

**THE ASSOCIATION FOR FRONTOTEMPORAL
DEGENERATION**

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016



Certified Public Accountants and Business Consultants

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

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YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 29, 2017

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted cash of \$684,117 (2017) and \$371,539 (2016)	\$ 4,785,312	\$ 2,614,470
Accounts receivable	9,320	21,036
Contributions receivable	3,055,000	5,750,000
Prepaid expenses	<u>81,369</u>	<u>60,868</u>
TOTAL CURRENT ASSETS	7,931,001	8,446,374
INVESTMENT IN LIMITED LIABILITY COMPANY	300,591	279,578
EQUIPMENT, net of accumulated depreciation of \$28,789 (2017) and \$21,651 (2016)	19,526	20,176
SECURITY DEPOSIT	<u>8,672</u>	<u>6,289</u>
TOTAL ASSETS	<u>\$ 8,259,790</u>	<u>\$ 8,752,417</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 38,848	\$ 9,468
Deferred revenues	123,000	300,000
Research grants payable	<u>1,141,227</u>	<u>125,000</u>
TOTAL CURRENT LIABILITIES	<u>1,303,075</u>	<u>434,468</u>
NET ASSETS		
Unrestricted		
Undesignated	1,653,609	1,041,410
Board designated for reserves	1,416,489	1,155,000
Total unrestricted	<u>3,070,098</u>	<u>2,196,410</u>
Temporarily restricted	<u>3,886,617</u>	<u>6,121,539</u>
TOTAL NET ASSETS	<u>6,956,715</u>	<u>8,317,949</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,259,790</u>	<u>\$ 8,752,417</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
UNRESTRICTED NET ASSETS						
Revenue and support						
Contributions	\$ 1,260,604	\$ 1,116,961	\$ 2,377,565	\$ 1,217,149	\$ 6,840,222	\$ 8,057,371
Investment and other income	157,074	-	157,074	126,163	-	126,163
Special events	1,877,077	16,200	1,893,277	-	-	-
Special events expense	(292,935)	-	(292,935)	-	-	-
Net assets released from restriction	3,368,083	(3,368,083)	-	1,521,905	(1,521,905)	-
TOTAL REVENUE AND SUPPORT	6,369,903	(2,234,922)	4,134,981	2,865,217	5,318,317	8,183,534
Expenses						
Program services	4,882,990	-	4,882,990	2,214,663	-	2,214,663
Management and general	235,719	-	235,719	170,394	-	170,394
Fund-raising	348,519	-	348,519	286,192	-	286,192
TOTAL EXPENSES	5,467,228	-	5,467,228	2,671,249	-	2,671,249
CHANGE IN NET ASSETS BEFORE EQUITY NET INCOME OF AFFILIATES	902,675	(2,234,922)	(1,332,247)	193,968	5,318,317	5,512,285
UNDISTRIBUTED INCOME (LOSS) FROM INVESTMENT IN LIMITED LIABILITY COMPANY	(28,987)	-	(28,987)	84,166	-	84,166
CHANGE IN NET ASSETS	873,688	(2,234,922)	(1,361,234)	278,134	5,318,317	5,596,451
NET ASSETS AT BEGINNING OF YEAR	2,196,410	6,121,539	8,317,949	1,918,276	803,222	2,721,498
NET ASSETS AT END OF YEAR	\$ 3,070,098	\$ 3,886,617	\$ 6,956,715	\$ 2,196,410	\$ 6,121,539	\$ 8,317,949

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Salaries and wages	\$ 928,091	\$ 93,468	\$ 206,019	\$ 1,227,578
Payroll taxes	80,738	5,745	16,062	102,545
Employee benefits	81,980	6,255	17,325	105,560
Supplies	10,572	2,365	3,316	16,253
Printing and copying	41,445	423	15,379	57,247
Postage	20,044	1,467	7,481	28,992
Professional fees	211,105	48,914	10,299	270,318
Travel	43,948	710	5,768	50,426
Conferences and meetings	194,099	26,921	133	221,153
Grants	3,126,788	-	-	3,126,788
Insurance	6,967	1,493	1,493	9,953
Miscellaneous	6,027	7,114	6,368	19,509
Bank charges	1	87	20,052	20,140
Rent	62,579	13,410	13,410	89,399
Telephone	13,412	2,872	2,872	19,156
Depreciation	-	7,137	-	7,137
Office expenses	16,637	9,076	14,280	39,993
Website	38,557	8,262	8,262	55,081
TOTAL FUNCTIONAL EXPENSES	\$ 4,882,990	\$ 235,719	\$ 348,519	\$ 5,467,228

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> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNCTIONAL EXPENSES	\$ <u>2,214,663</u>	\$ <u>170,394</u>	\$ <u>286,192</u>	\$ <u>2,671,249</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,361,234)	\$ 5,596,451
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,137	6,561
Undistributed income (loss) from investment in limited liability company	28,987	(84,166)
(Increase) decrease in		
Accounts receivable	11,716	(13,916)
Contributions receivable	2,695,000	(5,525,000)
Prepaid expenses	(20,501)	(54,606)
Security deposit	(2,383)	-
Increase (decrease) in		
Accounts payable and accrued expenses	29,380	(8,457)
Deferred revenues	(177,000)	300,000
Research grants payable	1,016,227	(175,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,227,329</u>	<u>41,867</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment in limited liability company	(50,000)	(100,000)
Purchase of fixed assets	(6,487)	(11,688)
NET CASH USED BY INVESTING ACTIVITIES	<u>(56,487)</u>	<u>(111,688)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,170,842	(69,821)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,614,470</u>	<u>2,684,291</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,785,312</u>	<u>\$ 2,614,470</u>

See accompanying notes.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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.

Frontotemporal degeneration (FTD) is the most common cause of dementia for people under age 60 in the United States. Despite that fact, today, FTD is still far too little known and poorly understood. Currently incurable and without approved treatments, FTD has profound effects on the lives of all it touches. It strikes at the heart of how individuals express themselves and relate to others: bringing a gradual, progressive decline in behavior, language and/or movement.

In response, the Organization dedicates itself to bringing help for individuals and families affected, and hope for a future in which this disease is effectively understood, diagnosed, treated, cured and ultimately prevented.

With a community of volunteers, donors, advocates and professionals, the Organization works every date to advance: FTD research, awareness, support for those directly impacted and education for health professionals, while advocating for appropriate, affordable services.

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, 2017 and 2016.

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.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016, was \$7,137 and \$6,561, respectively.

Board Designated Reserves

In May of 2010 the Board voted to create an operating reserve fund. The reserve balance is reviewed and updated annually. Total board designated reserve balances as of June 30, 2017 and 2016 were \$1,416,489 and \$1,155,000, respectively.

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.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 29, 2017, 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.

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). For the years ended June 30, 2017 and 2016 the Organization invested an additional \$50,000 and \$100,000, respectively. 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.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Biomarkers management fund	\$ 91,500	\$ 99,783
Research, Biomarkers	500,861	-
Research, other	266,919	269,419
Families with Children	2,337	2,337
Time restricted	<u>3,025,000</u>	<u>5,750,000</u>
	<u>\$ 3,886,617</u>	<u>\$ 6,121,539</u>

Temporarily restricted net assets released from restriction totaled \$3,368,083 and \$1,521,905 for the years ended June 30, 2017 and 2016, respectively. Net assets released from restriction relate to the satisfaction of time and purpose restrictions on funds as specified by donors.

NOTE F - LEASE AGREEMENT

The Organization leased office space in a corporate center through August 2017. During the year ended June 30, 2017, the Organization leased additional office space, and the lease agreement was revised to include all space, through August 2018. Total rental expense for the years ended June 30, 2017 and 2016, was \$89,399 and \$77,484, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 108,120
2019	<u>18,020</u>
	<u>\$ 126,140</u>

NOTE G - FUND-RAISING EXPENSES

Total fund-raising expenses for the year ended June 30, 2017, were \$348,519, representing 8.2% of total support revenue. Total fund-raising expenses for the year ended June 30, 2016, were \$286,192, representing 3.5% 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, 2017 and 2016

NOTE H - CONCENTRATIONS

During the year ended June 30, 2017, contributions from one contributor were \$500,000, representing 11.7% of total support. Contributions from one donor in the year ended June 30, 2016, were \$6,261,000, representing 81.4% 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.

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 (\$51,258 and \$89,324 for the years ended June 30, 2017 and 2016, 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, 2017, there was \$13,134 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 up to 100% of their total compensation or \$12,500 for calendar years 2017 and 2016, or \$15,500 if over age 50. The Organization must match 3% in at least three out of every five consecutive years. For the years ended June 30, 2017 and 2016, the employer match was \$29,856 and \$20,660, respectively.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE L - RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2017 and 2016, Board members directly provided \$195,385 and \$211,470 in contributions to the Organization, respectively.

Also, a Board member had a direct relation to a substantial contributor for the years ended June 30, 2017 and 2016. Donations from this contributor for the years ended June 30, 2017 and 2016 were \$500,000 and \$6,261,000, respectively. Contributions receivable from this contributor were \$2,950,000 and \$5,600,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the Organization billed the LLC \$139,332 and \$110,795, respectively, for services rendered. As of June 30, 2017 and 2016, accounts receivable from the LLC were \$9,302 and \$21,036, respectively. In addition to the capital contributions made to the LLC, the Organization provided a \$100,000 grant to the LLC during the year ended June 30, 2017.

NOTE M - RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.