

# MUELLER & CO., LLP

*Certified Public Accountants ~ Business Advisors*

## **NATIONAL HEADQUARTERS OF MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

### **AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

Beth A. Ulbrich

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## CONTENTS

	<u>PAGE</u>
<b>Basic Financial Statements</b>	
Independent Auditors' Report .....	1-2
Statements of Financial Position .....	3
Statement of Activities.....	4
Statements of Cash Flows .....	5
Statement of Functional Expenses .....	6
Notes to Financial Statements .....	7-20
<b>Supplementary Information</b>	
Independent Auditors' Report.....	21
Supplemental Statement of Financial Position by Fund.....	22
Supplemental Statement of Program Expenses .....	23



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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
National Headquarters of Myasthenia Gravis  
Foundation of America, Inc.  
New York, NY

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the National Headquarters of Myasthenia Gravis Foundation of America, Inc., which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, cash flows, and functional expenses 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.

### **Auditors' 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 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 National Headquarters of Myasthenia Gravis Foundation of America, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Prior Year Financial Information

We have previously audited Myasthenia Gravis Foundation of America's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2013. In our opinion, the comparative information presented herein as of the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Muller & Co., LLP*

Elgin, Illinois  
April 15, 2014

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2013**

**ASSETS**

	2013	2012
<b>Assets:</b>		
Cash and cash equivalents	\$ 291,084	340,767
Investments	6,342,491	5,241,032
Accrued interest receivable	-	221
Assessments receivable from affiliated chapters	18,545	35,956
Unconditional promises to give	127,390	-
Other receivables	-	35,727
Capitalized software costs, net of amortization of \$95,028 in 2013 and \$34,586 in 2012	102,862	63,304
Prepaid expenses	61,531	55,115
	\$ 6,943,903	5,772,122

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>		
Accounts payable	\$ 155,689	48,078
Research grant awards payable	180,000	62,500
	335,689	110,578
<b>Net assets:</b>		
Unrestricted	1,414,514	1,022,872
Temporarily restricted	1,359,253	804,225
Permanently restricted	3,834,447	3,834,447
	6,608,214	5,661,544
	\$ 6,943,903	5,772,122

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

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2013  
WITH COMPARATIVE TOTALS FOR 2012**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2013 TOTAL ALL FUNDS	2012 TOTAL ALL FUNDS
<b>Public Support and Revenue:</b>					
Public support:					
Individuals	\$ 221,178	-	-	221,178	176,867
Corporations	29,557	2,460	-	32,017	28,259
Foundations	56,903	-	-	56,903	7,433
Legacies	139,151	106,520	-	245,671	704,167
Chapters	73,891	18,775	-	92,666	5,051
Public agencies	49,129	-	-	49,129	47,464
MG Walk	708,902	-	-	708,902	553,754
In-kind contributions	6,222	-	-	6,222	-
	<u>1,284,933</u>	<u>127,755</u>	<u>-</u>	<u>1,412,688</u>	<u>1,522,995</u>
Revenue:					
Chapter assessments	61,011	-	-	61,011	71,587
Fundraising events, net of direct benefits to donor of \$21,094 in 2012	-	-	-	-	8,111
Merchandise sales	1,898	-	-	1,898	2,243
Meeting and convention fees	36,781	-	-	36,781	25,650
Other	-	-	-	-	155
Investment income	137,067	711,645	-	848,712	558,728
	<u>236,757</u>	<u>711,645</u>	<u>-</u>	<u>948,402</u>	<u>666,474</u>
Net assets released from restrictions - Purpose restrictions satisfied by payments	284,372	(284,372)	-	-	-
	<u>1,806,062</u>	<u>555,028</u>	<u>-</u>	<u>2,361,090</u>	<u>2,189,469</u>
<b>Expenses:</b>					
Program expenses:					
Chapter and patient services	340,818	-	-	340,818	316,094
Annual conference	97,610	-	-	97,610	77,240
Public information	340,634	-	-	340,634	321,744
Medical and nurse advisory boards	11,479	-	-	11,479	9,881
Research	228,716	-	-	228,716	412,413
	<u>1,019,257</u>	<u>-</u>	<u>-</u>	<u>1,019,257</u>	<u>1,137,372</u>
Supporting services:					
Management and general	138,458	-	-	138,458	150,829
Fund raising	256,705	-	-	256,705	211,157
	<u>395,163</u>	<u>-</u>	<u>-</u>	<u>395,163</u>	<u>361,986</u>
Total expenses	<u>1,414,420</u>	<u>-</u>	<u>-</u>	<u>1,414,420</u>	<u>1,499,358</u>
Change in net assets	391,642	555,028	-	946,670	690,111
Net assets, beginning of year	1,022,872	804,225	3,834,447	5,661,544	4,971,433
Net assets, end of year	\$ <u>1,414,514</u>	<u>1,359,253</u>	<u>3,834,447</u>	<u>6,608,214</u>	<u>5,661,544</u>

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

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>Cash provided by (applied to) operating activities:</b>		
Change in net assets	\$ 946,670	690,111
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Amortization expense	60,442	22,630
Unrealized net market gains	(660,571)	(453,994)
Realized market gains	(94,704)	(19,788)
Investment income	(157,640)	(135,488)
Investment management fees	64,203	50,542
Changes in:		
Accrued interest receivable	221	3,018
Assessments receivable from affiliated chapters	17,411	(8,691)
Other receivables	35,727	(35,727)
Prepaid expenses	(6,416)	(15,735)
Accounts payable	107,611	(36,012)
Unconditional promise to give	(127,390)	(2,600)
Research grant awards payable	117,500	(116,278)
	303,064	(58,012)
<b>Cash provided by (applied to) investing activities:</b>		
Purchases of investments	(252,747)	-
Sales of investments	-	74,034
Software development costs	(100,000)	(30,000)
	(352,747)	44,034
Net decrease in cash and cash equivalents	(49,683)	(13,978)
Cash and cash equivalents, beginning of year	340,767	354,745
Cash and cash equivalents, end of year	\$ 291,084	340,767

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

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2013  
WITH COMPARATIVE TOTALS FOR 2012**

	PROGRAM SERVICES	MANAGEMENT	FUND RAISING	2013 TOTAL	2012 TOTAL
Research grant funding	\$ 150,000	-	-	150,000	317,586
Research project funding	22,500	-	-	22,500	-
Management fees	252,638	41,275	68,193	362,106	349,790
Annual conference site expenses	46,343	-	-	46,343	48,710
International Symposium site expenses	-	-	-	-	59,817
Other conferences expenses	1,132	-	-	1,132	-
Printing and copying	71,469	7,669	1,583	80,721	108,542
Postage and shipping	42,921	1,754	15,842	60,517	34,867
Audit and accounting	-	21,956	-	21,956	24,224
Legal	-	6,222	-	6,222	-
Insurance	11,505	2,876	-	14,381	13,188
Supplies	1,458	-	-	1,458	2,800
Professional services	184,722	-	92,361	277,083	249,742
MG Walk materials and supplies	101,300	-	50,650	151,950	120,630
Contributions to affiliates	59,066	-	-	59,066	43,015
Travel	4,348	26,856	1,912	33,116	28,755
Subscriptions and memberships	-	-	11,790	11,790	10,695
Office supplies	108	2,144	-	2,252	3,008
Telephone	2,989	1,283	-	4,272	6,291
Credit card processing fees	-	23,982	-	23,982	17,722
Registrations and licenses	-	-	5,050	5,050	5,552
Website fees	6,316	2,441	-	8,757	6,454
Grant writer	-	-	9,324	9,324	16,100
Amortization	60,442	-	-	60,442	22,630
Other	-	-	-	-	9,240
	<u>\$ 1,019,257</u>	<u>138,458</u>	<u>256,705</u>	<u>1,414,420</u>	<u>1,499,358</u>

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



**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The National Headquarters of the Myasthenia Gravis Foundation of America, Inc., (Foundation), is the national headquarters of a not-for-profit foundation whose purpose is to find a cure for Myasthenia Gravis and related disorders of the neuromuscular junction, and to improve the lives of all people affected, through programs of medical research, patient care, patient services, professional education, and public information.

Financial Statement Presentation

The statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 statement of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Financial Statement 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 the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash or cash equivalents held in the long-term investment portfolio (until suitable investments are identified) is excluded from cash and cash equivalents.

Investments

Investments are measured at fair value, determined as described in Note 10, in the statement of financial position. Investment income or loss (including gains and losses on investments and interest) is included in the statement of activities as increases or decreases in unrestricted net assets unless restricted by the donor.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted in writing by the donor.

Chapter Affiliates

These financial statements only report on the financial activities of the Foundation and do not include any of the chapter affiliates of the Foundation.

Assessments Receivable

The Foundation carries its assessments receivable at the outstanding principal balance adjusted for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Foundation's historical bad debt experience, the aging of the receivable and based on management's judgment. Accounts deemed uncollectible are charged to the allowance for doubtful accounts. Management has determined that there are no accounts deemed uncollectible at December 31, 2013 and 2012.

Capitalized Software Costs

Costs associated with the development of the website, database and patient registry have been capitalized and are amortized over their estimated lives ranging from three to five years. Amortization expense was \$60,442 and \$22,630 for the years ended December 31, 2013 and 2012, respectively.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Donated Services

A substantial number of volunteers have donated services to the Foundation's program services and fund-raising campaigns during the year; however, only services which require specialized skills as defined by generally accepted accounting principles are reported as contributions. For the year ended December 31, 2013 this consisted of contributed legal services in the amount of \$6,222.

Research Grant Awards Payable

Research grant awards are recorded as a payable and an expense at the time the grant is awarded to specific recipients. The grants are generally of one year duration and paid within two years of approval. Following is a schedule of activity of research grant awards payable and expense:

	<u>RESEARCH GRANT AWARDS PAYABLE</u>	<u>RESEARCH FUNDING EXPENSES</u>
December 31, 2011	\$ 178,778	-
Research funding awarded in 2012	326,026	326,026
Related expenses	-	4,060
Cash disbursements of research funding	( 429,804)	-
Cancellations	( 12,500)	( 12,500)
December 31, 2012	62,500	<u>317,586</u>
Research funding awarded in 2013	150,000	150,000
Cash disbursements of research funding	( 32,500)	-
December 31, 2013	\$ <u>180,000</u>	<u>150,000</u>

Functional Expenses

Direct functional expenses have been classified according to the specifically identified purpose of expenditure. Indirect functional expenses have been allocated between program services and supporting services based on an analysis of personnel time.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Concentration of Credit Risk

The Foundation maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Foundation believes it is not exposed to any significant credit risk on cash.

Subsequent Events

Subsequent events have been evaluated through April 15, 2014, the date that the financial statements were available for issue.

**NOTE 2 - ENDOWMENT**

The Foundation's endowment consists of two individual funds, both established for the purpose of funding research. As required by generally accepted accounting principles, the net assets of both endowment funds are classified and reported as permanently restricted due to the existence of donor-imposed restrictions. There are no board-designated endowment funds.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as adopted by the State of New York as permitting the governing board to determine the appropriate spending of the endowment assets, taking into consideration the eight factors listed below. As a result of this interpretation, the Foundation 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 funds. 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 Foundation in a manner consistent with the donor's stipulations and the standard of prudence prescribed by NYPMIFA.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 2 - ENDOWMENT, CONTINUED**

Interpretation of Relevant Law, continued

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

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) Alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation
- 8) The investment policies of the Foundation

Composition by Type of Fund

Endowment net asset composition by type of fund as of December 31, 2013:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ -	806,009	3,834,447	4,640,456

Endowment net asset composition by type of fund as of December 31, 2012:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ -	294,545	3,834,447	4,128,992

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 2 - ENDOWMENT, CONTINUED**

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the historic dollar value at date of gift. There were no deficiencies of this nature at December 31, 2013 and 2012, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets. Funds will be invested so as to achieve a total return, which shall enhance the value of the portfolio, with emphasis on the preservation of the capital. Concurrently, the asset allocation strategy should allow for a dependable source of funds for any current operational demands, as well as, strive for long term returns that match or exceed inflation.

A. Short-term Investments

The objective of these funds is to provide liquidity for grants, loans, special projects and operational needs. These funds should seek a yield that is competitive with high quality money markets, without losing liquidity. These funds will be invested in securities that will maintain an average maturity of one year or less.

B. Intermediate and Long-term investments

These funds are for the purpose of providing a principal base to provide income and/or growth. The principal shall be managed to maintain and preserve over time the real value of the funds. These funds shall be actively managed with the intention of obtaining the highest possible total return while accepting only prudent risk.

C. Strategies Employed for Achieving Objectives

Diversification of assets will be employed to ensure that adverse results from one security or security class will not have an unduly detrimental effect on the entire portfolio. Diversification is interpreted to include diversification by type, by characteristic, and by number of investments as well as investment style. The following limits have been established for various asset classes:

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 2 - ENDOWMENT, CONTINUED**

Asset Classes	Lower Limit	Upper Limit
Equities	10%	75%
Long Term Fixed Income Investments	0%	50%
Short Term Fixed Income Investments	0%	100%
Cash and Cash Equivalents	10%	100%

Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions from the David Cummings Research Endowment (which represents 99.4% of total endowment funds) are restricted for the purpose of funding research relating to the cause and/or cure of myasthenia gravis. Such distributions are limited on an annual basis to 5% of the average net fair market value. The Board will determine the appropriate level of distributions (not to exceed the 5% stipulated by the donor) which will be consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity.

Schedule of Endowment-Related Activities (All Donor-Restricted)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2011	( 171,890)	-	3,834,447	3,662,557
Investment return:				
Investment income	-	107,649	-	107,649
Investment fees	-	( 43,229)	-	( 43,229)
Realized gains	-	7,167	-	7,167
Unrealized gains	-	394,848	-	394,848
Total investment return	-	466,435	-	466,435
Obligation to replenish corpus	171,890	( 171,890)	-	-
Endowment net assets, December 31, 2012	-	294,545	3,834,447	4,128,992

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 2 - ENDOWMENT, CONTINUED**

Schedule of Endowment-Related Activities (All Donor-Restricted), Continued

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Investment return:				
Investment income	\$ -	105,852	-	105,852
Investment fees	-	( 50,533)	-	( 50,533)
Realized gains	-	87,572	-	87,572
Unrealized gains	-	<u>568,754</u>	-	<u>568,754</u>
Total investment return	-	711,645	-	711,645
Appropriation	-	<u>( 200,181)</u>	-	<u>( 200,181)</u>
Endowment net assets, December 31, 2013	\$ -	<u>806,009</u>	<u>3,834,447</u>	<u>4,640,456</u>

**NOTE 3 - INVESTMENTS**

Investments, reported at market value for the year ending December 31, 2013 and 2012, consist of the following:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 277,999	463,539
US and international equities	4,486,713	3,193,648
Fixed income	816,646	738,185
Balanced	307,625	362,551
Alternative strategy mutual funds	98,478	95,186
Real estate funds	355,030	371,397
Commodity funds	-	<u>16,526</u>
	\$ <u>6,342,491</u>	<u>5,241,032</u>

Investment income for the years ending December 31, 2013 and 2012, consists of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 157,640	135,488
Investment management fees	( 64,203)	( 50,542)
Realized gains on investments	94,704	19,788
Unrealized gains on investments	<u>660,571</u>	<u>453,994</u>
	\$ <u>848,712</u>	<u>558,728</u>



**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 4 - MANAGEMENT CONTRACT**

Effective January 1, 2009, the Board entered into a contract for management services which include general administration of the National Headquarters, financial management, staffing, meeting and events management, patient services, fundraising, chapter services and communication services. The management fee is comprised of a fixed fee of \$220,000 and a variable support services fee based upon actual hours. Either party may request amendments at any time.

Fees for services pursuant to this contract were as follows:

		<u>2013</u>	<u>2012</u>
Management fee	\$	220,000	210,000
Support services		142,106	139,790

**NOTE 5 - TEMPORARILY RESTRICTED FUNDS**

Temporarily restricted funds may represent gifts and bequests, or other receipts that can be used only for specific purposes as determined by the donor. The majority of temporarily restricted proceeds are restricted to support research endeavors. The Research and Grants Committee reviews proposals submitted by researchers and recommend projects to the Board for awarding grants. In addition, restricted funds are provided for the American Academy of Neurology Foundation fellowship and for nurses' fellowships.

The temporarily restricted net assets as of December 31, 2013 and 2012 are restricted for the following purposes:

		<u>2013</u>	<u>2012</u>
Nurses Grant Fund	\$	119	119
Research Funding		370,107	335,131
Continuing Medical Education		36,978	36,905
Dr. John Newsom-Davis Fund		14,552	14,552
Literature		449	449
Professional Manuals		19,631	29,116
Annual Meeting Scholarship		1,150	1,150
International Conference		91,385	91,385
Chapter Video		873	873
Patient Services		18,000	-
Research Funding-Endowment		<u>806,009</u>	<u>294,545</u>
	\$	<u>1,359,253</u>	<u>804,225</u>

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 6 - PERMANENTLY RESTRICTED FUNDS**

Permanently restricted funds represent endowments for which the corpus is held in perpetuity.

The permanently restricted net assets as of December 31, 2013 and 2012 are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
David Cummings Research Endowment	\$ 3,810,166	3,810,166
MGFA Research Endowment	<u>24,281</u>	<u>24,281</u>
	\$ <u>3,834,447</u>	<u>3,834,447</u>

The David Cummings Research Endowment assets may be pooled only with other endowment assets, provided that the Cummings endowment assets are clearly calculable.

**NOTE 7 - CONCENTRATION RISKS**

At December 31, 2013, cash and investments on deposit at one financial institution totaled \$6,342,491, which exceeds FDIC and SIPC insurance limits. This institution has purchased private insurance covering up to \$99.5 million per account, subject to a total maximum aggregate for the institution of \$400 million which becomes available in the event that SIPC limits are exhausted.

Support from a single estate represents 31% of MGFA's total support and revenue for the year ended December 31, 2012. There was no concentration of support and revenue for the year ended December 31, 2013.

**NOTE 8 - RELATED PARTIES**

There are fifteen chapters throughout the United States which are affiliated with the Foundation. As part of the affiliation agreement, they pay an annual assessment to the Foundation. In addition, chapters may provide additional contributions. The Foundation also shares a percentage of funds received from the Community Health Charities campaign and from the annual MG Walk with the chapters in the form of a contribution.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 8 - RELATED PARTIES, CONTINUED**

Transactions between the chapters and the Foundation were as follows:

	<u>2013</u>	<u>2012</u>
Contributions from affiliated chapters	\$ 92,716	5,051
Assessments	61,011	71,587
Contributed to affiliated chapters	59,066	43,015

Amounts due to and from chapters at December 31 were as follows:

	<u>2013</u>	<u>2012</u>
Assessments receivable from chapters	\$ 18,545	35,956
Accounts payable to chapters	24,202	3,321

**NOTE 9 - INCOME TAXES**

The Foundation has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue code as a publicly supported not-for-profit voluntary health agency, and accordingly, no provision has been made for either federal or state income taxes. In addition, the Foundation had been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 501(c)(3) of the code.

The Foundation has adopted accounting principles related to uncertain tax positions and has evaluated its tax positions taken for all open tax years. Currently, the 2010, 2011 and 2012 tax years are open and subject to examination by the Internal Revenue Service; however, the Foundation is not currently under audit nor has the Foundation been contacted by any of these jurisdictions.

Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2013 and 2012.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 10 - FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles regarding Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2            Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 10 - FAIR VALUE MEASUREMENTS, CONTINUED**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used.

Fixed income: Based on the net asset value (NAV) of shares held by the Foundation at year end.

Equity securities: Based on quoted prices of identical assets in active markets.

Global, alternative strategy, real estate and commodity mutual funds: Based on the net asset value (NAV) of shares held by the Foundation at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments reported at fair value as of December 31 are categorized as follows:

	<u>2013</u>	<u>2012</u>
Level 1	\$ 6,342,491	5,142,732
Level 2	-	98,300
Level 3	-	-
	\$ <u>6,342,491</u>	<u>5,241,032</u>

**NOTE 11 - JOINT COST OF ACTIVITIES THAT INCLUDE A FUND RAISING APPEAL**

The Foundation conducts the MG Walk for the purposes of increasing public awareness, providing an opportunity for patients, families and caregivers to share their stories and become actively involved in available programs, and also includes a fund-raising appeal. Costs of \$429,034 and \$370,049 were incurred for the MG Walk for the years ended December 31, 2013 and 2012, respectively. The following is an allocation of these costs:

	<u>2013</u>	<u>2012</u>
Program costs	\$ 277,083	246,699
Fund raising	<u>151,951</u>	<u>123,350</u>
	\$ <u>429,034</u>	<u>370,049</u>

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 11 - JOINT COST OF ACTIVITIES THAT INCLUDE A FUND RAISING APPEAL,  
CONTINUED**

In addition, the Foundation achieves some of its programmatic goals via its website which also includes requests for contributions. The cost of the website in 2013 and 2012 was \$8,757 and \$6,454, respectively, of joint costs that are not directly attributable to program, management and general or fund raising components of the activities. These joint costs were allocated as follows:

	<u>2013</u>	<u>2012</u>
Program costs	\$ 6,316	4,252
Management	<u>2,441</u>	<u>2,202</u>
	\$ <u>8,757</u>	<u>6,454</u>

**NOTE 12 - RECLASSIFICATION**

Certain amounts in the 2012 financial statements have been reclassified to conform with the year 2013 presentation.

**S U P P L E M E N T A R Y   I N F O R M A T I O N**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
National Headquarters of Myasthenia Gravis  
Foundation of America, Inc.  
New York, NY

Our report on our audit of the basic financial statements of the National Headquarters of Myasthenia Gravis Foundation of America, Inc. for the year ended December 31, 2013 appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on such financial statements taken as a whole. The information on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Such information is fairly stated in all material respects in relation to the basic financial statements for the years ended December 31, 2013 taken as a whole.

*Mueller & Co., LLP*

Elgin, Illinois  
April 15, 2014



**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION BY FUND**

**AS OF DECEMBER 31, 2013**

**ASSETS**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2013 ALL FUNDS</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 286,623	4,461	-	291,084
Investments	800,165	931,351	4,610,975	6,342,491
Assessment receivable from affiliated chapters	18,545	-	-	18,545
Unconditional promises to give	108,665	18,725	-	127,390
Capitalized software costs, net of amortization	102,862	-	-	102,862
Prepaid expenses	61,531	-	-	61,531
	<u>1,378,391</u>	<u>954,537</u>	<u>4,610,975</u>	<u>6,943,903</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>				
Accounts payable	133,189	22,500	-	155,689
Research grant awards payable	-	180,000	-	180,000
Interfund payable	(169,312)	(607,216)	776,528	-
	(36,123)	(404,716)	776,528	335,689
<b>Net assets</b>	<u>1,414,514</u>	<u>1,359,253</u>	<u>3,834,447</u>	<u>6,608,214</u>
	<u>\$ 1,378,391</u>	<u>954,537</u>	<u>4,610,975</u>	<u>6,943,903</u>

**NATIONAL HEADQUARTERS OF  
MYASTHENIA GRAVIS FOUNDATION OF AMERICA, INC.**

**SUPPLEMENTAL STATEMENT OF PROGRAM EXPENSES**

**YEAR ENDED DECEMBER 31, 2013**

	CHAPTER AND PATIENT SERVICES	ANNUAL CONFERENCE	PUBLIC INFORMATION	MEDICAL AND NURSE ADVISORY BOARDS	RESEARCH	TOTAL PROGRAM EXPENSES
Research funding	-	-	-	-	150,000	150,000
Research project funding	-	-	-	-	22,500	22,500
Management fees	108,772	41,329	85,189	8,674	8,674	252,638
Annual conference site expenses	-	45,558	-	785	-	46,343
Other conferences	-	-	-	-	1,132	1,132
Printing and copying	2,752	4,299	53,008	1,923	9,487	71,469
Postage and shipping	3,576	2,422	-	-	36,923	42,921
Insurance	11,505	-	-	-	-	11,505
Supplies	-	78	1,380	-	-	1,458
Professional services	92,361	-	92,361	-	-	184,722
MG Walk materials and supplies	50,650	-	50,650	-	-	101,300
Contributions to affiliates	59,066	-	-	-	-	59,066
Travel	-	3,899	352	97	-	4,348
Office supplies	108	-	-	-	-	108
Telephone	2,028	25	936	-	-	2,989
Website fees	-	-	6,316	-	-	6,316
Amortization	10,000	-	50,442	-	-	60,442
	<u>\$ 340,818</u>	<u>97,610</u>	<u>340,634</u>	<u>11,479</u>	<u>228,716</u>	<u>1,019,257</u>