

FINANCIAL STATEMENTS



THE MYOSITIS ASSOCIATION

**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

THE MYOSITIS ASSOCIATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Myositis Association
Washington, D.C.

We have audited the accompanying financial statements of The Myositis Association (TMA), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, 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 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 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 TMA as of December 31, 2018, and the change 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.

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Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from TMA's 2017 financial statements, which were audited by other auditors and, in their report dated August 8, 2018, they expressed an unmodified opinion on those statements.

Gelman Rosenberg & Friedman

November 14, 2019

THE MYOSITIS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 318,217	\$ 103,849
Investments	1,993,338	2,336,125
Grant and accounts receivable, net	444,973	226,472
Prepaid expenses and other	11,979	16,976
Fixed assets, net	51,235	12,824
Security deposit	<u>18,514</u>	<u>11,544</u>
TOTAL ASSETS	\$ <u>2,838,256</u>	\$ <u>2,707,790</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 127,106	\$ 18,011
Deferred revenue	30,000	-
Refundable advance	<u>263,557</u>	<u>38,928</u>
Total liabilities	<u>420,663</u>	<u>56,939</u>

NET ASSETS

Without donor restrictions	1,943,595	2,376,885
With donor restrictions	<u>473,998</u>	<u>273,966</u>
Total net assets	<u>2,417,593</u>	<u>2,650,851</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,838,256</u>	\$ <u>2,707,790</u>

THE MYOSITIS ASSOCIATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 702,323	\$ 601,381	\$ 1,303,704	\$ 1,153,887
Conference and event income	184,335	-	184,335	292,878
Sponsorships	88,450	-	88,450	153,972
Investment income	28,575	-	28,575	227,423
Contributed services and materials	19,603	-	19,603	35,784
Federal grant	-	-	-	16,266
Other revenue	707	-	707	2,489
Net assets released from donor restrictions	<u>280,672</u>	<u>(280,672)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,304,665</u>	<u>320,709</u>	<u>1,625,374</u>	<u>1,882,699</u>
EXPENSES				
Program Services	<u>1,086,006</u>	<u>-</u>	<u>1,086,006</u>	<u>1,413,122</u>
Supporting Services:				
General and Administrative	309,402	-	309,402	147,872
Fundraising	<u>238,595</u>	<u>-</u>	<u>238,595</u>	<u>218,425</u>
Total supporting services	<u>547,997</u>	<u>-</u>	<u>547,997</u>	<u>366,297</u>
Total expenses	<u>1,634,003</u>	<u>-</u>	<u>1,634,003</u>	<u>1,779,419</u>
Change in net assets before other item	(329,338)	320,709	(8,629)	103,280
OTHER ITEM				
Refund of grant funds	<u>(103,952)</u>	<u>(120,677)</u>	<u>(224,629)</u>	<u>-</u>
Change in net assets after other item	(433,290)	200,032	(233,258)	103,280
Net assets at beginning of year	<u>2,376,885</u>	<u>273,966</u>	<u>2,650,851</u>	<u>2,547,571</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,943,595</u>	<u>\$ 473,998</u>	<u>\$ 2,417,593</u>	<u>\$ 2,650,851</u>

THE MYOSITIS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018			
	Program Services			Total
	Communications	Member Services	Grant Funding	Program Services
Salaries and benefits	\$ 162,037	\$ 179,214	\$ 31,788	\$ 373,039
Grants	-	3,375	275,804	279,179
Conference	-	153,234	4,128	157,362
Equipment and supplies	1,537	35,702	4,203	41,442
Professional fees	9,289	26,438	3,200	38,927
Rent	9,523	21,576	15,133	46,232
Printing and publications	25,525	33,963	239	59,727
Travel	-	32,444	8,412	40,856
Dues and subscriptions	1,261	5,304	3,104	9,669
Depreciation and amortization	1,456	3,300	2,314	7,070
Postage and shipping	11,634	8,178	-	19,812
Telecommunications	954	2,503	1,516	4,973
Insurance	486	1,350	772	2,608
Other	-	250	4,860	5,110
TOTAL	\$ 223,702	\$ 506,831	\$ 355,473	\$ 1,086,006

2017				
Supporting Services				
General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$ 169,747	\$ 132,992	\$ 302,739	\$ 675,778	\$ 516,104
-	-	-	279,179	595,685
25	4,098	4,123	161,485	221,036
3,540	46,540	50,080	91,522	86,725
83,276	2,303	85,579	124,506	83,021
20,439	16,511	36,950	83,182	73,913
339	12,422	12,761	72,488	96,287
6,493	4,102	10,595	51,451	32,579
2,707	4,807	7,514	17,183	17,167
3,125	2,525	5,650	12,720	160
5,151	8,043	13,194	33,006	30,109
2,048	1,655	3,703	8,676	6,302
1,043	842	1,885	4,493	4,228
11,469	1,755	13,224	18,334	16,103
\$ 309,402	\$ 238,595	\$ 547,997	\$ 1,634,003	\$ 1,779,419

THE MYOSITIS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (233,258)	\$ 103,280
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	12,720	160
Unrealized loss (gain)	186,019	(98,414)
Realized gain	(164,693)	(84,977)
Change in discount on receivables	(25)	5,078
Gain on disposal	(31)	-
(Increase) decrease in:		
Grant and accounts receivable	(218,476)	(72,165)
Prepaid expenses and other	4,997	(6,831)
Security deposit	(6,970)	4,000
Increase (decrease) in:		
Accounts payable and accrued liabilities	109,095	13,701
Deferred revenue	30,000	-
Refundable advance	<u>224,629</u>	<u>(16,266)</u>
Net cash used by operating activities	<u>(55,993)</u>	<u>(152,434)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(51,600)	(10,956)
Proceeds from sale of equipment	500	-
Net purchases and sales of investments	<u>321,461</u>	<u>(47,212)</u>
Net cash provided (used) by investing activities	<u>270,361</u>	<u>(58,168)</u>
Net increase (decrease) in cash and cash equivalents	214,368	(210,602)
Cash and cash equivalents at beginning of year	<u>103,849</u>	<u>314,451</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>318,217</u>	\$ <u>103,849</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Stocks	\$ <u>121,058</u>	\$ <u>145,483</u>

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Myositis Association (TMA) is a non-profit organization, incorporated in the State of Virginia and located in Alexandria. TMA's mission is to improve the lives of those affected by inflammatory myopathies. TMA seeks out persons with inflammatory myopathies, provides a support network, acts as a resource for patients and physicians, acts as an advocate for patients and promotes research into the causes and treatment of the diseases.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 TMA's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents -

TMA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000.

At times during the year, TMA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. TMA's policy is to liquidate all gifts of investments as soon as possible after the gift.

Grant and accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Website development costs are amortized over three years and was placed in service and began being amortized in 2018. The cost of maintenance and repairs is recorded as expenses are incurred.

The capitalization and ongoing assessment of recoverability of website development costs incurred require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life.

Depreciation and amortization expense for the year ended December 31, 2018 totaled \$12,720.

Income taxes -

TMA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. TMA is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, TMA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Deferred revenue -

Deferred revenue consists of annual conference revenue. TMA recognizes revenue when the related event has occurred.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than TMA's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Net asset classification (continued) -

- **Net Assets With Donor Restrictions (continued)** - Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses (or noncompliance with donor terms) is recorded as a refundable advance.

Contributed services and materials -

Contributed services and materials consist of materials and services from businesses toward the annual charity event and general operations. Contributed services and materials are recorded at their fair value as of the date of the gift. For the year ended December 31, 2018, the fair value of contributed services was \$19,603.

Sponsorships revenue -

Sponsorships are recorded and recognized as contributions in the period notification is received from the donor.

Use of estimates -

The preparation of the 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 the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of TMA are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Risks and uncertainties -

TMA invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

TMA adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. TMA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of December 31, 2017 as "unrestricted" in the amount of \$2,376,885 are now classified as "without donor restrictions". Net assets previously classified as "temporarily restricted" and "permanently restricted" in the amount of \$250,966 and \$23,000, respectively are now classified as "with donor restrictions".

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. TMA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606).

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

New accounting pronouncements (not yet adopted) (continued) -

The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. TMA has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2020. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

TMA plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2018:

	<u>Fair Value</u>
Exchange-traded funds	\$ 1,876,347
Stocks	<u>116,992</u>
TOTAL INVESTMENTS	\$ <u>1,993,339</u>

Included in investment income are the following:

Interest and dividends	\$ 49,901
Unrealized loss	(186,019)
Realized gain	<u>164,693</u>
TOTAL INVESTMENT INCOME	\$ <u>28,575</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, TMA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level 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). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. INVESTMENTS (Continued)

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market TMA has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2018.

- *Exchange-traded funds* - Valued at the closing price reported on the active market in which the funds are traded.
- *Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2018.

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Investments Measured at December 31, NAV	Total Measured at December 31, 2018
Exchange-traded funds	\$ 1,876,347	\$ -	\$ -	\$ -	\$ 1,876,347
Stocks	<u>116,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,992</u>
TOTAL	<u>\$ 1,993,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,993,339</u>

3. GRANTS RECEIVABLE

As of December 31, 2018, contributors to TMA have made written promises to give totaling \$450,026. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 2.63%. Grants are due as follows at December 31, 2018:

Less than one year	\$ 350,026
One to five years	<u>100,000</u>
Total	450,026
Less: discount balance to present value	<u>(5,053)</u>
GRANTS RECEIVABLE	<u>\$ 444,973</u>

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2018:

Furniture and equipment	\$ 6,233
Website development	<u>62,557</u>
Total fixed assets	68,790
Less: Accumulated depreciation and amortization	<u>(17,555)</u>
NET FIXED ASSETS	<u>\$ 51,235</u>

5. BOARD DESIGNATED NET ASSETS

As of December 31, 2018, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

Operating	<u>\$ 540,000</u>
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Board designated net assets are amounts designated by the Board of Directors to be used for operating reserve.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

Awareness	\$ 130,000
Corporate advisory committee	35,000
Clinic alliance	100,000
Research	18,162
Conference and scholarships	22,889
Time restricted	144,947
Endowment to be invested in perpetuity	<u>23,000</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 473,998</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Research	\$ 179,861
Conference and scholarships	19,286
Passage of time	<u>81,525</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 280,672</u>

7. ENDOWMENT FUND

The endowment fund is comprised of one \$23,000 endowment for the purpose of furthering the programmatic mission of the Organization.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. ENDOWMENT FUND (Continued)

The corpus is required to be invested in-perpetuity with the income available to support the purpose specified by the donor. As of December 31, 2018, endowment funds totaled \$23,000.

8. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position, comprise the following at December 31, 2018:

Cash and cash equivalents	\$	318,217
Investments		1,993,338
Grant and accounts receivable, net		<u>444,973</u>
 Subtotal financial assets available within one year		 2,756,528
Less: Donor restricted funds		(423,998)
Less: Board designated funds		<u>(540,000)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR		 \$ <u>1,792,530</u>

TMA has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, TMA has financial assets equal to approximately 13 months of operating expenses.

9. LEASE COMMITMENTS

During 2018, TMA leased office space for three office suites under a two year agreement. Base rent varies for each office space being occupied. On April 22, 2019, TMA amended the lease agreement to occupy five office suites under a three year agreement, which expires June 30, 2022. The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2019	\$	110,589
2020		136,050
2021		136,050
2022		<u>74,007</u>
		 \$ <u>456,696</u>

Rent expense for the year ended December 31, 2018 was \$83,182.

10. RETIREMENT PLAN

TMA has a 401(k) plan allowing employees over twenty one years of age to participate following the completion of 1,000 hours of service. TMA will contribute 3% of the employee's salary. Contributions to the Plan during the year ended December 31, 2018 totaled \$11,632.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

11. REFUND OF GRANT FUNDS

During 2018, TMA was informed it may not have completed the terms of two written agreements with one donor. The period of performance has expired on both agreements. As of December 31, 2018, TMA has accrued a refundable advance totaling \$224,629, and shown it as an Other Item on the Statement of Activities and Change in Net Assets. TMA has contacted the donor and is awaiting a response to address the issue.

12. SUBSEQUENT EVENTS

In preparing these financial statements, TMA has evaluated events and transactions for potential recognition or disclosure through November 14, 2019, the date the financial statements were issued.