

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

FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

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

Table of Contents

Independent Auditor’s Report.....	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Statement of Functional Expenses	6
Notes to Financial Statements.....	7 - 18
Supplemental Information	
Supplemental Statement of Program Expenses	19



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, 2019 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, 2019 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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

April 4, 2020
Chicago, IL

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2018)

ASSETS

	2019	2018
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 519,584	1,474,480
Accounts receivable	5,000	81,500
Unconditional promises to give	10,000	7,550
Bequest receivable	4,603	48,425
Prepaid expenses	40,612	44,669
Capitalized software costs, net of amortization of \$207,767 in 2019 and \$186,365 in 2018	55,595	76,997
Furniture and equipment, net of depreciation of \$1,060 in 2019 and \$783 in 2018	322	599
Investments	<u>8,876,659</u>	<u>6,412,371</u>
 Total assets	 <u>\$ 9,512,375</u>	 <u>8,146,591</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 523,673	519,790
Accrued expenses	28,749	90,612
Deferred revenue	1,000	29,760
Research grant awards payable	<u>418,313</u>	<u>167,500</u>
 Total liabilities	 <u>971,735</u>	 <u>807,662</u>
 Net assets:		
Without donor restrictions	3,012,607	2,360,048
With donor restriction:		
Endowment	4,909,097	4,185,183
Purpose restrictions	<u>618,936</u>	<u>793,698</u>
Total with donor restrictions	5,528,033	4,978,881
 Total net assets	 <u>8,540,640</u>	 <u>7,338,929</u>
 Total liabilities and net assets	 <u>\$ 9,512,375</u>	 <u>8,146,591</u>

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

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2018)

	WITHOUT	WITH DONOR RESTRICTIONS			2019 TOTAL	2018 TOTAL
	DONOR RESTRICTIONS	ENDOWMENT	PURPOSE RESTRICTIONS	TOTAL		
Public support and revenue:						
Public support:						
Individuals	\$ 318,967	-	20,386	20,386	339,353	342,875
Corporations	74,464	-	-	-	74,464	69,365
Sponsorships	365,050	-	-	-	365,050	159,250
Foundations	158,146	-	-	-	158,146	140,849
Bequests	44,017	-	50	50	44,067	163,049
Charitable organizations	45,000	-	-	-	45,000	-
Fundraising events	239,557	-	-	-	239,557	103,441
Public agencies	1,734	-	-	-	1,734	86,978
MG Walk	863,362	-	7,195	7,195	870,557	981,774
	<u>2,110,297</u>	<u>-</u>	<u>27,631</u>	<u>27,631</u>	<u>2,137,928</u>	<u>2,047,581</u>
Revenue:						
Revenue from research studies	106,360	-	-	-	106,360	188,670
Merchandise sales	90	-	-	-	90	1,657
National Conference	34,417	-	-	-	34,417	27,554
Net investment return (loss)	320,621	943,667	-	943,667	1,264,288	(536,091)
Refunded research awards	-	-	-	-	-	61,750
Other income	36,569	-	-	-	36,569	915
	<u>498,057</u>	<u>943,667</u>	<u>-</u>	<u>943,667</u>	<u>1,441,724</u>	<u>(255,545)</u>
Net assets released from restrictions:						
Appropriation	-	(219,753)	219,753	-	-	-
Purpose restrictions	422,146	-	(422,146)	(422,146)	-	-
	<u>3,030,500</u>	<u>723,914</u>	<u>(174,762)</u>	<u>549,152</u>	<u>3,579,652</u>	<u>1,792,036</u>
Expenses:						
Program services:						
Community and patient services	539,490	-	-	-	539,490	320,047
Research	636,901	-	-	-	636,901	521,629
Awareness and advocacy	356,965	-	-	-	356,965	543,703
National Conference	189,274	-	-	-	189,274	134,356
	<u>1,722,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,722,630</u>	<u>1,519,735</u>
Supporting services:						
Management and general	336,136	-	-	-	336,136	233,028
Fundraising	319,175	-	-	-	319,175	346,012
	<u>655,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>655,311</u>	<u>579,040</u>
Total expenses	<u>2,377,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,377,941</u>	<u>2,098,775</u>
Change in net assets	652,559	723,914	(174,762)	549,152	1,201,711	(306,739)
Net assets, beginning of year	<u>2,360,048</u>	<u>4,185,183</u>	<u>793,698</u>	<u>4,978,881</u>	<u>7,338,929</u>	<u>7,645,668</u>
Net assets, end of year	<u>\$ 3,012,607</u>	<u>4,909,097</u>	<u>618,936</u>	<u>5,528,033</u>	<u>8,540,640</u>	<u>7,338,929</u>

The accompanying notes are an integral part of the financial stat

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash provided by (applied to) operating activities:		
Change in net assets	\$ 1,201,711	(306,739)
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Depreciation and amortization expense	21,679	29,348
Investment (return) loss	(1,264,288)	537,456
Changes in:		
Accounts receivable	76,500	55,000
Unconditional promises to give	(2,450)	(7,550)
Bequest receivable	43,822	(23,425)
Prepaid expenses	4,057	(26,073)
Accounts payable	3,883	104,006
Accrued expenses	(61,863)	81,312
Deferred revenue	(28,760)	29,760
Research grant awards payable	250,813	(157,854)
	<u>245,104</u>	<u>315,241</u>
 Cash provided by (applied to) investing activities:		
Purchase of investments	(1,200,000)	-
Capital expenditures	-	(19,900)
	<u>(1,200,000)</u>	<u>(19,900)</u>
 Net cash provided by (applied to) investing activities		
	<u>(1,200,000)</u>	<u>(19,900)</u>
 Net increase (decrease) in cash and cash equivalents	(954,896)	295,341
 Cash and cash equivalents, beginning of year	<u>1,474,480</u>	<u>1,179,139</u>
 Cash and cash equivalents, end of year	<u>\$ 519,584</u>	<u>1,474,480</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, 2019
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2018)**

	PROGRAM SERVICES	MANAGEMENT GENERAL	FUNDRAISING	2019 TOTAL	2018 TOTAL
Research grant and project funding	\$ 422,146	-	-	422,146	55,000
MG Patient Registry contracted services	87,802	-	-	87,802	325,976
Compensation	73,645	-	34,448	108,093	24,842
Contracted management services	480,619	214,147	59,638	754,404	604,956
Contracted communications services	17,871	-	-	17,871	9,793
National Conference	187,546	326	-	187,872	131,663
Other conferences and meetings	14,357	13,373	-	27,730	42,997
Support groups and community programs	48,284	3,539	-	51,823	10,455
Publication and printing	101,884	7,496	52,892	162,272	138,248
Postage and delivery	4,984	3,741	-	8,725	17,667
Professional services	-	13,150	-	13,150	13,057
Insurance	-	18,618	-	18,618	15,942
MG Walk contracted services	95,200	-	44,800	140,000	339,999
MG Walk materials and supplies	118,799	-	100,633	219,432	212,270
Travel	23,968	13,615	7,918	45,501	43,208
Subscriptions and memberships	1,900	3,625	3,601	9,126	12,090
Office supplies	8,819	1,262	1,038	11,119	2,904
Telephone	2,337	541	266	3,144	4,480
Database fees and subscriptions	5,056	99	9,134	14,289	14,660
Credit card processing and bank fees	-	27,065	-	27,065	30,577
Registrations and licenses	-	12,600	2,000	14,600	12,285
Website fees	6,807	600	280	7,687	3,101
Depreciation and amortization	19,414	276	1,987	21,677	29,348
Other	1,192	2,063	540	3,795	3,257
	<u>\$ 1,722,630</u>	<u>336,136</u>	<u>319,175</u>	<u>2,377,941</u>	<u>2,098,776</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

Change in Accounting Principle

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Foundation has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounting for as contribution or exchange transactions and determined whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from research contracts and conference registrations are recognized when the services are provided.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and reported in the statements of activities as net assets released from restrictions.

Accounting 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) are excluded from this definition.

Investments

Investment purchases are reported at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct investment expenses.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for research services. The Foundation determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. Based on this evaluation, management determined that an allowance for doubtful accounts was not necessary at December 31, 2019 and 2018.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

Unconditional Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the assets. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and review of subsequent collections. Promises to give are written off when deemed uncollectable. Based on this evaluation, management determined that an allowance for doubtful accounts was not necessary at December 31, 2019 and 2018.

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 \$21,402 and \$29,069 for the years ended December 31, 2019 and 2018, 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 \$277 and \$279 for the years ended December 31, 2019 and 2018, respectively.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Donated Services

A substantial number of volunteers have donated services to the Foundation's program services and fundraising 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.

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

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. MG Walk materials and contracted services which are allocated on the basis of ratio of MG patient and family participation in relation to participation by donors. Publication, printing and website costs is allocated on the basis of content. Salaries and wages, payroll taxes, contract management services, and travel are allocated on the basis of estimates of time and effort.

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

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2018, from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated through April 4, 2020, the date that the financial statements were available for issue.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	295,733
Accounts receivable		5,000
Unconditional promises to give		10,000
Bequest receivable		4,603
Investments		<u>3,154,165</u>
	\$	<u>3,469,501</u>
Less: Minimum operating reserve		<u>1,188,971</u>
Available for general expenditure	\$	<u>2,280,530</u>

The Organization's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure.

In order to ensure that adequate financial resources are available each year to provide funding for vital programs and services, the Board of Directors created a policy which requires the Foundation maintain net assets without donor restrictions of at least 50% but not more than 200% of the past year's actual operating expenses.

As part of its liquidity management plan, the Foundation invests cash in excess of requirements in an actively managed investment portfolio.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 4 - ENDOWMENT

The Foundation's endowment consists of two individual funds, both established for the purpose of funding research.

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 retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure 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, 2019:

	<u>Restricted for Research</u>	<u>Original Endowment Gift</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ <u>1,074,650</u>	<u>3,834,447</u>	<u>4,909,097</u>

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 4 - ENDOWMENT, CONTINUED

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>Restricted for Research</u>	<u>Original Endowment Gift</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ <u>350,736</u>	<u>3,834,447</u>	<u>4,185,183</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. There were no deficiencies of this nature at December 31, 2019 and 2018, 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.

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.

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.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 4 - ENDOWMENT, CONTINUED

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.

Changes in Endowment net assets are as follows:

	<u>RESTRICTED FOR RESEARCH</u>	<u>ORIGINAL GIFT</u>	<u>TOTAL</u>
Endowment net assets, January 1, 2018	\$ 1,012,527	3,834,447	4,846,974
Investment return, net	(443,477)	-	(443,477)
Appropriation	(218,314)	-	(218,314)
Endowment net assets, December 31, 2018	<u>350,736</u>	<u>3,834,447</u>	<u>4,185,183</u>
Investment return, net	943,667	-	943,667
Appropriation	(219,753)	-	(219,753)
Endowment net assets, December 31, 2019	\$ <u>1,074,650</u>	<u>3,834,447</u>	<u>4,909,097</u>

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 5 - INVESTMENTS

Investments, reported at market value for the year ending December 31, 2019 and 2018, consists of the following:

		<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$	394,862	286,553
US equities		2,964,325	2,391,064
International equities		2,541,138	2,219,174
Fixed income		2,606,021	1,480,558
Other		<u>370,313</u>	<u>35,022</u>
	\$	<u><u>8,876,659</u></u>	<u><u>6,412,371</u></u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018 are restricted for the following purposes:

		<u>2019</u>	<u>2018</u>
Nurses Grant Fund	\$	6,659	6,659
Patient services		20,020	20,020
Research funding		422,272	647,034
Continuing medical education		41,979	41,979
Dr. John Newsom-Davis Fund		13,278	13,278
Professional manuals		14,728	14,728
International conference		100,000	50,000
Endowment – original gift		3,834,447	3,834,447
Endowment - research		<u>1,074,650</u>	<u>350,736</u>
	\$	<u><u>5,528,033</u></u>	<u><u>4,978,881</u></u>

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.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 8 - CONCENTRATION RISKS

At December 31, 2019, cash and investments on deposit at one financial institution totaled \$8,876,659, 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 2016, 2017 and 2018 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, 2019 and 2018.

NOTE 10 - JOINT COST OF ACTIVITIES THAT INCLUDE A FUNDRAISING 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 fundraising appeal. Costs of \$467,082 and \$552,269 were incurred for the MG Walk for the years ended December 31, 2019 and 2018, respectively. MG Walk materials and contracted services are allocated on the basis of ratio of MG patient and family participation in relation to participation by donors.

The following is the allocation of these costs:

	<u>2019</u>	<u>2018</u>
Program costs	\$ 287,201	352,625
Fundraising	<u>179,881</u>	<u>199,644</u>
	<u>\$ 467,082</u>	<u>552,269</u>

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

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: <ul style="list-style-type: none">• 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. |

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, 2019 and 2018.

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 11 - FAIR VALUE MEASUREMENTS, CONTINUED

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, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments	\$ <u>8,876,659</u>	<u>-</u>	<u>-</u>	<u>8,876,659</u>
Total assets at fair value	\$ <u>8,876,659</u>	<u>-</u>	<u>-</u>	<u>8,876,659</u>

	Asset at Fair Value as of December 31, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments	\$ <u>6,412,371</u>	<u>-</u>	<u>-</u>	<u>6,412,371</u>
Total assets at fair value	\$ <u>6,412,371</u>	<u>-</u>	<u>-</u>	<u>6,412,371</u>

For the years ended December 31, 2019 and 2018, there were no transfers between Levels 1 and 2 and no transfers in or out of Level 3.

NOTE 12 - RECLASSIFICATIONS

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

NOTE 13 - RELATED PARTY TRANSACTIONS

During 2019, two members of the Board of Directors were primary researchers for grants awarded by the Foundation totaling \$71,800.

Supplemental Information

MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.

SUPPLEMENTAL STATEMENT OF PROGRAM EXPENSES

YEAR ENDED DECEMBER 31, 2019

	COMMUNITY AND PATIENT SERVICES	RESEARCH	AWARENESS AND ADVOCACY	NATIONAL CONFERENCE	TOTAL PROGRAM SERVICES
Research grant and project funding	\$ -	422,146	-	-	422,146
MG Patient Registry contracted services	-	87,802	-	-	87,802
Compensation	37,044	-	36,601	-	73,645
Contracted management services	280,681	76,646	123,292	-	480,619
Contracted communications services	-	-	17,871	-	17,871
National Conference	-	-	-	187,546	187,546
Other conferences and meetings	-	14,357	-	-	14,357
Support groups and community programs	22,638	13,652	11,402	592	48,284
Publication and printing	49,288	7,502	43,958	1,136	101,884
Postage and delivery	2,499	994	1,491	-	4,984
MG Walk contracted services	47,600	-	47,600	-	95,200
MG Walk materials and supplies	53,063	-	65,736	-	118,799
Travel	19,237	1,134	3,597	-	23,968
Subscriptions and memberships	1,400	500	-	-	1,900
Office supplies	5,188	2,075	1,556	-	8,819
Telephone	1,404	533	400	-	2,337
Database fees and subscriptions	4,074	982	-	-	5,056
Website fees	1,119	5,268	420	-	6,807
Depreciation and amortization	13,203	3,230	2,981	-	19,414
Other	1,052	80	60	-	1,192
	<u>\$ 539,490</u>	<u>636,901</u>	<u>356,965</u>	<u>189,274</u>	<u>1,722,630</u>

See Independent Auditors' Report on Supplementary Information.