

**THE ASSOCIATION FOR FRONTOTEMPORAL
DEGENERATION**

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014



Certified Public Accountants and Business Consultants

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

TABLE OF CONTENTS

YEARS ENDED JUNE 30, 2015 AND 2014

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses (2015)	4
Statement of Functional Expenses (2014)	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditors' Report

To the Board of Directors
The Association for Frontotemporal Degeneration
Radnor, Pennsylvania

We have audited the accompanying financial statements of The Association for Frontotemporal Degeneration (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended.

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 audits. We conducted our audits 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 from 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 Association for Frontotemporal Degeneration as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



West Chester, Pennsylvania
September 10, 2015

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted cash of \$578,223 (2015) and \$1,097,876 (2014)	\$ 2,684,291	\$ 1,782,603
Certificate of deposit (0.08%, due April 16, 2015)	-	600,099
Accounts receivable	7,120	-
Contributions receivable	225,000	100,000
Prepaid expenses	<u>6,262</u>	<u>14,339</u>
TOTAL CURRENT ASSETS	2,922,673	2,497,041
INVESTMENT IN LIMITED LIABILITY COMPANY	95,412	-
EQUIPMENT, net of accumulated depreciation of \$15,090 (2015) and \$10,163 (2014)	15,049	9,743
SECURITY DEPOSIT	<u>6,289</u>	<u>6,289</u>
TOTAL ASSETS	<u>\$ 3,039,423</u>	<u>\$ 2,513,073</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 17,925	\$ 14,557
Research grants payable	<u>300,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>317,925</u>	<u>14,557</u>
NET ASSETS		
Unrestricted	1,918,275	1,300,640
Temporarily restricted	<u>803,223</u>	<u>1,197,876</u>
TOTAL NET ASSETS	<u>2,721,498</u>	<u>2,498,516</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,039,423</u>	<u>\$ 2,513,073</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
Revenue and support		
Contributions	\$ 1,474,786	\$ 1,140,578
Special events	-	62,855
Investment and other income	25,410	3,427
Net assets released from restriction	1,082,258	481,109
TOTAL REVENUE AND SUPPORT	<u>2,582,454</u>	<u>1,687,969</u>
Expenses		
Program services	1,609,437	1,099,955
Management and general	111,274	88,883
Fund-raising	239,520	184,175
TOTAL EXPENSES	<u>1,960,231</u>	<u>1,373,013</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>622,223</u>	<u>314,956</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	687,605	1,487,044
Net assets released from restrictions	<u>(1,082,258)</u>	<u>(481,109)</u>
	<u>(394,653)</u>	<u>1,005,935</u>
CHANGE IN NET ASSETS BEFORE EQUITY		
NET INCOME OF AFFILIATES	227,570	1,320,891
UNDISTRIBUTED LOSS FROM INVESTMENT IN LIMITED LIABILITY COMPANY	<u>(4,588)</u>	<u>-</u>
CHANGE IN NET ASSETS	222,982	1,320,891
NET ASSETS AT BEGINNING OF YEAR	<u>2,498,516</u>	<u>1,177,625</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,721,498</u>	<u>\$ 2,498,516</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Salaries and wages	\$ 512,035	\$ 46,704	\$ 125,256	\$ 683,995
Payroll taxes	45,817	3,715	12,383	61,915
Employee benefits	33,132	2,686	8,955	44,773
Supplies	9,871	2,056	3,747	15,674
Printing and copying	28,085	622	8,996	37,703
Postage	12,562	1,329	5,775	19,666
Professional fees	52,001	19,670	24,489	96,160
Travel	17,404	1,025	1,267	19,696
Conferences and meetings	99,133	4,240	1,401	104,774
Grants	695,261	-	-	695,261
Insurance	4,730	1,014	1,013	6,757
Miscellaneous	7,637	1,627	6,602	15,866
Bank charges	-	38	13,534	13,572
Rent	48,225	10,334	10,334	68,893
Telephone	13,438	2,880	2,880	19,198
Depreciation	-	4,928	-	4,928
Office expenses	8,745	3,829	8,311	20,885
Website	21,361	4,577	4,577	30,515
	<u>21,361</u>	<u>4,577</u>	<u>4,577</u>	<u>30,515</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,609,437</u>	<u>\$ 111,274</u>	<u>\$ 239,520</u>	<u>\$ 1,960,231</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Salaries and wages	\$ 468,935	\$ 37,580	\$ 95,619	\$ 602,134
Payroll taxes	40,904	2,946	10,175	54,025
Employee benefits	26,894	2,074	6,479	35,447
Supplies	7,006	1,109	2,188	10,303
Printing and copying	49,929	317	9,037	59,283
Postage	10,030	1,021	4,818	15,869
Professional fees	55,898	20,359	29,557	105,814
Travel	16,281	153	343	16,777
Conferences and meetings	125,106	4,787	4,018	133,911
Grants	218,348	-	-	218,348
Insurance	3,873	830	830	5,533
Miscellaneous	3,682	823	285	4,790
Bank charges	-	175	9,488	9,663
Rent	36,314	7,781	7,781	51,876
Telephone	9,864	2,110	2,110	14,084
Depreciation	-	3,855	-	3,855
Office expenses	6,477	2,323	1,447	10,247
Website	20,414	640	-	21,054
	<u>20,414</u>	<u>640</u>	<u>-</u>	<u>21,054</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,099,955</u>	<u>\$ 88,883</u>	<u>\$ 184,175</u>	<u>\$ 1,373,013</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 222,982	\$ 1,320,891
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,928	3,855
Undistributed loss from investment in limited liability company	4,588	-
(Increase) decrease in		
Accounts receivable	(7,120)	-
Contributions receivable	(125,000)	(100,000)
Prepaid expenses	8,077	7,693
Security deposit	-	(2,134)
Increase (decrease) in		
Accounts payable and accrued expenses	3,368	8,812
Research grants payable	300,000	(55,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>411,823</u>	<u>1,184,117</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of certificate of deposit	600,099	-
Purchase of investment in limited liability company	(100,000)	-
Purchase of certificate of deposit	-	(600,099)
Purchase of fixed assets	(10,234)	(1,265)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>489,865</u>	<u>(601,364)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	901,688	582,753
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,782,603</u>	<u>1,199,850</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,684,291</u>	<u>\$ 1,782,603</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE A - ORGANIZATION

The Association for Frontotemporal Degeneration (the "Organization") was incorporated under the laws of the Commonwealth of Pennsylvania in November 2002 as a nonprofit corporation. The Organization is a nationwide organization whose mission is to promote and fund research into finding the cause and cure for frontotemporal degeneration (FTD); to provide information, education and support to persons diagnosed with FTD and their families and caregivers; and to educate physicians and allied health professionals about FTD. The Organization's major source of support is contributions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization did not have any permanently restricted net assets for the years ending June 30, 2015 and 2014.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and equivalents approximates fair value because of the short maturities of those financial instruments.

Investment in Limited Liability Company

The Organization owns a partnership interest in a limited liability company (LLC). The investment in the LLC is accounted for on the equity method, and the Organization's allocable share of income or loss is reported in the accompanying Statements of Activities.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Equipment is stated at cost or, if donated, at the approximate value at the date of donation. Depreciation of equipment is provided utilizing the straight-line method over the estimated useful life. Depreciation expense for the years ended June 30, 2015 and 2014, was \$4,928 and \$3,855, respectively.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions are reported as temporarily restricted support and are reclassified upon expiration of the restriction.

During the year ended June 30, 2014, the Organization began a Named Fund program. Donors contributing a minimum of \$25,000 can establish a named fund for the term of one year, renewable on an annual basis with additional contributions.

Donations of marketable securities received by the Organization are recorded at fair market value at the time of the donation and sold as soon as possible.

Unconditional promises to give are included in the financial statements as contributions receivable and revenue for the appropriate net asset category and are recorded after discounting to the present value of the expected future cash flows. The Organization does not record conditional pledges until conditions have been met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through September 10, 2015, the date which the financial statements were available to be issued.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE C - INCOME TAXES

The Organization has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, files federal tax Form 990 (Return of Organization Exempt From Income Tax) annually.

The Organization believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal tax returns filed are subject to examination by the IRS, generally for three years after the tax returns were filed.

NOTE D - INVESTMENT IN LIMITED LIABILITY COMPANY

In March of 2015, the Organization invested \$100,000 in exchange for a 50% interest in the FTD Disorders Registry, LLC (the LLC). The investment is accounted for under the equity method because the Organization exercises significant influence over the LLC's operating and financial activities. The Organization's investment in the LLC was recorded based on initial cost, and is adjusted annually for the Organization's proportionate share of the LLC's earnings or losses.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
FTD Drug Discovery Project	\$ -	9,070
Research, other	557,608	\$ 1,068,191
Families with Children	6,129	6,129
FTD Treatment Study Group	14,486	14,486
Time restricted	<u>225,000</u>	<u>100,000</u>
	<u>\$ 803,223</u>	<u>\$ 1,197,876</u>

Temporarily restricted net assets released from restriction totaled \$1,082,258 and \$481,109 for the years ended June 30, 2015 and 2014, respectively. Net assets released from restriction relate to collections on contributions receivable and the satisfaction of time and purpose restrictions on funds as specified by donors.

NOTE F - LEASE AGREEMENT

The Organization leases office space in a corporate center through August 2017. Total rental expense for the years ended June 30, 2015 and 2014, was \$68,893 and \$51,876, respectively. During the year ended June 30, 2014, the Organization leased additional office space.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE F - LEASE AGREEMENT (Continued)

Future minimum lease payments are as follows:

Year Ending June 30,	
2016	\$ 77,484
2017	77,484
2018	<u>12,914</u>
	<u>\$ 167,882</u>

NOTE G - FUND-RAISING EXPENSES

Total fund-raising expenses for the year ended June 30, 2015, were \$239,520, representing 11.1% of total support revenue. Total fund-raising expenses for the year ended June 30, 2014, were \$184,175, representing 7.1% of total support revenue. The ratio of expenses to amounts raised is computed using actual expenses and related support on an accrual basis.

NOTE H - CONCENTRATIONS

During the year ended June 30, 2015, contributions from one contributor were \$225,000, representing 10.4% of total support. Contributions from one donor in the year ended June 30, 2014, were \$1,170,880, representing 45.2% of total support.

NOTE I - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a valuation hierarchy for disclosure of the inputs to the valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. *Level 2* inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. *Level 3* inputs are unobservable inputs based on assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE I - FAIR VALUE MEASUREMENTS (Continued)

Investments in shares of corporate equities have quoted prices for identical assets in active markets; therefore, the investments are measured at fair value using these readily available Level 1 inputs.

Donations of marketable securities are recorded as contributions (\$70,135 and \$1,163,550 for the years ended June 30, 2015 and 2014, respectively) on the date of donation at their fair values, which are based on quoted market prices (Level 1 inputs).

NOTE J - CONTINGENT GRANT AWARDS

The Organization awards respite grants to reimburse caregivers for expenses incurred in acquiring respite. These grants are contingent upon the caregiver requesting reimbursement for eligible costs incurred and providing the Organization with proper documentation. The grants expire six months after the award date. At June 30, 2015, there was \$8,934 of unexpired grants awarded; for which the Organization has not received any reimbursement requests.

NOTE K - SIMPLE IRA PLAN

Effective January 1, 2012, the Organization began a SIMPLE IRA Plan available to all employees earning at least \$5,000 per year. Eligible employees are able to contribute 3% of their total compensation up to a maximum of \$12,000 for calendar years 2015 and 2014. The Organization must match 3% in at least three out of every five consecutive years. For the years ended June 30, 2015 and 2014, the employer match was \$15,473 and \$14,077, respectively.

NOTE L - RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2015 and 2014, Board members directly provided \$212,067 and \$76,229 in contributions to the Organization, respectively. Contributions of \$200,000 received in the year ended June 30, 2014, and contributions receivable of \$100,000 as of June 30, 2014, were from the same Foundation to which a Board member is related.

As noted in Note D, the Organization has an investment in the limited liability company FTD Disorders Registry, LLC. The Organization has a contract with the LLC to provide the day-to-day oversight and operations for the LLC. During the year ended June 30, 2015, the Organization billed the LLC \$7,120 for services rendered, which is included in accounts receivable at June 30, 2015.