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NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

*Roy W. Groesbeck*  
*Partner*

*Mueller & Co., LLP*  
*2230 Point Blvd., Ste. 700*  
*Elgin, IL 60123*  
*847-888-8600*

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**MUELLER & CO., LLP**  
**MUELLER CONSULTING, LLC**

2230 Point Blvd., Ste. 700 ■ Elgin, Illinois 60123  
847.888.8600 Fax: 847.888.0635 ■ www.MuellerCPA.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
National Headquarters of Myasthenia Gravis  
Foundation of America, Inc.  
New York, NY

We have audited the accompanying statements of financial position of the National Headquarters of Myasthenia Gravis Foundation of America, Inc., as of December 31, 2011, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the National Headquarters of Myasthenia Gravis Foundation of America, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2010 financial statements on which, in our report dated April 25, 2012, we expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These 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 that 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 National Headquarters of Myasthenia Gravis Foundation of America, Inc., as of December 31, 2011, 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.

*Mueller & Co., LLP*

Elgin, Illinois  
April 25, 2012

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2011**

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 649,404	1,132,917
Investments	4,461,679	4,635,698
Accrued interest receivable	3,239	5,099
Assessments receivable from affiliated chapters	27,265	29,817
Website and database development costs, net of amortization	55,934	22,912
Prepaid expenses	39,380	10,614
	<u>5,236,901</u>	<u>5,837,057</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>		
Accounts payable	\$ 84,090	33,247
Unconditional promise to give	2,600	-
Fellowships payable	178,778	267,037
	<u>265,468</u>	<u>300,284</u>
<b>Net assets:</b>		
Unrestricted	722,513	1,224,806
Temporarily restricted	414,473	477,520
Permanently restricted	3,834,447	3,834,447
	<u>4,971,433</u>	<u>5,536,773</u>
	<u>\$ 5,236,901</u>	<u>5,837,057</u>

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

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2011  
WITH COMPARATIVE TOTALS FOR 2010**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2011 TOTAL ALL FUNDS	2010 TOTAL ALL FUNDS
<b>Public Support and Revenue:</b>					
Public support:					
Individuals	\$ 161,932	-	-	161,932	152,126
Corporations	20,004	-	-	20,004	28,675
Foundations	24,896	10,000	-	34,896	26,449
Legacies	126,977	-	-	126,977	336,963
Chapters	7,274	45,530	-	52,804	82,325
Public agencies	44,238	-	-	44,238	50,720
MG Walk	418,124	-	-	418,124	-
	<u>803,445</u>	<u>55,530</u>	<u>-</u>	<u>858,975</u>	<u>677,258</u>
Revenue:					
Chapter assessments	57,073	-	-	57,073	76,522
Fundraising events, net of direct benefits to donor of \$10,742	16,233	-	-	16,233	-
Merchandise sales	1,894	-	-	1,894	2,579
Meeting and convention fees	42,415	-	-	42,415	97,600
Other	35	-	-	35	3,858
Investment income (loss)	(31,108)	-	(247,507)	(278,615)	524,380
	<u>86,542</u>	<u>-</u>	<u>(247,507)</u>	<u>(160,965)</u>	<u>704,939</u>
Net assets released from restrictions - Purpose restrictions satisfied by payments	42,960	(42,960)	-	-	-
	<u>932,947</u>	<u>12,570</u>	<u>(247,507)</u>	<u>698,010</u>	<u>1,382,197</u>
<b>Expenses:</b>					
Program expenses:					
Patient services	89,884	-	-	89,884	73,607
Annual meeting	74,913	-	-	74,913	91,200
Scientific session	5,220	-	-	5,220	9,230
Chapter development	280,126	-	-	280,126	132,623
Public information	235,128	-	-	235,128	74,916
Medical and nurse advisory boards	19,645	-	-	19,645	16,928
Research	287,714	-	-	287,714	194,736
	<u>992,630</u>	<u>-</u>	<u>-</u>	<u>992,630</u>	<u>593,240</u>
Supporting services:					
Management and general	89,920	-	-	89,920	89,276
Fund raising	180,800	-	-	180,800	67,832
	<u>270,720</u>	<u>-</u>	<u>-</u>	<u>270,720</u>	<u>157,108</u>
Total expenses	<u>1,263,350</u>	<u>-</u>	<u>-</u>	<u>1,263,350</u>	<u>750,348</u>
Change in obligation to replenish endowment corpus	(171,890)	(75,617)	247,507	-	-
Change in net assets	(502,293)	(63,047)	-	(565,340)	631,849
Net assets, beginning of year	<u>1,224,806</u>	<u>477,520</u>	<u>3,834,447</u>	<u>5,536,773</u>	<u>4,904,924</u>
Net assets, end of year	<u>\$ 722,513</u>	<u>414,473</u>	<u>3,834,447</u>	<u>4,971,433</u>	<u>5,536,773</u>

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

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>Cash provided by (applied to) operating activities:</b>		
Change in net assets	\$ (565,340)	631,849
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Amortization expense	9,592	2,364
Unrealized net market (gains) losses	370,758	(511,681)
Realized market (gains) losses	(39,546)	52,982
Changes in:		
Accrued interest receivable	1,860	2,739
Assessments receivable	2,552	(2,955)
Inventory	-	3,643
Prepaid expenses	(28,766)	6,256
Accounts payable	50,843	3,870
Unconditional promise to give	2,600	-
Fellowships payable	(88,259)	(44,538)
	(283,706)	144,529
<b>Cash provided by (applied to) investing activities:</b>		
Purchases of investments	(931,784)	(1,145,827)
Sales of investments	774,591	746,097
Development of website and database	(42,614)	(25,276)
	(199,807)	(425,006)
Net decrease in cash and cash equivalents	(483,513)	(280,477)
Cash and cash equivalents, beginning of year	1,132,917	1,413,394
Cash and cash equivalents, end of year	\$ 649,404	1,132,917

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

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2011  
WITH COMPARATIVE TOTALS FOR 2010**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT</u>	<u>FUND RAISING</u>	<u>2011 TOTAL</u>	<u>2010 TOTAL</u>
Research funding	\$ 277,453	-	-	277,453	152,128
Management fees	229,021	43,528	58,692	331,241	305,615
Meeting expenses	47,069	2,165	-	49,234	23,611
Public service announcements	13,630	-	-	13,630	-
Printing and copying	72,535	4,310	2,298	79,143	102,738
Postage and shipping	9,589	1,812	9,473	20,874	25,162
Audit and accounting	7,660	10,478	-	18,138	16,629
Insurance	11,533	3,038	-	14,571	17,733
Supplies	4,566	-	470	5,036	3,178
Professional services	189,173	-	91,947	281,120	22,267
Contributions to affiliates	98,024	-	-	98,024	33,241
Travel	9,162	18,485	-	27,647	17,298
Subscription and memberships	-	-	9,517	9,517	7,638
Office supplies	370	2,047	-	2,417	2,441
Telephone	3,413	1,072	-	4,485	4,061
Registrations and licenses	125	-	8,403	8,528	6,060
Website fees	17,425	1,305	-	18,730	10,390
Other	1,882	1,680	-	3,562	158
	<u>\$ 992,630</u>	<u>89,920</u>	<u>180,800</u>	<u>1,263,350</u>	<u>750,348</u>

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

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The National Headquarters of the Myasthenia Gravis Foundation of America, Inc., (Foundation), is the national headquarters of a not-for-profit foundation 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.

Financial Statement Presentation

The statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Financial Statement Estimates

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



**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are measured at fair value, determined by quoted marked price, in the statement of financial position. Investment income or loss (including gains and losses on investments and interest) is included in the statement of activities as increases or decreases in unrestricted net assets unless restricted by the donor.

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.

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 Foundation and do not include any of the chapter affiliates of the Foundation.

Assessments Receivable

The Foundation carries its assessments receivable at the outstanding principal balance adjusted for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Foundation's historical bad debt experience, the aging of the receivable and based on management's judgment. Accounts deemed uncollectible are charged to the allowance for doubtful accounts. Management has determined that there are no accounts deemed uncollectible at December 31, 2011 and 2010.

Website and Database Development

Costs associated with the development of the website and database have been capitalized and are amortized over three years. Amortization expense was \$9,592 and \$2,364 for the years ended December 31, 2011 and 2010, respectively.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Website and Database Development, Continued

Summarized website and database development is summarized below:

	DECEMBER 31,	
	2011	2010
Website development costs	\$ 21,776	21,776
Database development costs	46,114	3,500
Accumulated amortization	( 11,956)	( 2,364)
	\$ 55,934	22,912)

Donated Services

A substantial number of volunteers have donated services to the Foundation's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills as defined by generally accepted accounting principles.

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 one year duration and paid within two years of approval. Following is a schedule of activity of fellowships payable and expense:

	FELLOWSHIP PAYABLE	RESEARCH FUNDING EXPENSES
December 31, 2009	\$ 311,575	-
Research funding awarded in 2010	170,500	170,500
Related expenses	-	1,428
Cash disbursements of research funding	( 215,038)	-
Refunded	-	( 19,800)
December 31, 2010	267,037	152,128
Research funding awarded in 2011	275,000	275,000
Related expenses	-	2,453
Cash disbursements of research funding	( 363,259)	-
December 31, 2011	\$ 178,778	277,453

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Foundation believes it is not exposed to any significant credit risk on cash.

Subsequent Events

Subsequent events have been evaluated through April 25, 2012, the date that the financial statements were available for issue.

**NOTE 2 - ENDOWMENT**

The Foundation's endowment consists of two individual funds, both established for the purpose of funding research. As required by generally accepted accounting principles, the net assets of both endowment funds are classified and reported as permanently restricted due to the existence of donor-imposed restrictions. There are no board-designated endowment funds.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as adopted by the State of New York as permitting the governing board to determine the appropriate spending of the endowment assets, taking into consideration the eight factors listed below. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the donor's stipulations and the standard of prudence prescribed by NYPMIFA.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 2 - ENDOWMENT, CONTINUED**

Interpretation of Relevant Law, Continued

In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) Alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation
- 8) The investment policies of the Foundation

Composition by Type of Fund

Endowment net asset composition by type of fund as of December 31, 2011:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ ( 171,890)	-	3,834,447	3,662,557

Endowment net asset composition by type of fund as of December 31, 2010:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	-	236,617	3,834,447	4,071,064

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the historic dollar value at date of gift. In accordance with professional accounting standards, deficiencies of this nature at December 31, 2011 and 2010 were 171,890 and \$0, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets. Funds will be invested so as to achieve a total return, which shall enhance the value of the portfolio, with emphasis on the preservation of the capital. Concurrently, the asset allocation strategy should allow for a dependable source of funds for any current operational demands as well as strive for long term returns that match or exceed inflation.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 2 - ENDOWMENT, CONTINUED**

Return Objectives and Risk Parameters, Continued

A. Short-term Investments

The objective of these funds is to provide liquidity for grants, loans, special projects and operational needs. These funds should seek a yield that is competitive with high quality money markets, without losing liquidity. These funds will be invested in securities that will maintain an average maturity of one year or less.

B. Intermediate and Long-term investments

These funds are for the purpose of providing a principal base to provide income and/or growth. The principal shall be managed to maintain and preserve over time the real value of the funds. These funds shall be actively managed with the intention of obtaining the highest possible total return while accepting only prudent risk.

Strategies Employed for Achieving Objectives

Diversification of assets will be employed to ensure that adverse results from one security or security class will not have an unduly detrimental effect on the entire portfolio. Diversification is interpreted to include diversification by type, by characteristic, and by number of investments as well as investment style. The following limits have been established for various asset classes:

Asset Classes	Lower Limit	Upper Limit
Equities	10%	75%
Long Term Fixed Income Investments	0%	50%
Short Term Fixed Income Investments	0%	100%
Cash and Cash Equivalent	10%	100%

Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions from the David Cummings Research Endowment (which represents 99.4% of total endowment funds) 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. The Board will determine the appropriate level of distributions (not to exceed the 5% stipulated by the donor) which will be consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 2 - ENDOWMENT, CONTINUED**

Schedule of Endowment-Related Activities (All Donor-Restricted)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2009	\$ ( 212,474)	-	3,834,447	3,621,973
Investment return:				
Investment income	-	-	88,435	88,435
Investment fees	-	-	( 36,054)	( 36,054)
Realized losses	-	-	( 52,530)	( 52,530)
Unrealized gains	-	236,617	212,623	449,240
Total investment return	-	236,617	212,474	449,091
Change in obligation to replenish corpus	212,474	-	( 212,474)	-
Endowment net assets, December 31, 2010	-	236,617	3,834,447	4,071,064
Investment return:				
Investment income	-	-	94,073	94,073
Investment fees	-	-	( 41,412)	( 41,412)
Realized gains	-	-	39,491	39,491
Unrealized losses	-	-	( 339,659)	( 339,659)
Total investment return	-	-	( 247,507)	( 247,507)
Appropriation	-	( 161,000)	-	( 161,000)
Change in obligation to replenish corpus	( 171,890)	( 75,617)	247,507	-
Endowment net assets, December 31, 2011	\$ ( 171,890)	-	3,834,447	3,662,557

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 3 - INVESTMENTS**

Investments, reported at market value for the year ending December 31, 2011 and 2010, consists of the following:

	<u>2011</u>	<u>2010</u>
US and international equities	\$ 2,411,727	2,615,178
Fixed income	821,134	818,824
Balanced	561,162	570,515
Alternative strategy mutual funds	381,049	371,774
Real estate funds	271,105	245,257
Commodity funds	<u>15,502</u>	<u>14,150</u>
	\$ <u>4,461,679</u>	<u>4,635,698</u>

Investment income for the years ending December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 113,702	109,286
Investment fees	( 61,105)	( 43,605)
Realized gain (loss)	39,546	( 52,982)
Unrealized gain (loss)	<u>( 370,758)</u>	<u>511,681</u>
	\$ <u>( 278,615)</u>	<u>524,380</u>

**NOTE 4 - MANAGEMENT CONTRACT**

Effective January 1, 2009 the Board entered into a contract for management services which include general administration of the National Headquarters, financial management, staffing, meeting and events management, patient services, fundraising, chapter services and communication services. The management fee is comprised of a fixed fee of \$200,000 and a variable support services fee based upon actual hours. Either party may request amendments at any time.

Fees for services pursuant to this contract were as follows:

	<u>2011</u>	<u>2010</u>
Management fee	\$ 210,000	200,000
Support services	245,088	105,615

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 5 - TEMPORARILY RESTRICTED FUNDS**

Temporarily restricted funds may represent gifts and bequests, 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 for awarding grants. In addition, restricted funds are provided for the American Academy of Neurology Foundation fellowship and for nurses' fellowships.

The temporarily restricted net assets as of December 31, 2011 and 2010 are restricted for the following purposes:

	<u>2011</u>	<u>2010</u>
Nurses Grant Fund	\$ 119	1,074
Research Funding	171,530	-
Research Funding - Endowment	-	236,617
Continuing Medical Education	36,220	66,220
Dr. John Newsom-Davis Fund	14,552	16,052
Literature	449	2,276
Nurses and Doctors Manual	31,831	31,831
Annual Meeting Scholarship	1,150	1,150
International Conference	152,300	122,300
Chapter Video	6,322	-
	<u>\$ 414,473</u>	<u>477,520</u>

**NOTE 6 - 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, 2011 and 2010 are restricted for the following purposes:

	<u>2011</u>	<u>2010</u>
David Cummings Research		
Endowment	\$ 3,810,166	3,810,166
MGFA Research Endowment	24,281	24,281
	<u>\$ 3,834,447</u>	<u>3,834,447</u>

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



**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 7 - CONCENTRATION RISKS**

At December 31, 2011, cash and investments on deposit at one financial institution totaled \$4,256,338 which exceeds FDIC and SIPC insurance limits. 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 8 - RELATED PARTIES**

There are approximately twenty chapters throughout the United States which are affiliated with the Foundation. As part of the affiliation agreement, they pay an annual assessment to the Foundation. In addition, chapters may provide additional contributions. The Foundation also shares a percentage of funds received from the Community Health Charities campaign and from the annual MG Walk with the chapters in the form of a contribution.

Transactions between the chapters and the Foundation were as follows:

	<u>2011</u>	<u>2010</u>
Contributions from affiliated chapters	\$ 52,804	82,325
Assessments	57,073	76,522
Contributed to affiliated chapters	98,024	33,241

Amounts due to and from chapters at December 31 were as follows:

	<u>2011</u>	<u>2010</u>
Assessments receivable	\$ 27,265	29,817
Unconditional promise to give	2,600	-

**NOTE 9 - INCOME TAXES**

The Foundation 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. In addition, the Foundation had been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 501(c)(3) of the code.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 9 - INCOME TAXES, CONTINUED**

The Foundation has adopted accounting principles related to uncertain tax positions and has evaluated its tax positions taken for all open tax years. Currently, the 2008, 2009 and 2010 tax years are open and subject to examination by the Internal Revenue Service; however, the Foundation is not currently under audit nor has the Foundation been contacted by any of these jurisdictions.

Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2011 and 2010.

**NOTE 10 - FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles regarding Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2            Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 10 - FAIR VALUE MEASUREMENTS, CONTINUED**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used.

Interest-bearing cash certificates of deposit: Based on value of cash or certificate at year end.

Fixed income: Based on the net asset value (NAV) of shares held by the Foundation at year end.

Equity securities: Based on quoted prices of identical assets in active markets.

Global, alternative strategy, real estate and commodity mutual funds: Based on the net asset value (NAV) of shares held by the Foundation at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments reported at fair value as of December 31 are categorized as follows:

	<u>2011</u>	<u>2010</u>
Level 1	\$ 4,169,311	4,231,316
Level 2	292,368	404,382
Level 3	-	-
	\$ <u>4,461,679</u>	<u>4,635,698</u>

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 11 - JOINT COST OF ACTIVITIES THAT INCLUDE A FUND RAISING APPEAL**

Beginning in 2010, the Foundation began planning for an annual walk-a-thon which is intended to increase public awareness and strengthen chapters as well as raise funds. The costs of conducting this campaign in 2011 and 2010 included a total of \$275,840 and \$21,967, respectively, of joint costs that are not directly attributable to program or fund raising components of the activities. These joint costs were allocated as follows:

	2011	2010
Program costs	\$ 183,893	14,005
Fund raising	91,947	7,962
	\$ 275,840	21,967

In addition, the Foundation achieves some of its programmatic goals via its website which also includes requests for contributions. The cost of the website in 2011 and 2010 was \$18,730 and \$10,390, respectively, of joint costs that are not directly attributable to program, management and general or fund raising components of the activities. These joint costs were allocated as follows:

	2011	2010
Program costs	\$ 17,425	8,026
Management	1,305	2,364
	\$ 18,730	10,390

**NOTE 12 - RECLASSIFICATION**

Certain amounts in the 2010 financial statements have been reclassified to conform with the year 2011 presentation.

**S U P P L E M E N T A R Y   I N F O R M A T I O N**



**MUELLER & CO., LLP**  
**MUELLER CONSULTING, LLC**

2230 Point Blvd., Ste. 700 ■ Elgin, Illinois 60123  
847.888.8600 Fax: 847.888.0635 ■ www.MuellerCPA.com

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
National Headquarters of Myasthenia Gravis  
Foundation of America, Inc.  
New York, NY

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mueller & Co., LLP*

Elgin, Illinois  
April 25, 2012

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION BY FUND**

**AS OF DECEMBER 31, 2011**

**ASSETS**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2011 TOTAL ALL FUNDS</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 369,228	166,346	113,830	649,404
Investments	557,478	388,014	3,516,187	4,461,679
Accrued interest receivable	-	-	3,239	3,239
Assessment receivable from affiliated chapters	27,265	-	-	27,265
Website development costs, net of amortization	55,934	-	-	55,934
Prepaid expenses	39,380	-	-	39,380
	<u>1,049,285</u>	<u>554,360</u>	<u>3,633,256</u>	<u>5,236,901</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>				
Accounts payable	84,090	-	-	84,090
Unconditionl promise to give	2,600	-	-	2,600
Fellowship payable	-	178,778	-	178,778
Obligation to replenish endowment corpus	171,890	-	(171,890)	-
Interfund payable	68,192	(38,891)	(29,301)	-
	<u>326,772</u>	<u>139,887</u>	<u>(201,191)</u>	<u>265,468</u>
<b>Net assets</b>	<u>722,513</u>	<u>414,473</u>	<u>3,834,447</u>	<u>4,971,433</u>
	<u>\$ 1,049,285</u>	<u>554,360</u>	<u>3,633,256</u>	<u>5,236,901</u>

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**SUPPLEMENTAL STATEMENT OF PROGRAM EXPENSES**

**YEAR ENDED DECEMBER 31, 2011**

	<u>PATIENT SERVICES</u>	<u>ANNUAL MEETING</u>	<u>SCIENTIFIC SESSION AND INTERNATIONAL CONFERENCE</u>	<u>CHAPTER DEVELOPMENT</u>	<u>PUBLIC INFORMATION</u>	<u>MEDICAL AND NURSE ADVISORY BOARDS</u>	<u>RESEARCH</u>	<u>TOTAL PROGRAM EXPENSES</u>
Research funding	\$ -	-	-	-	-	-	277,453	277,453
Management fees	75,245	16,790	-	66,730	58,372	9,347	2,537	229,021
Meeting expenses	-	45,071	-	-	-	1,998	-	47,069
Public service announcements	-	-	-	-	13,630	-	-	13,630
Printing and copying	11,166	7,136	4,209	510	47,687	-	1,827	72,535
Postage and shipping	2,024	-	-	1,668	-	-	5,897	9,589
Audit and accounting	-	-	-	7,660	-	-	-	7,660
Insurance	-	-	-	11,533	-	-	-	11,533
Supplies	150	4,058	-	-	358	-	-	4,566
Professional services	-	-	-	92,397	96,776	-	-	189,173
Contributions to affiliates	-	-	-	98,024	-	-	-	98,024
	-	1,858	1,011	-	-	6,293	-	9,162
Office supplies	-	-	-	370	-	-	-	370
Telephone	1,299	-	-	994	1,120	-	-	3,413
Registrations and licenses	-	-	-	-	-	125	-	125
Website fees	-	-	-	240	17,185	-	-	17,425
Other	-	-	-	-	-	1,882	-	1,882
	<u>\$ 89,884</u>	<u>74,913</u>	<u>5,220</u>	<u>280,126</u>	<u>235,128</u>	<u>19,645</u>	<u>287,714</u>	<u>992,630</u>