

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

FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
Myasthenia Gravis Foundation of America, Inc.
New York, NY

We have audited the accompanying financial statements of Myasthenia Gravis Foundation of America, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Myasthenia Gravis Foundation of America, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Myasthenia Gravis Foundation of America, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of program expenses on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Desmond & Ahern, Ltd

February 15, 2018
Chicago, IL

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2016)

ASSETS

| | 2017 | 2016 |
|---|--------------|-----------|
| Assets: | | |
| Cash and cash equivalents | \$ 1,179,139 | 670,707 |
| Accounts receivable | 136,500 | - |
| Unconditional promises to give | - | 38,000 |
| Bequest receivable | 25,000 | - |
| Prepaid expenses | 18,599 | 203,039 |
| Capitalized software costs, net of amortization of \$157,296 in 2017 and \$218,615 in 2016 | 86,166 | 70,434 |
| Furniture and equipment, net of depreciation of \$506 in 2017 and \$230 in 2016 | 875 | 1,152 |
| Investments | 6,949,827 | 6,660,890 |
| Total assets | \$ 8,396,106 | 7,644,222 |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|--------------|-----------|
| Liabilities: | | |
| Accounts payable | \$ 415,784 | 199,090 |
| Accrued expenses | 9,300 | 37,091 |
| Deferred revenue | - | 3,842 |
| Research grant awards payable | 325,354 | 319,167 |
| Total liabilities | 750,438 | 559,190 |
| Net assets: | | |
| Unrestricted | 2,085,220 | 1,906,653 |
| Temporarily restricted | 1,726,001 | 1,343,932 |
| Permanently restricted | 3,834,447 | 3,834,447 |
| Total net assets | 7,645,668 | 7,085,032 |
| Total liabilities and net assets | \$ 8,396,106 | 7,644,222 |

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

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2016)

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>2017 TOTAL ALL FUNDS</u> | <u>2016 TOTAL ALL FUNDS</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Public support and revenue: | | | | | |
| Public support: | | | | | |
| Individuals | \$ 306,820 | 4,386 | - | 311,206 | 321,184 |
| Corporations | 71,812 | 2,479 | - | 74,291 | 56,598 |
| Sponsorships | 87,500 | - | - | 87,500 | 35,000 |
| Foundations | 57,875 | 56,345 | - | 114,220 | 46,000 |
| Bequests | 965 | 42,252 | - | 43,217 | 1,129,483 |
| Charitable organizations | - | - | - | - | 241,067 |
| Public agencies | 32,090 | - | - | 32,090 | 48,412 |
| MG Walk | 845,375 | 13,622 | - | 858,997 | 793,632 |
| | <u>1,402,437</u> | <u>119,084</u> | <u>-</u> | <u>1,521,521</u> | <u>2,671,376</u> |
| Revenue: | | | | | |
| Revenue from research studies | 248,069 | - | - | 248,069 | 136,500 |
| Merchandise sales | 1,153 | - | - | 1,153 | 1,514 |
| National Conference registration fees | 30,533 | - | - | 30,533 | 25,212 |
| Investment income, net | 272,929 | 816,522 | - | 1,089,451 | 433,399 |
| Other income | 2,911 | - | - | 2,911 | 817 |
| | <u>555,595</u> | <u>816,522</u> | <u>-</u> | <u>1,372,117</u> | <u>597,442</u> |
| Net assets released from restrictions - Purpose restrictions satisfied by payments | 553,537 | (553,537) | - | - | - |
| | <u>2,511,569</u> | <u>382,069</u> | <u>-</u> | <u>2,893,638</u> | <u>3,268,818</u> |
| Expenses: | | | | | |
| Program services: | | | | | |
| Community and patient services | 312,694 | - | - | 312,694 | 374,794 |
| Research | 871,174 | - | - | 871,174 | 556,400 |
| Awareness and advocacy | 518,534 | - | - | 518,534 | 576,361 |
| National Conference | 134,010 | - | - | 134,010 | 73,251 |
| Medical and nurse advisory boards | 3,480 | - | - | 3,480 | 13,954 |
| | <u>1,839,892</u> | <u>-</u> | <u>-</u> | <u>1,839,892</u> | <u>1,594,760</u> |
| Supporting services: | | | | | |
| Management and general | 230,723 | - | - | 230,723 | 217,194 |
| Fund raising | 262,387 | - | - | 262,387 | 240,406 |
| | <u>493,110</u> | <u>-</u> | <u>-</u> | <u>493,110</u> | <u>457,600</u> |
| Total expenses | <u>2,333,002</u> | <u>-</u> | <u>-</u> | <u>2,333,002</u> | <u>2,052,360</u> |
| Change in net assets | 178,567 | 382,069 | - | 560,636 | 1,216,458 |
| Net assets, beginning of year | 1,906,653 | 1,343,932 | 3,834,447 | 7,085,032 | 5,868,574 |
| Net assets, end of year | <u>\$ 2,085,220</u> | <u>1,726,001</u> | <u>3,834,447</u> | <u>7,645,668</u> | <u>7,085,032</u> |

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

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2016)

| | <u>2017</u> | <u>2016</u> |
|--|----------------------------|--------------------------|
| Cash provided by (applied to) operating activities: | | |
| Change in net assets | \$ 560,636 | 1,216,458 |
| Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities: | | |
| In-kind contribution of marketable securities | (49,486) | - |
| Depreciation and amortization expense | 36,846 | 24,687 |
| Investment (income) | (1,089,451) | (433,399) |
| Changes in: | | |
| Accounts receivable | (136,500) | - |
| Unconditional promises to give | 38,000 | (38,000) |
| Bequest receivable | (25,000) | - |
| Prepaid expenses | 184,439 | (101,840) |
| Accounts payable | 216,694 | 108,956 |
| Accrued expenses | (27,791) | 37,091 |
| Deferred revenue | (3,842) | (6,058) |
| Research grant awards payable | 6,187 | (133,337) |
| | <u>(289,268)</u> | <u>674,558</u> |
| Net cash provided by (applied to) operating activities | | |
| Cash provided by (applied to) investing activities: | | |
| Proceeds from sale of investments | 850,000 | 354,993 |
| Purchases of investments | - | (834,000) |
| Capital expenditures | (52,300) | (1,382) |
| | <u>797,700</u> | <u>(480,389)</u> |
| Net cash provided by (applied to) investing activities | | |
| Net increase in cash and cash equivalents | 508,432 | 194,169 |
| Cash and cash equivalents, beginning of year | <u>670,707</u> | <u>476,538</u> |
| Cash and cash equivalents, end of year | \$ <u><u>1,179,139</u></u> | \$ <u><u>670,707</u></u> |

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

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2016)

| | PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUND- RAISING | 2017 TOTAL | 2016 TOTAL |
|--|---------------------|---------------------------|------------------|------------------|------------------|
| The 13th International Conference on Myasthenia Gravis and Related Disorders | \$ 102,617 | - | - | 102,617 | - |
| Research grant and project funding | 268,294 | - | - | 268,294 | 271,700 |
| MG Patient Registry contracted services | 377,073 | - | - | 377,073 | 157,519 |
| Contracted management services | 406,476 | 126,751 | 53,242 | 586,469 | 684,525 |
| Contracted communications services | 23,363 | - | 4,620 | 27,983 | 38,375 |
| National Conference | 126,970 | - | - | 126,970 | 67,629 |
| Other conferences and meetings | 481 | 16,005 | - | 16,486 | 14,281 |
| Support groups and community programs | 5,481 | - | - | 5,481 | 5,671 |
| Publication and printing | 87,721 | 3,958 | 49,038 | 140,717 | 118,171 |
| Postage and delivery | 9,327 | 3,529 | 9,049 | 21,905 | 50,873 |
| Professional services | - | 19,804 | - | 19,804 | 20,565 |
| Insurance | - | 16,882 | - | 16,882 | 18,846 |
| MG Walk contracted services | 187,500 | - | 62,500 | 250,000 | 250,000 |
| MG Walk materials and supplies | 163,634 | - | 54,545 | 218,179 | 203,737 |
| Travel | 22,436 | 3,679 | 4,635 | 30,750 | 40,667 |
| Subscriptions and memberships | 400 | 1,662 | 11,165 | 13,227 | 14,419 |
| Office supplies | 2,775 | 163 | 326 | 3,264 | 1,370 |
| Telephone | 4,263 | 131 | 261 | 4,655 | 10,578 |
| Database fees and subscriptions | 7,160 | - | 7,177 | 14,337 | 10,173 |
| Credit card processing and bank fees | - | 27,111 | - | 27,111 | 23,516 |
| Registrations and licenses | 629 | 9,359 | 4,525 | 14,513 | 10,740 |
| Website fees | 2,298 | - | 353 | 2,651 | 9,971 |
| Depreciation and amortization | 36,184 | 277 | 385 | 36,846 | 24,687 |
| Other | 4,810 | 1,412 | 566 | 6,788 | 4,347 |
| | <u>\$ 1,839,892</u> | <u>230,723</u> | <u>262,387</u> | <u>2,333,002</u> | <u>2,052,360</u> |

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

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

Myasthenia Gravis Foundation of America, Inc., (Foundation) is a not-for-profit corporation committed to finding a cure for myasthenia gravis and closely related disorders, improving treatment options, and providing information and support to people with myasthenia gravis through research, education, community programs and advocacy.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Contributions received and unconditional promises to give are measured at their fair values at the date of the promise 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.

Research studies are contracts which may span several months. The Foundation reports revenue and associated direct costs ratably based upon the estimated percentage of completion.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash or cash equivalents held in the long-term investment portfolio (until suitable investments are identified) is excluded from cash and cash equivalents.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments

Investments are measured at fair value, determined as described in Note 11, in the statements of financial position. Investment income or loss (including gains and losses on investments and interest) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss restricted by the donor.

Accounts Receivable and Unconditional Promises to Give

Accounts receivable and unconditional promises to give are reported at their net present value and reduced by an allowance for doubtful accounts.

Management's evaluation of the adequacy of the allowance is based on the Foundation's past collection experience, known and inherent risks of the contributors comprising the receivable balance, adverse situations that may affect the contributor's ability to pay and current economic conditions. Based on this evaluation, management determined that an allowance for doubtful accounts was not necessary at December 31, 2017 and 2016.

Capitalized Software Costs

Costs associated with the development of the website, database and the MG Patient Registry have been capitalized and are amortized over their estimated lives ranging from three to five years. Amortization expense was \$36,568 and \$24,457 for the years ended December 31, 2017 and 2016, respectively.

Furniture and Equipment

Furniture and equipment over \$500 are recorded at cost or, if donated, at fair value at the date of the gift. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets of five years. Depreciation expense was \$278 and \$230 for the years ended December 31, 2017 and 2016, respectively.

Donated Services

A substantial number of volunteers have donated services to the Foundation's program services and fund-raising campaigns during the year; however, only services which require specialized skills as defined by accounting principles generally accepted in the United States of America are reported as contributions.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 MGFA Research and Grants Committee reviews proposals submitted by researchers and recommend projects to the Board for awarding grants. The grants are generally of one to three years duration and paid within three years of approval.

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 these accounts.

Prior Year Summarized Information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated through February 15, 2018, the date that the financial statements were available for issue.

NOTE 3 - ENDOWMENT

The Foundation's endowment consists of two individual funds, both established for the purpose of funding research. As required by accounting principles generally accepted in the United States of America, 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.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 3 - ENDOWMENT, CONTINUED

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 the NYPMIFA.

In accordance with the 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, 2017:

| | <u>UNRESTRICTED</u> | TEMPORARILY <u>RESTRICTED</u> | PERMANENTLY <u>RESTRICTED</u> | <u>TOTAL</u> |
|-------------------------------------|---------------------|----------------------------------|----------------------------------|--------------|
| Donor-restricted endowment funds | \$ - | 1,012,527 | 3,834,447 | 4,846,974 |

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 3 - ENDOWMENT, CONTINUED

Endowment net asset composition by type of fund as of December 31, 2016:

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor-restricted endowment funds | \$ - | 410,222 | 3,834,447 | 4,244,669 |

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. There were no deficiencies of this nature at December 31, 2017 and 2016, 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.

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.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 3 - ENDOWMENT, CONTINUED

C. 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 LIMITS | UPPER LIMITS |
|-------------------------------------|--------------|--------------|
| Equities | 10% | 85% |
| 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 represent 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 three-year annual average net fair market value. The Board of Directors (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.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 3 - ENDOWMENT, CONTINUED

Schedule of Endowment-Related Activities

| | <u>UNRESTRICTED</u> | TEMPORARILY <u>RESTRICTED</u> | <u>RESTRICTED</u> | PERMANENTLY <u>TOTAL</u> |
|--|---------------------|----------------------------------|-------------------|-----------------------------|
| Endowment net assets, January 1, 2016 | - | 263,848 | 3,834,447 | 4,098,295 |
| Investment return: | | | | |
| Investment income | \$ - | 99,076 | - | 99,076 |
| Investment fees | - | (50,880) | - | (50,880) |
| Realized gains | - | 155,490 | - | 155,490 |
| Unrealized gains | - | 165,188 | - | 165,188 |
| Total investment return | - | 368,874 | - | 368,874 |
| Appropriation | - | (222,500) | - | (222,500) |
| Endowment net assets, December 31, 2016 | - | 410,222 | 3,834,447 | 4,244,669 |
| Investment return: | | | | |
| Investment income | - | 105,880 | - | 105,880 |
| Investment fees | - | (49,110) | - | (49,110) |
| Realized gains | - | 343,251 | - | 343,251 |
| Unrealized gains | - | 416,501 | - | 416,501 |
| Total investment return | - | 816,522 | - | 816,522 |
| Appropriation | - | (214,217) | - | (214,217) |
| Endowment net assets, December 31, 2017 | \$ - | 1,012,527 | 3,834,447 | 4,846,974 |

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 4 - INVESTMENTS

Investments, reported at market value for the year ending December 31, 2017 and 2016, consists of the following:

| | | <u>2017</u> | <u>2016</u> |
|---------------------------|----|------------------|------------------|
| Cash and cash equivalents | \$ | 238,785 | 808,443 |
| US equities | | 2,712,795 | 3,127,056 |
| International equities | | 2,799,118 | 1,794,014 |
| Fixed income | | 1,152,307 | 891,143 |
| Other | | <u>46,822</u> | <u>40,234</u> |
| | \$ | <u>6,949,827</u> | <u>6,660,890</u> |

Investment income for the years ending December 31, 2017 and 2016, consists of the following:

| | | <u>2017</u> | <u>2016</u> |
|---------------------------------|----|------------------|----------------|
| Interest and dividends | \$ | 179,462 | 160,262 |
| Investment management fees | (| 65,936) | (66,804) |
| Realized gains on investments | | 488,694 | 196,076 |
| Unrealized gains on investments | | <u>487,231</u> | <u>143,865</u> |
| | \$ | <u>1,089,451</u> | <u>433,399</u> |

NOTE 5 - TEMPORARILY RESTRICTED FUNDS

Temporarily restricted net assets as of December 31, 2017 and 2016 are restricted for the following purposes:

| | | <u>2017</u> | <u>2016</u> |
|------------------------------|----|------------------|------------------|
| Nurses Grant Fund | \$ | 6,659 | 6,659 |
| Patient services | | 20,020 | 20,020 |
| Research funding | | 613,206 | 743,237 |
| Continuing medical education | | 41,979 | 41,979 |
| Dr. John Newsom-Davis Fund | | 13,278 | 14,552 |
| Professional manuals | | 14,728 | 14,728 |
| Annual meeting scholarship | | - | 1,150 |
| International conference | | - | 91,385 |
| Scientific Session | | 3,604 | - |
| Research funding - endowment | | <u>1,012,527</u> | <u>410,222</u> |
| | \$ | <u>1,726,001</u> | <u>1,343,932</u> |

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

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, 2017 and 2016 are restricted for the following purposes:

| | <u>2017</u> | <u>2016</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.

NOTE 7 - MANAGEMENT CONTRACTS

The Foundation has entered into various contracts for management, communication and MG Walk services. Either party may request amendments or termination of those contracts at any time.

NOTE 8 - CONCENTRATION RISKS

At December 31, 2017, cash and investments on deposit at one financial institution totaled \$6,949,827, 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 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.

The Foundation has evaluated its tax positions taken for all open tax years. Currently, the 2014, 2015 and 2016 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.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 9 - INCOME TAXES, CONTINUED

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, 2017 and 2016.

NOTE 10 - JOINT COST OF ACTIVITIES THAT INCLUDE A FUND-RAISING APPEAL

The Foundation conducts the MG Walk for the purposes of increasing public awareness, providing an opportunity for patients, families and caregivers to share their stories and become actively involved in available programs and also includes a fund-raising appeal. Costs of \$468,179 and \$453,737 were incurred for the MG Walk for the years ended December 31, 2017 and 2016, respectively. The following is the allocation of these costs:

| | <u>2017</u> | <u>2016</u> |
|---------------|-------------------|----------------|
| Program costs | \$ 351,134 | 340,303 |
| Fund-raising | <u>117,045</u> | <u>113,434</u> |
| | \$ <u>468,179</u> | <u>453,737</u> |

NOTE 11 - FAIR VALUE MEASUREMENTS

Accounting standards generally accepted in the United States of America establish 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 management has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:
- Quoted prices for similar assets or liabilities in active markets;
 - 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;

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 11 - FAIR VALUE MEASUREMENTS, CONTINUED

- 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.

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 at December 31, 2017 and 2016.

Mutual funds: Valued at the closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

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.

| | Asset at Fair Value as of December 31, 2017 | | | |
|-------------------------------|--|-----------------------|-----------------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets: | | | | |
| Investments | <u>6,949,827</u> | <u>-</u> | <u>-</u> | <u>6,949,827</u> |
| Total assets at fair value \$ | <u>6,949,827</u> | <u>-</u> | <u>-</u> | <u>6,949,827</u> |

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 11 - FAIR VALUE MEASUREMENTS, CONTINUED

| | Asset at Fair Value as of December 31, 2016 | | | |
|----------------------------|--|-----------------------|-----------------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets: | | | | |
| Investments | \$ <u>6,660,890</u> | <u>-</u> | <u>-</u> | <u>6,660,890</u> |
| Total assets at fair value | \$ <u>6,660,890</u> | <u>-</u> | <u>-</u> | <u>6,660,890</u> |

For the years ended December 31, 2017 and 2016, there were no transfers between Levels 1 and 2 and no transfers in or out of Level 3.

NOTE 12 - RECLASSIFICATION

Certain amounts in the 2016 financial statements have been reclassified to conform with the year 2017 presentation.

Supplemental Information

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

SUPPLEMENTAL STATEMENT OF PROGRAM EXPENSES

YEAR ENDED DECEMBER 31, 2017

| | COMMUNITY AND PATIENT SERVICES | RESEARCH | AWARENESS AND ADVOCACY | NATIONAL CONFERENCE | MEDICAL AND NURSE ADVISORY BOARDS | TOTAL PROGRAM SERVICES |
|--|--------------------------------------|----------------|------------------------------|------------------------|--|------------------------------|
| The 13th International Conference on Myasthenia Gravis and Related Disorders | \$ - | 102,617 | - | - | - | 102,617 |
| Research grant and project funding | - | 268,294 | - | - | - | 268,294 |
| MG Patient Registry contracted services | - | 377,073 | - | - | - | 377,073 |
| Contracted management services | 215,120 | 73,175 | 118,136 | 45 | - | 406,476 |
| Contracted communications services | - | 5,440 | 12,953 | 4,970 | - | 23,363 |
| National Conference | - | - | - | 126,970 | - | 126,970 |
| Other conferences and meetings | - | 481 | - | - | - | 481 |
| Support Groups and community programs | 2,116 | - | 2,720 | 645 | - | 5,481 |
| Publication and printing | 57,721 | 3,268 | 25,534 | 1,059 | 139 | 87,721 |
| Postage and delivery | 4,508 | 1,799 | 2,699 | 321 | - | 9,327 |
| MG Walk contracted services | - | - | 187,500 | - | - | 187,500 |
| MG Walk materials and supplies | - | - | 163,634 | - | - | 163,634 |
| Travel | 10,759 | 5,816 | 2,520 | - | 3,341 | 22,436 |
| Subscriptions and memberships | 400 | - | - | - | - | 400 |
| Office supplies | 1,632 | 653 | 490 | - | - | 2,775 |
| Telephone | 3,349 | 522 | 392 | - | - | 4,263 |
| Database fees and subscriptions | 7,160 | - | - | - | - | 7,160 |
| Registrations and licenses | 629 | - | - | - | - | 629 |
| Website fees | 1,414 | 354 | 530 | - | - | 2,298 |
| Depreciation and amortization | 5,057 | 30,550 | 577 | - | - | 36,184 |
| Other | 2,829 | 1,132 | 849 | - | - | 4,810 |
| | <u>\$ 312,694</u> | <u>871,174</u> | <u>518,534</u> | <u>134,010</u> | <u>3,480</u> | <u>1,839,892</u> |

See Independent Auditors' Report on Supplementary Information.