

**THE ASSOCIATION FOR FRONTOTEMPORAL
DEGENERATION**

FINANCIAL STATEMENTS

*Six Months Ended June 30, 2012 and
Year Ended December 31, 2011*

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of The Association for Frontotemporal Degeneration (a nonprofit organization) as of June 30, 2012 and December 31, 2011, and the related statements of activities, functional expenses and cash flows for the six months ended June 30, 2012 and the year ended December 31, 2011. These financial statements are the responsibility of The Association for Frontotemporal Degeneration's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Association for Frontotemporal Degeneration as of June 30, 2012 and December 31, 2011, and the changes in its net assets and its cash flows for the six-month period ended June 30, 2012 and the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Maillie Falconiero + Company LLP

West Chester, Pennsylvania
September 21, 2012

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and December 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted cash of \$156,739 (2012) and \$92,716 (2011)	\$ 1,173,122	\$ 1,218,504
Prepaid expenses	<u>4,658</u>	<u>4,963</u>
TOTAL CURRENT ASSETS	1,177,780	1,223,467
EQUIPMENT, net of accumulated depreciation of \$2,972 (2012) and \$1,981 (2011)	8,526	6,874
SECURITY DEPOSIT	<u>4,155</u>	<u>2,072</u>
TOTAL ASSETS	<u>\$ 1,190,461</u>	<u>\$ 1,232,413</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 22,089	\$ 7,168
Research and caregiver grants payable	<u>60,000</u>	<u>95,081</u>
TOTAL CURRENT LIABILITIES	<u>82,089</u>	<u>102,249</u>
NET ASSETS		
Unrestricted	951,633	1,037,448
Temporarily restricted	<u>156,739</u>	<u>92,716</u>
TOTAL NET ASSETS	<u>1,108,372</u>	<u>1,130,164</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,190,461</u>	<u>\$ 1,232,413</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF ACTIVITIES

Six Months Ended June 30, 2012 and

Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
Revenue and support		
Contributions	\$ 318,156	\$ 761,633
Investment and other income	5,850	15,689
Net assets released from restriction	71,972	327,876
TOTAL REVENUE AND SUPPORT	<u>395,978</u>	<u>1,105,198</u>
Expenses		
Program services	378,197	783,359
Management and general	32,118	60,001
Fund-raising	71,478	113,512
TOTAL EXPENSES	<u>481,793</u>	<u>956,872</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 <u>(85,815)</u>	 <u>148,326</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	135,995	257,708
Net assets released from restrictions	(71,972)	(327,876)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>64,023</u>	 <u>(70,168)</u>
 CHANGE IN NET ASSETS	 <u>(21,792)</u>	 <u>78,158</u>
 NET ASSETS AT BEGINNING OF PERIOD	 <u>1,130,164</u>	 <u>1,052,006</u>
 NET ASSETS AT END OF PERIOD	 <u>\$ 1,108,372</u>	 <u>\$ 1,130,164</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF FUNCTIONAL EXPENSES

Six Months Ended June 30, 2012 and

Year Ended December 31, 2011

	2012				2011			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES								
Salaries and wages	\$ 169,796	\$ 11,060	\$ 41,560	\$ 222,416	\$ 250,809	\$ 21,809	\$ 66,755	\$ 339,373
Payroll taxes	16,079	826	3,933	20,838	20,926	861	5,186	26,973
Supplies	3,140	479	479	4,098	4,132	1,904	835	6,871
Printing and copying	15,932	-	1,267	17,199	33,923	1,095	6,447	41,465
Postage	3,838	534	893	5,265	7,694	1,259	3,890	12,843
Professional fees	25,998	6,576	13,072	45,646	15,005	15,938	14,464	45,407
Travel	1,858	12	-	1,870	4,399	57	-	4,456
Conferences and meetings	86,447	139	-	86,586	68,323	-	89	68,412
Grants	26,014	-	-	26,014	328,846	-	-	328,846
Insurance	1,676	358	358	2,392	2,314	1,526	496	4,336
Miscellaneous	1,680	784	218	2,682	2,362	1,277	369	4,008
Bank charges	43	57	3,505	3,605	-	104	5,626	5,730
Rent	8,882	1,904	1,904	12,690	17,586	3,768	3,768	25,122
Telephone	4,127	740	740	5,607	7,210	1,643	1,192	10,045
Depreciation	-	992	-	992	-	1,487	-	1,487
Office expenses	285	4,540	432	5,257	855	2,665	126	3,646
Website	12,402	3,117	3,117	18,636	18,975	4,608	4,269	27,852
TOTAL FUNCTIONAL EXPENSES	\$ 378,197	\$ 32,118	\$ 71,478	\$ 481,793	\$ 783,359	\$ 60,001	\$ 113,512	\$ 956,872

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2012 and

Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (21,792)	\$ 78,158
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	992	1,487
(Increase) decrease in		
Prepaid expenses	305	(3,675)
Security deposit	(2,083)	-
Increase (decrease) in		
Accounts payable and accrued expenses	14,921	3,645
Research and caregiver grants payable	(35,081)	43,726
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(42,738)</u>	<u>123,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(2,644)</u>	<u>(5,322)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(45,382)</u>	<u>118,019</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,218,504</u>	<u>1,100,485</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,173,122</u>	<u>\$ 1,218,504</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and December 31, 2011

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.

In February 2011, the Organization legally changed its name from The Association of Frontotemporal Dementias to The Association for Frontotemporal Degeneration.

Effective June 30, 2012, the Organization has elected to change its fiscal year-end to June 30.

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.

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.

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 six months ended June 30, 2012, was \$992. Depreciation expense for the year ended December 31, 2011, was \$1,487.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and December 31, 2011

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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements 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 21, 2012, the date which the financial statements were available to be issued.

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 after June 30, 2009, are subject to examination by the IRS, generally for three years after the tax returns were filed.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and December 31, 2011

NOTE D TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
FTD Drug Discovery Project	\$ 38,122	\$ 10,423
Research, other	104,898	72,753
Caregiver Respite	-	4,540
Families with Children	2,459	5,000
FTD Treatment Study Group	<u>11,260</u>	<u>-</u>
	<u>\$ 156,739</u>	<u>\$ 92,716</u>

NOTE E LEASE AGREEMENT

The Organization leases office space in a corporate center through August 2014. Total rental expense for the six months ended June 30, 2012 and the year ended December 31, 2011, was \$12,690 and \$25,122, respectively.

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2013	\$ 50,868
2014	<u>51,866</u>
	<u>\$ 102,734</u>

NOTE F FUND-RAISING EXPENSES

Total fund-raising expenses for the six months ended June 30, 2012 and the year ended December 31, 2011, were \$71,478 and \$113,512, respectively, representing 15.7% and 11.1% of total support revenue. The ratio of expenses to amounts raised is computed using actual expenses and related support on an accrual basis.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and December 31, 2011

NOTE G CONCENTRATIONS

From time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization deposits its cash with creditworthy institutions and has not experienced any losses on such amounts and believes it is not exposed to any significant credit risk on cash.

During the six months ended June 30, 2012, contributions from one contributor were \$50,000, representing 11.0% of total support.

During the year ended December 31, 2011, contributions from one contributor were \$226,525, representing 22.2% of total support.

NOTE H 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.

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 (\$684 for the six months ended June 30, 2012, and \$296,283 for the year ended December 31, 2011) on the date of donation at their fair values, which are based on quoted market prices (Level 1 inputs).

NOTE I 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, 2012, there was \$18,862 of unexpired grants awarded; however, the Organization has not received any reimbursement requests.