255,878
Change in Net Assets	87,093	(39,013)	158,487	206,567	3,928,367
Ending Net Assets	839,595	674,695	3,876,521	5,390,811	5,184,244
Total Liabilities and Net Assets	<u>\$ 847,059</u>	<u>\$ 793,312</u>	<u>\$ 3,855,203</u>	<u>\$ 5,495,574</u>	<u>\$ 5,334,045</u>

The notes to the financial statements are an integral part of this report.

**National Headquarters of
Myasthenia Gravis Foundation of America, Inc.**
Statement Activities
For the Year Ending December 31, 2007
(with comparative totals for the Year Ending December 31, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total All Funds</u>	<u>2006 Memo Total All Funds</u>
Public Support and Revenue					
Public Support:					
Individuals	\$ 130,156	\$ 11,212	\$ -	\$ 141,368	\$ 163,585
Corporations	21,569	4,048	-	25,617	45,173
Foundations	34,229	23,000	-	57,229	15,169
Board	11,122	-	-	11,122	5,997
Legacies	181,708	21,246	116,413	319,367	4,106,512
Chapters	78,468	221,074	-	299,542	152,751
Public Agencies	48,892	-	-	48,892	47,108
	<u>506,144</u>	<u>280,580</u>	<u>116,413</u>	<u>903,137</u>	<u>4,536,295</u>
Total Public Support					
Revenue:					
Merchandise	2,724	-	-	2,724	4,431
Meetings and Conventions	34,015	-	-	34,015	28,462
Other	1,033	-	-	1,033	-
Investment Income (Loss)	46,050	-	42,074	88,124	50,973
	<u>83,822</u>	<u>-</u>	<u>42,074</u>	<u>125,896</u>	<u>83,866</u>
Total Revenue					
Net Assets Released from Restrictions	319,593	(319,593)	-	-	-
	<u>909,559</u>	<u>(39,013)</u>	<u>158,487</u>	<u>1,029,033</u>	<u>4,620,161</u>
Total Support and Revenue					
Expenses					
Program Expenses:					
Patient Services	98,556			98,556	110,871
Annual Meeting	94,768			94,768	56,212
Scientific Session	84,820			84,820	3,125
Chapter Development	80,964			80,964	127,671
Public Information	37,286			37,286	18,894
Medical Advisory Board	7,396			7,396	12,107
Research	227,917			227,917	200,824
	<u>631,707</u>			<u>631,707</u>	<u>529,704</u>
Total Program Expenses					
Supporting Services:					
Management and General	156,082			156,082	126,327
Fund Raising	34,677			34,677	35,764
	<u>190,759</u>			<u>190,759</u>	<u>162,091</u>
Total Supporting Services Expenses					
Total Expenses	<u>822,466</u>			<u>822,466</u>	<u>691,795</u>
Change in Net Assets	<u>\$ 87,093</u>	<u>\$ (39,013)</u>	<u>\$ 158,487</u>	<u>\$ 206,567</u>	<u>\$ 3,928,367</u>

The notes to the financial statements are an integral part of this report.

National Headquarters of
Myasthenia Gravis Foundation of America, Inc.
Statement of Functional Expenses
For the Year Ending December 31, 2007
(with comparative totals for the Year Ending December 31, 2006)

	<u>Program Services</u>	<u>Fund Raising</u>	<u>Management</u>	<u>2007 Total</u>	<u>2006 Memo Total</u>
Research Funding	\$ 224,683	\$ -	\$ -	\$ 224,683	\$ 200,000
Management Fees	174,845	15,833	83,550	274,228	269,550
Meeting Expenses	136,206	-	6,341	142,547	52,362
Printing and Copying	34,846	10,063	7,648	52,557	61,202
Postage and Shipping	13,222	7,743	14,670	35,635	22,031
Audit and Accounting	-	-	13,456	13,456	22,527
Legal	-	-	6,862	6,862	7,659
Insurance	18,781	-	3,026	21,807	21,846
Supplies	3,414	-	30	3,444	3,180
Advertising	55	-	-	55	312
Professional Services	1,000	-	-	1,000	48
Bad Debt	-	-	13,114	13,114	552
Contributions to Affiliates	8,397	-	-	8,397	9,695
Chapter Services	375	-	-	375	2,181
Travel	2,298	11	819	3,128	4,621
Publications	5,500	1,000	1,300	7,800	400
Office Supplies	316	-	119	435	1,127
Telephone	1,236	6	4,340	5,582	4,171
Registrations and Licenses	4,550	21	-	4,571	7,588
Other	1,983	-	807	2,790	742
	<u>631,707</u>	<u>34,677</u>	<u>156,082</u>	<u>822,466</u>	<u>691,795</u>
Total Expenses	<u>\$ 631,707</u>	<u>\$ 34,677</u>	<u>\$ 156,082</u>	<u>\$ 822,466</u>	<u>\$ 691,795</u>

The notes to the financial statements are an integral part of this report.

**National Headquarters of
Myasthenia Gravis Foundation of America, Inc.**
Statement of Cash Flows
For the Year Ending December 31, 2007
(with comparative totals for the Year Ending December 31, 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total All Funds	2006 Total All Funds
Operating Activities					
Change in Net Assets	\$ 87,093	\$ (39,013)	\$ 158,487	\$ 206,567	\$ 3,928,367
<i>Noncash items Included Above:</i>					
Donation of Securities	-	(10,922)	-	(10,922)	-
Unrealized Market Gain	(515)	7,243	(14,162)	(7,434)	(31,966)
Bad Debt	-	13,000	-	13,000	(2,500)
<i>Changes in:</i>					
Bequests Receivable	163,092	-	3,563,430	3,726,522	(3,726,522)
Assessments Receivable	-	(119,983)	-	(119,983)	17,642
Unconditional Promises to Give	(2,192)	18,000	-	15,808	(11,059)
Inventory	(2,463)	-	-	(2,463)	23,207
Prepaid Expenses	848	-	-	848	2,344
Accounts Payable	(2,538)	-	-	(2,538)	14,585
Chapter Funds	-	-	-	-	-
Fellowships Payable	-	(37,500)	-	(37,500)	75,000
Deferred Revenue	(5,000)	-	-	(5,000)	10,500
	<u>238,325</u>	<u>(169,175)</u>	<u>3,707,755</u>	<u>3,776,905</u>	<u>299,598</u>
Net Cash Provided by Operating Activities					
Financing Activities					
Change in Interfund Balance	(38,293)	35,330	2,963	-	-
Net Cash Provided By Financing Activities	<u>(38,293)</u>	<u>35,330</u>	<u>2,963</u>	<u>-</u>	<u>-</u>
Investing Activities					
(Purchase) of Investments	(600,000)	(119,311)	(2,493,081)	(3,212,392)	(9,328)
Proceeds from Sale of Investments	-	11,394	77,510	88,904	1,563
Net Cash Provided By Investing Activities	<u>(600,000)</u>	<u>(107,917)</u>	<u>(2,415,571)</u>	<u>(3,123,488)</u>	<u>(7,765)</u>
Net Increase (Decrease) in Cash	(399,968)	(241,762)	1,295,147	653,417	291,833
Beginning Cash Balance	609,454	462,491	130,323	1,202,268	910,435
Ending Cash Balance	<u>\$ 209,486</u>	<u>\$ 220,729</u>	<u>\$ 1,425,470</u>	<u>\$ 1,855,685</u>	<u>\$ 1,202,268</u>

The notes to the financial statements are an integral part of this report.

National Headquarters of
Myasthenia Gravis Foundation of America, Inc.

Notes to the Financial Statements

December 31, 2007

NOTE A – Nature of Activities and Summary of Significant Accounting Policies

The National Headquarters of Myasthenia Gravis Foundation of America, Inc. (MGFA) is the national headquarters of a national not-for-profit organization whose purpose is to find a cure for Myasthenia Gravis and related disorders of the neuromuscular junction, and to improve the lives of all people affected, through programs of medical research, patient care, patient services, professional education, and public information.

The following is a summary of the significant accounting principles of MGFA:

Basis of Accounting: Assets, liabilities, revenue and expenses are recognized on the accrual basis of accounting using unrestricted, temporarily restricted and permanently restricted funds.

Cash and Cash Equivalents: Cash and cash equivalents consist of funds on deposit in checking and money market accounts. All highly liquid investments with a maturity of less than one month are considered cash equivalents for purposes of the statement of cash flows.

Inventory: Inventory, consisting primarily of resalable educational publications, is stated at the lower of cost or market value. Cost is determined by the first-in, first-out (FIFO) method.

Income Taxes: MGFA has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code as a publicly supported not-for-profit voluntary health agency, and accordingly, no provision has been made for either federal or state income taxes. MGFA's annual information return is subject to examination for the statutory period. In addition, MGFA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted in writing by the donor.

Chapter Affiliates: These financial statements only report on the financial activities of the National Headquarters and do not include any of the chapter affiliates of Myasthenia Gravis Foundation of America, Inc. Refer to Note H - Related Parties.

National Headquarters of
Myasthenia Gravis Foundation of America, Inc.

Notes to the Financial Statements

December 31, 2007

NOTE A - Nature of Activities and Summary of Significant Accounting Policies - *Continued*

Allowance for Bad Debt: Assessments receivable are periodically evaluated for collectibility based upon length of time outstanding and financial condition of the particular chapter. Waivers and write-offs of assessments require the approval of the general membership.

Donated Services: In accordance with SFAS 116, the estimated fair value of specialized donated services is reported as support and expense in the period in which the services were incurred and amounted to \$6,862 for the year ended December 31, 2007. The donated services consist of legal services. No amounts have been reflected in the accompanying statements for donated services of an unspecialized nature although a substantial number of volunteers have donated significant amounts of their time to the Foundation's program services, administration and fundraising efforts.

Fellowships Payable: Research fellowships are recorded as a payable and an expense at the time the fellowship is awarded to specific recipients. The fellowships are generally of a one year duration and paid within two years of approval. Following is a schedule of activity of fellowships payable and expense:

	<u>Payable</u>	<u>Expense</u>
Fellowships at Dec. 31, 2006	\$ 100,000	n/a
Research funding awarded in 2007	224,583	224,583
Cash disbursements of research funding	(262,083)	n/a
Fellowships at Dec. 31, 2007	<u>\$ 62,500</u>	<u>\$ 224,583</u>

Functional Expenses: Direct functional expenses have been classified according to the specifically identified purpose of expenditure. Indirect functional expenses have been allocated between program services and supporting services based on an analysis of personnel time.

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

National Headquarters of
Myasthenia Gravis Foundation of America, Inc.
Notes to the Financial Statements
December 31, 2007

NOTE B – Unconditional Promises to Give

The entire balance of Unconditional Promises to Give is expected to be received in the year 2008. There is no allowance for uncollectible contributions.

NOTE C - Investments

Investments, reported at market value, as of December 31, 2007 consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted
US Equities	\$ 514	\$ 241,455	\$ 641,032
Mutual funds	-	-	419,111
Real Estate Investment Trusts	-	-	98,161
International Equities	-	94,154	520,097
Fixed Income	600,000	125,159	751,332
Total	<u>\$ 600,514</u>	<u>\$ 460,768</u>	<u>\$ 2,429,733</u>

Investment income (loss) for the year ending December 31, 2007 consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Interest and dividends	\$ 47,204	\$ -	\$ 34,057
Investment Fees	(5,936)	-	(6,144)
Unrealized market gain	(8,762)	-	14,161
Realized market gain	13,544	-	-
Total	<u>\$ 46,050</u>	<u>\$ -</u>	<u>\$ 42,074</u>

**National Headquarters of
Myasthenia Gravis Foundation of America, Inc.**

Notes to the Financial Statements

December 31, 2007

NOTE D - Management Contract

Effective October 1, 2007 the Board of Directors agreed to a fifteen month contract for management services which include administration of the National Headquarters, financial management, staffing, meeting planning, meeting services, patient services, fundraising, chapter services and public relations. This agreement expires on December 31, 2008. For the year 2007, payments made for management services totaled \$274,228. Future payments required by this agreement total \$280,080.

NOTE E - Temporarily Restricted Funds

Temporarily restricted funds represent gifts, bequests, chapter assessments or other receipts that can be used only for specific purposes as determined by the donor. The majority of temporarily restricted proceeds are restricted to support research endeavors. The Research and Grants Committee reviews proposals submitted by researchers and recommend projects to the Board of Directors for awarding of Postdoctoral fellowships. In addition, restricted funds are received for medical student fellowships and nurses' fellowships. The postdoctoral fellowships are \$50,000 each, student fellowships are \$3,000 each and nurse fellowships are generally under \$3,000 each.

The temporarily restricted net assets as of December 31, 2007 are restricted for the following purposes:

Research Funding	\$ 382,640
Continuing Medical Education	161,615
John Newsome Fund	15,352
Literature	10,166
Nurses and Doctors Manual	33,772
Annual Meeting Scholarship	1,150
Patient Related Programs	40,000
International Conference	30,000
Total	<u><u>\$ 674,695</u></u>

National Headquarters of
Myasthenia Gravis Foundation of America, Inc.
Notes to the Financial Statements
December 31, 2007

NOTE F - Permanently Restricted Funds

Permanently restricted funds represent endowments for which the corpus is held in perpetuity.

The permanently restricted net assets as of December 31, 2007 are restricted for the following purposes:

David Cummings Research Endowment	\$ 3,852,240
MGFA Research Endowment	24,281
Total	<u>\$ 3,876,521</u>

Distributions from the David Cummings Research Endowment are restricted for the purpose of funding research relating to the cause and/or cure of myasthenia gravis. Such distributions are limited on an annual basis to 5% of the average net fair market value and can begin once the funds are completely transferred to MGFA which occurred in December 2007. For the year 2007 the Board of Directors decided to forego the allowed distribution.

The David Cummings Research Endowment assets may be pooled only with other endowment assets, provided that the Cummings endowment assets are clearly calculable.

NOTE G - Concentration Risks

At December 31, 2007, cash and investments on deposit at three financial institutions totaled \$5,333,305. Of that amount, approximately \$3 million at one institution exceeded FDIC and SIPC insurance limits, however this institution has purchased private insurance covering up to \$99.5 million per account, subject to a total maximum aggregate for the institution of \$400 million which becomes available in the event that SIPC limits are exhausted.

NOTE H - Related Parties

Assessments and contributions are received from affiliated chapters. For 2007, these contributions and assessments totaled \$294,453. As of December 31, 2007, contributions and assessments totaling \$141,815 were due to MGFA and are expected to be paid in the year 2008. In addition, MGFA paid \$8,397 to affiliated chapters, which represents a percentage of funds received from the Combined Federal Campaign.

National Headquarters of
Myasthenia Gravis Foundation of America, Inc.
*Supporting Schedule of Program Expenses
For the Year Ending December 31, 2007*

	<u>Patient Services</u>	<u>Annual Meeting</u>	<u>Scientific Session & International Conference</u>	<u>Chapter Development</u>	<u>Public Information</u>	<u>Medical Advisory Board</u>	<u>Research</u>	<u>Total Program Services</u>
Research Funding	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ 224,583	\$ 224,683
Management Fees	68,071	32,779	4,418	39,881	24,273	3,239	2,184	174,845
Professional Fees	-	-	-	1,000	-	-	-	1,000
Meeting Expenses	-	53,813	78,783	-	-	3,851	-	136,447
Printing and Copying	20,513	3,314	350	570	9,649	144	307	34,847
Postage and Shipping	8,354	1,112	197	1,966	691	58	843	13,221
Insurance	-	-	-	18,781	-	-	-	18,781
Supplies	401	800	-	-	2,318	-	-	3,519
Advertising	-	-	-	-	55	-	-	55
Contributions to Affiliates	-	-	-	8,397	-	-	-	8,397
Travel	-	1,224	969	-	-	104	-	2,297
Office Supplies	115	183	-	18	-	-	-	316
Telephone	977	31	3	226	-	-	-	1,237
Registrations and Licenses	-	-	-	4,550	-	-	-	4,550
Dues and Subscriptions	-	-	-	5,575	-	-	-	5,575
Other	125	1,512	-	-	300	-	-	1,937
Total Expenses	<u>\$ 98,556</u>	<u>\$ 94,768</u>	<u>\$ 84,820</u>	<u>\$ 80,964</u>	<u>\$ 37,286</u>	<u>\$ 7,396</u>	<u>\$ 227,917</u>	<u>\$ 631,707</u>

The notes to the financial statements are an integral part of this report.