



SPINA BIFIDA ASSOCIATION OF AMERICA

Financial Statements

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)



**and
Report Thereon**





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Spina Bifida Association of America

Report on the Financial Statements

We have audited the accompanying financial statements of the Spina Bifida Association of America (the Association), which comprise the statement of financial position as of December 31, 2015, 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 the Association as of December 31, 2015, 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 Association's 2014 financial statements, and our report dated September 1, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
May 31, 2016

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF FINANCIAL POSITION

December 31, 2015

(With Summarized Financial Information as of December 31, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 114,070	\$ 230,798
Grants and contributions receivable, net	326,843	337,903
Investments	324,346	620,943
Prepaid expenses	107,176	75,722
Inventory	15,567	34,735
Property and equipment, net	<u>147,640</u>	<u>168,847</u>
TOTAL ASSETS	<u><u>\$ 1,035,642</u></u>	<u><u>\$ 1,468,948</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 45,907	\$ 29,102
Accrued expenses	24,144	28,902
Deferred revenue	10,288	34,082
Deferred rent	<u>189,441</u>	<u>172,844</u>
TOTAL LIABILITIES	<u>269,780</u>	<u>264,930</u>
Net Assets		
Unrestricted	199,530	602,686
Temporarily restricted	506,332	541,332
Permanently restricted	<u>60,000</u>	<u>60,000</u>
TOTAL NET ASSETS	<u>765,862</u>	<u>1,204,018</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,035,642</u></u>	<u><u>\$ 1,468,948</u></u>

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

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
REVENUE AND SUPPORT					
Direct Public Support:					
Grants	\$ 710,179	\$ -	\$ -	\$ 710,179	\$ 618,362
Contributions	413,677	5,000	-	418,677	393,037
Special events	315,429	-	-	315,429	362,528
Donated services	32,298	-	-	32,298	18,367
Indirect Public Support:					
Federated fundraising organizations	83,055	-	-	83,055	73,627
Total Public Support	1,554,638	5,000	-	1,559,638	1,465,921
Other Revenue:					
Conference and meetings	113,073	-	-	113,073	293,056
Sales of materials and services	3,267	-	-	3,267	10,434
Other	1,769	-	-	1,769	5,598
Investment income (loss)	(1,437)	-	-	(1,437)	18,240
Total Other Revenue	116,672	-	-	116,672	327,328
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	40,000	(40,000)	-	-	-
TOTAL REVENUE AND SUPPORT	1,711,310	(35,000)	-	1,676,310	1,793,249
EXPENSES					
Program Services:					
Research	682,235	-	-	682,235	624,889
Education	343,606	-	-	343,606	572,596
Member services/chapter development	133,318	-	-	133,318	94,804
Information and referral	103,757	-	-	103,757	74,265
Government relations	19,697	-	-	19,697	3,430
Total Program Services	1,282,613	-	-	1,282,613	1,369,984
Supporting Services:					
Management and general	400,036	-	-	400,036	335,172
Fundraising	431,817	-	-	431,817	236,148
Total Supporting Services	831,853	-	-	831,853	571,320
TOTAL EXPENSES	2,114,466	-	-	2,114,466	1,941,304
CHANGE IN NET ASSETS	(403,156)	(35,000)	-	(438,156)	(148,055)
NET ASSETS, BEGINNING OF YEAR	602,686	541,332	60,000	1,204,018	1,352,073
NET ASSETS, END OF YEAR	\$ 199,530	\$ 506,332	\$ 60,000	\$ 765,862	\$ 1,204,018

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

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Program Services					Supporting Services			2015 Total	2014 Total
	Research	Education	Member Services/ Chapter Development	Information and Referral	Government Relations	Total Program Services	Management and General	Fundraising		
Salaries and fringe benefits	\$ 427,289	\$ 133,027	\$ 54,828	\$ 35,563	\$ 4,932	\$ 655,639	\$ 187,483	\$ 168,548	\$ 1,011,670	\$ 867,922
Consultant fees	64,186	126,399	11,377	10,540	230	212,732	23,420	49,457	285,609	237,370
Bad debt expense	-	-	-	-	-	-	109,000	-	109,000	20,000
Travel costs	49,355	10,427	8,635	1,096	2,527	72,040	7,245	9,505	88,790	90,444
Rent	-	17,221	28,287	12,924	-	58,432	17,260	5,388	81,080	95,560
Office	(2,086)	11,907	290	40	-	10,151	27,498	40,245	77,894	85,423
Legal and accounting fees	18,174	9,686	4,026	3,124	590	35,600	12,624	11,635	59,859	32,875
Equipment rental and maintenance	-	8,571	1,484	1,111	-	11,166	25,185	16,010	52,361	41,172
Printing	-	7,662	1,099	3,417	-	12,178	3,189	31,056	46,423	22,551
Grants	-	-	1,500	-	-	1,500	-	43,000	44,500	2,400
Scholarships	40,000	49	-	-	-	40,049	508	1,536	42,093	61,759
Postage	10	1,169	897	9,613	-	11,689	5,576	23,074	40,339	22,660
Conference and meetings	3,746	5,175	12,785	328	795	22,829	11,470	5,633	39,932	242,159
Supplies	481	4,513	2,995	1,397	-	9,386	7,464	13,117	29,967	32,916
Depreciation and amortization	-	-	-	-	-	-	27,701	-	27,701	22,223
Telephone	1,776	5,662	5,115	2,694	23	15,270	8,467	3,120	26,857	30,110
Publications and materials	-	-	-	21,464	-	21,464	-	245	21,709	-
Filing registration	125	602	-	200	600	1,527	3,731	6,334	11,592	20,738
Website hosting	-	711	-	246	10,000	10,957	-	-	10,957	360
Entertainment	-	-	-	-	-	-	-	3,914	3,914	4,459
Miscellaneous	-	825	-	-	-	825	660	-	1,485	8,125
Taxes	-	-	-	-	-	-	734	-	734	78
Indirect cost allocation – grants	79,179	-	-	-	-	79,179	(79,179)	-	-	-
TOTAL EXPENSES	\$ 682,235	\$ 343,606	\$ 133,318	\$ 103,757	\$ 19,697	\$ 1,282,613	\$ 400,036	\$ 431,817	\$ 2,114,466	\$ 1,941,304

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

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (438,156)	\$ (148,055)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	27,701	22,223
Provision for doubtful accounts	109,000	20,000
Net realized and unrealized losses on investments	12,838	7,838
Changes in assets and liabilities:		
Grants and contributions receivable	(97,940)	(86,704)
Prepaid expenses	(31,454)	(12,006)
Inventory	19,168	(7,409)
Accounts payable	16,805	3,309
Accrued expenses	(4,758)	(17,586)
Deferred revenue	(23,794)	28,779
Deferred rent	16,597	168,900
	<u>(393,993)</u>	<u>(20,711)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,014,259	200,000
Purchases of investments	(730,500)	(28,998)
Purchases of property and equipment	(6,494)	(168,858)
	<u>277,265</u>	<u>2,144</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(116,728)</u>	<u>(18,567)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>230,798</u>	<u>249,365</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 114,070</u>	<u>\$ 230,798</u>

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

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

The Spina Bifida Association of America (the Association) provides information related to spina bifida, including progress in the areas of medicine, education, legislation and financial support; helps to fund research into the causes, effects and treatment of spina bifida; and encourages the training of professionals involved in treatment.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 205, *Presentation of Financial Statements*.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, unless they are held as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered.

Grants and Contributions Receivable

Grants and contributions receivable are stated at fair value. All grants and contributions receivable are expected to be collected in less than one year. The Association uses the allowance method to record potentially uncollectible receivables.

Investments

Investments consist of corporate bonds, equity mutual funds, fixed-income mutual funds, growth and income stocks, and money market funds. These investments are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received upon the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices are used to value marketable equities and fixed-income securities. Investment gains and losses are based on the appreciation or depreciation of the fair value of investments held at the end of the year and those that are disposed of during the year. Interest and dividend income are recorded as earned.

Fair Value Measurement

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Association has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2015, the Association's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of FASB ASC Topic *Fair Value Measurement*.

Inventory

Inventory consists of books, pamphlets and videos, which are recorded at the lower of cost or market value using the first-in, first-out method.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost. Donated furniture and equipment are recorded at fair value at the date of donation. Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of five to seven years. Computer software is amortized over an estimated useful life of three to five years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the life of the lease. The Association follows the practice of capitalizing all expenditures that are more than \$500 for property and equipment. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalized. At the time the assets are retired or otherwise disposed of, the property and related accumulated depreciation and amortization are relieved of the applicable amounts, and any gain or loss is credited or charged to revenue and support or expenses in the accompanying statement of activities.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Association's net assets are reported as follows:

- Unrestricted net assets represent unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the Association's operations.
- Temporarily restricted net assets represent revenue and contributions subject to donor-imposed stipulations that will be met by the Association's actions and/or the passage of time.
- Permanently restricted net assets represent funds restricted by the donor to be maintained by the Association in perpetuity.

Revenue Recognition

Grants and contributions, including in-kind materials and services, are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted revenue and support. Amounts received that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the period in which the revenue is recognized. Conditional promises to give are not included as revenue and support until such time as the conditions are substantially met. Unconditional promises to give and conditional promises to give for which the inability to meet the conditions is remote are recognized as revenue in the year promised and, if uncollected, are reflected as grants and contributions receivable in the accompanying statement of financial position. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Federal grants treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants for which billings have not been presented to, or collected from, the awarding agency are included in grants and contributions receivable in the accompanying statement of financial position. Amounts received in advance of the performance of services are recorded as deferred revenue on the accompanying statement of financial position.

Conference and meetings revenue is recognized in the period in which the activities are held. Accordingly, sponsorships and related fees received in advance of the related conference or meetings are reflected as deferred revenue in the accompanying statement of financial position.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Donated Services

The value of contributions that enhance a nonfinancial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. Donated services are recognized as revenue and support and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt. Donated services consist of contributed professional services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. The Association allocates indirect costs to nongovernment programs based on the percentage of direct costs related to each program and supporting service. Indirect costs reimbursed by the federal government have been calculated using the lower of actual or the award-specific indirect cost rate and are included in indirect cost allocation – grants on the statement of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Grants and Contributions Receivable

At December 31, 2015, grants and contributions receivable were comprised of the following:

Federal grants	\$ 217,122
Foundation grants	129,000
Other contributions receivable	<u>109,721</u>
Total Grants and Contributions Receivable	455,843
Less: Allowance for Doubtful Accounts	<u>(129,000)</u>
Total Grants and Contributions Receivable, Net	<u>\$ 326,843</u>

All amounts are due within one year.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

3. Investments and Fair Value Measurement

Investments, at fair value, consisted of the following as of December 31, 2015:

Corporate bonds	\$ 121,451
Equity mutual funds	78,685
Money market funds	63,716
Fixed-income mutual funds	46,802
Growth and income stocks	<u>13,692</u>
Total Investments	<u>\$ 324,346</u>

Investment income (loss) is summarized as follows for the year ended December 31, 2015:

Interest and dividends	\$ 11,401
Realized gains on investments	13,937
Unrealized losses on investments	<u>(26,775)</u>
Total Investment Income (Loss)	<u>\$ (1,437)</u>

The following table summarizes the Association's financial assets measured at fair value on a recurring basis as of December 31, 2015:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Corporate bonds	\$ <u>121,451</u>	\$ <u>-</u>	\$ <u>121,451</u>	\$ <u>-</u>
Equity mutual funds:				
Moderate allocation	54,182	54,182	-	-
Tactical allocation	9,407	9,407	-	-
Mid cap growth	9,395	9,395	-	-
Growth and income	<u>5,701</u>	<u>5,701</u>	<u>-</u>	<u>-</u>
Total Equity Mutual Funds	<u>78,685</u>	<u>78,685</u>	<u>-</u>	<u>-</u>
Money market funds	<u>63,716</u>	<u>63,716</u>	<u>-</u>	<u>-</u>
Fixed-income mutual funds:				
Short-term bond fund	36,157	36,157	-	-
Intermediate bond fund	<u>10,645</u>	<u>10,645</u>	<u>-</u>	<u>-</u>
Total Fixed-income Mutual Funds	<u>46,802</u>	<u>46,802</u>	<u>-</u>	<u>-</u>
Growth and income stocks	<u>13,692</u>	<u>13,692</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 324,346</u>	<u>\$ 202,895</u>	<u>\$ 121,451</u>	<u>\$ -</u>

Continued

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

3. Investment and Fair Value Measurement (continued)

The Association used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Equity and fixed-income mutual funds, money market funds and growth and income stocks – Value based on quoted market prices that are available in an active market.

Corporate bonds – Value based on observable market information, rather than market quotes.

4. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of December 31, 2015:

Leasehold Improvements	\$ 132,484
Equipment	48,135
Computer software	30,144
Furniture	<u>28,501</u>
Total Property and Equipment	239,264
Less: Accumulated Depreciation and Amortization	<u>(91,624)</u>
Property and Equipment, Net	<u>\$ 147,640</u>

Depreciation and amortization expense totaled \$27,701 for the year ended December 31, 2015.

5. Commitments and Risks

Operating Lease

In February 2014, the Association entered into a noncancelable operating lease for office space in Arlington, Virginia. The lease commenced on May 15, 2014, and expires in 2025. The lease requires a monthly base rent of \$5,201 with annual increases of 2.75% and a ten-month rental abatement. Under GAAP, all fixed rent increases are recognized on a straight-line basis over the term of the lease. In addition, the Association is obligated to pay its share of real estate tax and operating expense of the building.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

5. Commitments and Risks (continued)

Operating Lease (continued)

As of December 31, 2015, the future minimum lease payments required under this lease are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2016	\$ 65,595
2017	67,399
2018	69,252
2019	71,157
2020	73,113
Thereafter	<u>326,763</u>
Total Minimum Future Lease Obligations	<u>\$ 673,279</u>

Rent expense totaled \$81,080 for the year ended December 31, 2015.

Employment Agreement

The Association signed an employment agreement with its Executive Director on December 5, 2015. Under the terms of the agreement, if the Association terminates the agreement for reasons other than cause, the Executive Director is entitled to receive severance pay in the amount of three months current salary plus insurance, fringe and other benefits, and payment for unused earned vacation and sick/personal days accrued as of the date of termination.

6. Temporarily Restricted Net Assets

The Association's temporarily restricted net assets were available for the following programs or purposes as of December 31, 2015:

Education	\$ 309,886
Research	<u>196,446</u>
Total Temporarily Restricted Net Assets	<u>\$ 506,332</u>

7. Endowment Funds

The Association has certain donor-restricted endowment funds, whereby the principal is to be invested in perpetuity and the investment earnings are to be restricted for the purpose of funding an annual scholarship award to an eligible individual with spina bifida and funding spina bifida research.

Continued

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

7. Endowment Funds (continued)

Interpretation of Relevant Law

The Association's Board of Directors has interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (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 fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Association and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The Association's other resources; and
- The Association's investment policies.

The Association's endowment net asset composition by fund type was as follows as of December 31, 2015.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ <u>(138)</u>	\$ <u>-</u>	\$ <u>60,000</u>	\$ <u>59,862</u>

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

7. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

For the year ended December 31, 2015, the Association's endowment had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (27)	\$ -	\$ 60,000	\$ 59,973
Investment return (loss):				
Investment income	-	880	-	880
Net depreciation (realized and unrealized)	(111)	(880)	-	(991)
Total Investment Return (Loss)	(111)	-	-	(111)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment Net Assets, End of Year	\$ (138)	\$ -	\$ 60,000	\$ 59,862

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA:

Sabadie Family Endowed Fund	\$ 50,000
Carolyn Elizabeth Gilbert Endowed Fund	10,000
Total Endowment Funds Classified as Permanently Restricted Net Assets	\$ 60,000

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There was a deficiency of \$138 as of December 31, 2015.

SPINA BIFIDA ASSOCIATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

7. Endowment Funds (continued)

Return Objectives and Strategies Employed for Achieving Objectives

The Association has adopted an investment policy and a spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested in a manner that is intended to achieve a balanced return of current income for program support and modest capital appreciation.

Spending Policy

The Board of Directors authorizes spending of up to a maximum of 4% of the cumulative investment earnings generated by the donor-restricted endowment funds for the Sabadie Family Endowed Fund and Carolyn Elizabeth Gilbert Endowed Fund. Earnings are spent based on the purposes designated by the donors (i.e., funding an annual scholarship award to an eligible individual with spina bifida and the duration and preservation of the funds). There was no spending from these funds in 2015.

8. Donated Services

The Association received pro bono legal and consulting services during the year ended December 31, 2015. These services are recorded in the financial statements if the services create or enhance long-lived assets or require specialized skills which are provided by individuals possessing these skills and would typically need to be purchased if not donated. The services, which are included in donated services, are recorded at fair value in the amount of \$32,298 in the accompanying statement of activities.

9. Income Taxes

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under IRC Section 509(a)(1). As such, the Association is taxed only on its net unrelated business income. No provision for income taxes has been made in the accompanying financial statements for the year ended December 31, 2015, as there was no net unrelated business income.

The Association follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Association performed an evaluation of its uncertain tax positions for the year ended December 31, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of

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9. Income Taxes (continued)

December 31, 2015, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Association files tax returns. It is the Association's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2015, the Association had no accrual for interest and/or penalties.

10. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2014, from which the summarized financial information was derived.

11. Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 financial statement presentation.

12. Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 31, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.