

ASSURANCE &

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

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

*Roy W. Groesbeck
Partner*

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Headquarters of Myasthenia Gravis Foundation of America, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Muller & Co., LLP

Elgin, Illinois
May 8, 2013

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and cash equivalents	\$ 804,303	649,404
Investments	4,777,496	4,461,679
Accrued interest receivable	221	3,239
Assessments receivable from affiliated chapters	35,956	27,265
Other receivables	35,727	-
Website and database development costs, net of amortization	63,304	55,934
Prepaid expenses	55,115	39,380
	<u>\$ 5,772,122</u>	<u>5,236,901</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 48,078	84,090
Unconditional promise to give	-	2,600
Research grant awards payable	62,500	178,778
	<u>110,578</u>	<u>265,468</u>
Net assets:		
Unrestricted	1,022,872	722,513
Temporarily restricted	804,225	414,473
Permanently restricted	3,834,447	3,834,447
	<u>5,661,544</u>	<u>4,971,433</u>
	<u>\$ 5,772,122</u>	<u>5,236,901</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, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2012 TOTAL ALL FUNDS	2011 TOTAL ALL FUNDS
Public Support and Revenue:					
Public support:					
Individuals	\$ 176,867	-	-	176,867	161,932
Corporations	25,849	2,410	-	28,259	20,004
Foundations	7,433	-	-	7,433	34,896
Legacies	226,035	478,132	-	704,167	126,977
Chapters	3,721	1,330	-	5,051	52,804
Public agencies	47,464	-	-	47,464	44,238
MG Walk	553,754	-	-	553,754	418,124
	<u>1,041,123</u>	<u>481,872</u>	<u>-</u>	<u>1,522,995</u>	<u>858,975</u>
Revenue:					
Chapter assessments	71,587	-	-	71,587	57,073
Fundraising events, net of direct benefits to donor of \$21,094	8,111	-	-	8,111	16,233
Merchandise sales	2,243	-	-	2,243	1,894
Meeting and convention fees	25,650	-	-	25,650	42,415
Other	155	-	-	155	35
Investment income (loss)	74,571	466,435	-	541,006	(278,615)
	<u>182,317</u>	<u>466,435</u>	<u>-</u>	<u>648,752</u>	<u>(160,965)</u>
Net assets released from restrictions - Purpose restrictions satisfied by payments	386,665	(386,665)	-	-	-
	<u>1,610,105</u>	<u>561,642</u>	<u>-</u>	<u>2,171,747</u>	<u>698,010</u>
Expenses:					
Program expenses:					
Patient services	71,540	-	-	71,540	89,884
Annual conference	77,240	-	-	77,240	80,133
Chapter development	244,554	-	-	244,554	280,126
Public information	321,744	-	-	321,744	235,128
Medical and nurse advisory boards	9,881	-	-	9,881	19,645
Research	412,413	-	-	412,413	287,714
	<u>1,137,372</u>	<u>-</u>	<u>-</u>	<u>1,137,372</u>	<u>992,630</u>
Supporting services:					
Management and general	133,107	-	-	133,107	89,920
Fund raising	211,157	-	-	211,157	180,800
	<u>344,264</u>	<u>-</u>	<u>-</u>	<u>344,264</u>	<u>270,720</u>
Total expenses	<u>1,481,636</u>	<u>-</u>	<u>-</u>	<u>1,481,636</u>	<u>1,263,350</u>
Change in obligation to replenish endowment corpus	171,890	(171,890)	-	-	-
Change in net assets	300,359	389,752	-	690,111	(565,340)
Net assets, beginning of year	722,513	414,473	3,834,447	4,971,433	5,536,773
Net assets, end of year	<u>\$ 1,022,872</u>	<u>804,225</u>	<u>3,834,447</u>	<u>5,661,544</u>	<u>4,971,433</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, 2012 AND 2011

	2012	2011
Cash provided by (applied to) operating activities:		
Change in net assets	\$ 690,111	(565,340)
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Amortization expense	22,630	9,592
Unrealized net market (gains) losses	(453,994)	370,758
Realized market gains	(19,788)	(39,546)
Changes in:		
Accrued interest receivable	3,018	1,860
Assessments receivable from affiliated chapters	(8,691)	2,552
Other receivables	(35,727)	-
Prepaid expenses	(15,735)	(28,766)
Accounts payable	(36,012)	50,843
Unconditional promise to give	(2,600)	2,600
Research grant awards payable	(116,278)	(88,259)
	<u>26,934</u>	<u>(283,706)</u>
Cash provided by (applied to) investing activities:		
Purchases of investments	(1,533,129)	(931,784)
Sales of investments	1,691,094	774,591
Development of website and database	(30,000)	(42,614)
	<u>127,965</u>	<u>(199,807)</u>
Net increase (decrease) in cash and cash equivalents	154,899	(483,513)
Cash and cash equivalents, beginning of year	<u>649,404</u>	<u>1,132,917</u>
Cash and cash equivalents, end of year	<u>\$ 804,303</u>	<u>649,404</u>

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, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT</u>	<u>FUND RAISING</u>	<u>2012 TOTAL</u>	<u>2011 TOTAL</u>
Research funding	\$ 317,586	-	-	317,586	277,453
Management fees	234,665	67,255	47,870	349,790	331,241
Annual conference site expenses	48,710	-	-	48,710	47,236
International Symposium site expenses	59,817	-	-	59,817	-
Other conferences expenses	-	-	-	-	1,998
Public service announcements	-	-	-	-	13,630
Printing and copying	103,952	1,705	2,885	108,542	79,143
Postage and shipping	28,326	1,836	4,705	34,867	20,874
Audit and accounting	-	24,224	-	24,224	18,138
Insurance	10,550	2,638	-	13,188	14,571
Supplies	2,800	-	-	2,800	5,036
Professional services	166,602	-	83,140	249,742	218,024
MG Walk materials and supplies	80,420	-	40,210	120,630	63,096
Contributions to affiliates	43,015	-	-	43,015	98,024
Travel	9,041	19,714	-	28,755	27,647
Subscription and memberships	-	-	10,695	10,695	9,517
Office supplies	-	3,008	-	3,008	2,417
Telephone	4,669	1,622	-	6,291	4,485
Registrations and licenses	-	-	5,552	5,552	8,528
Website fees	26,882	2,202	-	29,084	18,730
Grant writer	-	-	16,100	16,100	-
Other	337	8,903	-	9,240	3,562
	<u>\$ 1,137,372</u>	<u>133,107</u>	<u>211,157</u>	<u>1,481,636</u>	<u>1,263,350</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, 2011, 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 as described in Note 10, 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.

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 uncollectable at December 31, 2012 and 2011.

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 \$22,630 and \$9,592 for the years ended December 31, 2012 and 2011, 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,	
	2012	2011
Website development costs	\$ 21,776	21,776
Database development costs	76,114	46,114
Accumulated amortization	(34,586)	(11,956)
	\$ 63,304	55,934

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.

Research Grant Awards Payable

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

	RESEARCH GRANT AWARDS PAYABLE	RESEARCH FUNDING EXPENSES
December 31, 2010	\$ 267,037	-
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
Research funding awarded in 2012	326,026	326,026
Related expenses	-	4,060
Cash disbursements of research funding	(429,804)	-
Cancellations	(12,500)	(12,500)
December 31, 2012	\$ 62,500	317,586

**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 May 8, 2013, 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, 2012:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ _____	- 294,545	3,834,447	<u>4,128,992</u>

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	<u>3,662,557</u>

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, 2012 and 2011 were \$0 and \$171,890, 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 Equivalents	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>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2010	\$ <u> -</u>	<u> 236,617</u>	<u> 3,834,447</u>	<u> 4,071,064</u>
Investment return:				
Investment income	-	-	94,073	94,073
Investment fees	-	-	(41,412)	(41,412)
Realized gains	-	-	39,491	39,491
Unrealized losses	<u> -</u>	<u> -</u>	<u>(339,659)</u>	<u>(339,659)</u>
Total investment return	<u> -</u>	<u> -</u>	<u>(247,507)</u>	<u>(247,507)</u>
Appropriation		- (161,000)		- (161,000)
Obligation to replenish corpus	<u>(171,890)</u>	<u>(75,617)</u>	<u> 247,507</u>	<u> -</u>
Endowment net assets, December 31, 2011	<u>(171,890)</u>	<u> -</u>	<u> 3,834,447</u>	<u> 3,662,557</u>
Investment return:				
Investment income	-	107,649	-	107,649
Investment fees	-	(43,229)	-	(43,229)
Realized gains	-	7,167	-	7,167
Unrealized gains	<u> -</u>	<u> 394,848</u>	<u> -</u>	<u> 394,848</u>
Total investment return	<u> -</u>	<u> 466,435</u>	<u> -</u>	<u> 466,435</u>
Obligation to replenish corpus	<u> 171,890</u>	<u>(171,890)</u>	<u> -</u>	<u> -</u>
Endowment net assets, December 31, 2012	\$ <u> -</u>	<u> 294,545</u>	<u> 3,834,447</u>	<u> 4,128,992</u>

**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, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
US and international equities	\$ 3,193,648	2,411,727
Fixed income	738,185	821,134
Balanced	362,551	561,162
Alternative strategy mutual funds	95,186	381,049
Real estate funds	371,397	271,105
Commodity funds	<u>16,529</u>	<u>15,502</u>
	\$ <u>4,777,496</u>	<u>4,461,679</u>

Investment income for the years ending December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 135,488	113,702
Investment fees	(68,264)	(61,105)
Realized gains	19,788	39,546
Unrealized gains (losses)	<u>453,994</u>	<u>(370,758)</u>
	\$ <u>541,006</u>	<u>(278,615)</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 \$210,000 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>2012</u>	<u>2011</u>
Management fee	\$ 210,000	210,000
Support services	139,770	125,726

**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, 2012 and 2011 are restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
Nurses Grant Fund	\$ 119	119
Research Funding	335,131	171,530
Continuing Medical Education	36,905	36,220
Dr. John Newsom-Davis Fund	14,552	14,552
Literature	449	449
Professional Manuals	29,116	31,831
Annual Meeting Scholarship	1,150	1,150
International Conference	91,385	152,300
Chapter Video	873	6,322
Research Funding-Endowment	<u>294,545</u>	<u>-</u>
	<u>\$ 804,225</u>	<u>414,473</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, 2012 and 2011 are restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
David Cummings Research		
Endowment	\$ 3,810,166	3,810,166
MGFA Research Endowment	<u>24,281</u>	<u>24,281</u>
	<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, 2012, cash and investments on deposit at one financial institution totaled \$5,241,032 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 sixteen 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>2012</u>	<u>2011</u>
Contributions from affiliated chapters	\$ 5,051	52,804
Assessments	71,587	57,073
Contributed to affiliated chapters	43,015	98,024

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

	<u>2012</u>	<u>2011</u>
Assessments receivable	\$ 35,956	27,265
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 2009, 2010 and 2011 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 years ended December 31, 2012 and 2011.

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.

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>2012</u>	<u>2011</u>
Level 1	\$ 4,679,196	4,169,311
Level 2	98,300	292,368
Level 3	<u>-</u>	<u>-</u>
	<u>\$ 4,777,496</u>	<u>4,461,679</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 2011, 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 2012 and 2011 included a total of \$370,049 and \$275,840, 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:

	<u>2012</u>	<u>2011</u>
Program costs	\$ 246,699	183,893
Fund raising	<u>123,350</u>	<u>91,947</u>
	\$ <u>370,049</u>	<u>275,840</u>

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 2012 and 2011 was \$29,084 and \$18,730, 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:

	<u>2012</u>	<u>2011</u>
Program costs	\$ 26,882	17,425
Management	<u>2,202</u>	<u>1,305</u>
	\$ <u>29,084</u>	<u>18,730</u>

NOTE 12 - CONCENTRATION OF CREDIT RISK

Support from a single estate represents 31% of MGFA's total support and revenue for the year ended December 31, 2012.

NOTE 12 - RECLASSIFICATION

Certain amounts in the 2011 financial statements have been reclassified to conform with the year 2012 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



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INDEPENDENT AUDITORS' REPORT

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

Our report on our audit of the basic financial statements of the National Headquarters of Myasthenia Gravis Foundation of America, Inc. for the year ended December 31, 2012 appears on pages 1 and 2. This audit was made for the purpose of forming an opinion on such financial statements taken as a whole. The information on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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. Such information is fairly stated in all material respects in relation to the basic financial statements for the years ended December 31, 2012 taken as a whole.

Mueller & Co., LLP

Elgin, Illinois
May 8, 2013

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Certified Public Accountants ■ Business Advisors
Offices in Elgin, Oakbrook Terrace, and Chicago

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

SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION BY FUND

AS OF DECEMBER 31, 2012

ASSETS

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2012 ALL FUNDS</u>
Assets:				
Cash and cash equivalents	\$ 377,324	88,963	338,016	804,303
Investments	575,338	440,883	3,761,275	4,777,496
Accrued interest receivable	221	-	-	221
Assessment receivable from affiliated chapters	35,956	-	-	35,956
Other receivables	35,727	-	-	35,727
Website development costs, net of amortization	63,304	-	-	63,304
Prepaid expenses	55,115	-	-	55,115
	<u>1,142,985</u>	<u>529,846</u>	<u>4,099,291</u>	<u>5,772,122</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable	48,078	-	-	48,078
Research grant awards payable	-	62,500	-	62,500
Interfund payable	72,035	(336,879)	264,844	-
	120,113	(274,379)	264,844	110,578
Net assets	<u>1,022,872</u>	<u>804,225</u>	<u>3,834,447</u>	<u>5,661,544</u>
	<u>\$ 1,142,985</u>	<u>529,846</u>	<u>4,099,291</u>	<u>5,772,122</u>

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

SUPPLEMENTAL STATEMENT OF PROGRAM EXPENSES

YEAR ENDED DECEMBER 31, 2012

	PATIENT SERVICES	ANNUAL CONFERENCE	CHAPTER DEVELOPMENT	PUBLIC INFORMATION	MEDICAL AND NURSE ADVISORY BOARDS	RESEARCH	TOTAL PROGRAM EXPENSES
Research funding	-	-	-	-	-	317,586	317,586
Management fees	67,581	17,448	60,471	77,175	7,677	4,313	234,665
Annual conference site expenses	-	48,710	-	-	-	-	48,710
International Symposium site expenses	-	-	-	-	-	59,817	59,817
Printing and copying	591	647	635	92,475	1,842	7,762	103,952
Postage and shipping	1,705	1,981	1,705	-	-	22,935	28,326
Insurance	-	-	10,550	-	-	-	10,550
Supplies	504	1,593	-	703	-	-	2,800
Professional services	-	-	83,462	83,140	-	-	166,602
MG Walk materials and supplies	-	-	40,210	40,210	-	-	80,420
Contributions to affiliates	-	-	43,015	-	-	-	43,015
Travel	-	5,694	3,347	-	-	-	9,041
Telephone	1,159	1,167	1,159	1,159	25	-	4,669
Website fees	-	-	-	26,882	-	-	26,882
Other	-	-	-	-	337	-	337
	<u>\$ 71,540</u>	<u>77,240</u>	<u>244,554</u>	<u>321,744</u>	<u>9,881</u>	<u>412,413</u>	<u>1,137,372</u>