

**THE ASSOCIATION FOR FRONTOTEMPORAL
DEGENERATION**

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015



Certified Public Accountants and Business Consultants

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

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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, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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.

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, 2016 and 2015, 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 20, 2016

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted cash of \$371,539 (2016) and \$578,223 (2015)	\$ 2,614,470	\$ 2,684,291
Accounts receivable	21,036	7,120
Contributions receivable	5,750,000	225,000
Prepaid expenses	<u>60,868</u>	<u>6,262</u>
TOTAL CURRENT ASSETS	8,446,374	2,922,673
INVESTMENT IN LIMITED LIABILITY COMPANY	279,578	95,412
EQUIPMENT, net of accumulated depreciation of \$21,651 (2016) and \$15,090 (2015)	20,176	15,049
SECURITY DEPOSIT	<u>6,289</u>	<u>6,289</u>
TOTAL ASSETS	<u>\$ 8,752,417</u>	<u>\$ 3,039,423</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 9,468	\$ 17,925
Deferred revenues	300,000	-
Research grants payable	<u>125,000</u>	<u>300,000</u>
TOTAL CURRENT LIABILITIES	<u>434,468</u>	<u>317,925</u>
NET ASSETS		
Unrestricted	2,196,410	1,918,276
Temporarily restricted	<u>6,121,539</u>	<u>803,222</u>
TOTAL NET ASSETS	<u>8,317,949</u>	<u>2,721,498</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,752,417</u>	<u>\$ 3,039,423</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Revenue and support		
Contributions	\$ 1,217,149	\$ 1,474,786
Investment and other income	126,163	25,410
Net assets released from restriction	<u>1,521,905</u>	<u>1,082,258</u>
TOTAL REVENUE AND SUPPORT	<u>2,865,217</u>	<u>2,582,454</u>
Expenses		
Program services	2,214,663	1,609,437
Management and general	170,394	111,274
Fund-raising	<u>286,192</u>	<u>239,520</u>
TOTAL EXPENSES	<u>2,671,249</u>	<u>1,960,231</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>193,968</u>	<u>622,223</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	6,840,222	687,605
Net assets released from restrictions	<u>(1,521,905)</u>	<u>(1,082,258)</u>
	<u>5,318,317</u>	<u>(394,653)</u>
CHANGE IN NET ASSETS BEFORE EQUITY NET INCOME OF AFFILIATES	5,512,285	227,570
UNDISTRIBUTED INCOME (LOSS) FROM INVESTMENT IN LIMITED LIABILITY COMPANY	<u>84,166</u>	<u>(4,588)</u>
CHANGE IN NET ASSETS	5,596,451	222,982
NET ASSETS AT BEGINNING OF YEAR	<u>2,721,498</u>	<u>2,498,516</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,317,949</u>	<u>\$ 2,721,498</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Salaries and wages	\$ 754,908	\$ 73,766	\$ 160,746	\$ 989,420
Payroll taxes	69,652	5,435	14,207	89,294
Employee benefits	59,098	4,863	12,667	76,628
Supplies	10,601	1,655	1,808	14,064
Printing and copying	49,205	361	10,862	60,428
Postage	14,389	1,457	7,467	23,313
Professional fees	39,085	45,126	19,378	103,589
Travel	32,097	239	1,815	34,151
Conferences and meetings	157,845	6,870	3,696	168,411
Grants	897,107	-	-	897,107
Advertising	4,800	-	-	4,800
Insurance	4,423	948	948	6,319
Miscellaneous	6,133	653	12,229	19,015
Bank charges	45	36	12,133	12,214
Rent	54,239	11,623	11,622	77,484
Telephone	12,193	2,612	2,613	17,418
Depreciation	-	6,561	-	6,561
Office expenses	14,813	8,189	14,001	37,003
Website	34,030	-	-	34,030
	<u>\$ 2,214,663</u>	<u>\$ 170,394</u>	<u>\$ 286,192</u>	<u>\$ 2,671,249</u>
TOTAL FUNCTIONAL EXPENSES				

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,596,451	\$ 222,982
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,561	4,928
Undistributed income (loss) from investment in limited liability company	(84,166)	4,588
(Increase) decrease in		
Accounts receivable	(13,916)	(7,120)
Contributions receivable	(5,525,000)	(125,000)
Prepaid expenses	(54,606)	8,077
Increase (decrease) in		
Accounts payable and accrued expenses	(8,457)	3,368
Deferred revenues	300,000	-
Research grants payable	(175,000)	300,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>41,867</u>	<u>411,823</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of certificate of deposit	-	600,099
Purchase of investment in limited liability company	(100,000)	(100,000)
Purchase of fixed assets	(11,688)	(10,234)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(111,688)</u>	<u>489,865</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(69,821)	901,688
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,684,291</u>	<u>1,782,603</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,614,470</u>	<u>\$ 2,684,291</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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, 2016 and 2015.

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.

Prepaid Expenses/Deferred Revenues

Prepaid expenses and deferred revenues represent expenditures and deposits related to fund-raising events conducted in the subsequent year and are included in the unrestricted net asset class in the accompanying statements of financial position.

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, 2016 and 2015, was \$6,561 and \$4,928, respectively.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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 20, 2016, the date which the financial statements were available to be issued.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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.

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 Organization invested an additional \$100,000 in April 2016. 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>2016</u>	<u>2015</u>
Biomarkers management fund	\$ 99,783	\$ -
Research, other	269,419	557,608
Families with Children	2,337	6,129
FTD Treatment Study Group	-	14,486
Time restricted	<u>5,750,000</u>	<u>225,000</u>
	<u>\$ 6,121,539</u>	<u>\$ 803,223</u>

Temporarily restricted net assets released from restriction totaled \$1,521,905 and \$1,082,258 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, was \$77,484 and \$68,893, respectively.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE F - LEASE AGREEMENT (Continued)

Future minimum lease payments are as follows:

Year Ending June 30,	
2017	\$ 77,484
2018	<u>12,914</u>
	<u>\$ 90,398</u>

NOTE G - FUND-RAISING EXPENSES

Total fund-raising expenses for the year ended June 30, 2016, were \$286,192, representing 3.5% of total support revenue. Total fund-raising expenses for the year ended June 30, 2015, were \$239,520, representing 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.

NOTE H - CONCENTRATIONS

During the year ended June 30, 2016, contributions from one contributor were \$6,261,000, representing 81.4% of total support. Contributions from one donor in the year ended June 30, 2015, were \$225,000, representing 10.4% 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, 2016 AND 2015

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 (\$89,324 and \$70,135 for the years ended June 30, 2016 and 2015, 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, 2016, there was \$13,660 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, 2016 and 2015, the employer match was \$20,660 and \$15,473, respectively.

NOTE L - RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2016 and 2015, Board members directly provided \$211,470 and \$212,067 in contributions to the Organization, respectively.

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, 2016 and 2015, the Organization billed the LLC \$110,795 and \$7,120, respectively, for services rendered. As of June 30, 2016 and 2015, accounts receivable from the LLC were \$21,036 and \$7,120, respectively.