

Financial Statements

**THE ASSOCIATION OF BIRTH
DEFECT CHILDREN, INC.**

August 31, 2017

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Financial Statements

August 31, 2017

(With Independent Auditor's Report Thereon)

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Financial Statements

August 31, 2017

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Independent Auditor's Report

The Board of Directors
The Association of Birth Defect Children, Inc.:

We have reviewed the accompanying statements of financial position of The Association of Birth Defect Children, Inc. as of August 31, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Report on Financial Statements

The 2016 financial statements were audited by us, and we expressed an unmodified opinion on them in our reported dated November 7, 2016. We have not performed any auditing procedures since that date.

Report on Summarized Comparative Information

We have previously audited The Association of Birth Defect Children, Inc.'s 2016 financial statements, and our report dated November 7, 2016, 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 August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schatz, Tschopp, Whitcomb, Mitchell & Shuiken, LLP

Maitland, Florida
October 20, 2017

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Statements of Financial Position

August 31, 2017 (Unaudited) 2016 (Audited)

Assets

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 136,959 | 146,608 |
| Pledges receivable | 6,585 | 11,188 |
| Contribution receivable - split-interest agreement (note 3) | <u>1,230,461</u> | <u>1,161,052</u> |
| Total current assets | 1,374,005 | 1,318,848 |
| Property and equipment, net (note 2) | 195 | 585 |
| Deposits | <u>2,284</u> | <u>2,284</u> |
| Total assets | <u>\$ 1,376,484</u> | <u>1,321,717</u> |

Liabilities and Net Assets

| | | |
|--|---------------------|------------------|
| Liabilities: | | |
| Accrued expenses | <u>\$ 2,969</u> | <u>5,041</u> |
| Total liabilities | <u>2,969</u> | <u>5,041</u> |
| Net assets: | | |
| Unrestricted net assets | 143,054 | 155,624 |
| Temporarily restricted net assets (note 3) | <u>1,230,461</u> | <u>1,161,052</u> |
| Total net assets | <u>1,373,515</u> | <u>1,316,676</u> |
| Total liabilities and net assets | <u>\$ 1,376,484</u> | <u>1,321,717</u> |

See accompanying notes to financial statements.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Statement of Activities and Changes in Net Assets

Year ended August 31, 2017 (Unaudited)

(With summarized comparative data from the year ended August 31, 2016 (Audited))

| | <u>2017</u> | | | <u>2016</u> |
|--|---------------------|-----------------------------------|------------------|------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | |
| Public support and revenue: | | | | |
| Public support: | | | | |
| Advertising revenue | \$ - | - | - | 2,444 |
| Donated services | 121,000 | - | 121,000 | 113,318 |
| Contributions | 129,380 | - | 129,380 | 83,249 |
| Allocated by combined | | | | |
| Federal campaign | 3,152 | - | 3,152 | 7,850 |
| Interest income | 581 | - | 581 | 443 |
| Change in value of split interest agreement | - | 69,409 | 69,409 | 41,328 |
| Net assets released from restriction | - | - | - | - |
| Total support and revenue | <u>254,113</u> | <u>69,409</u> | <u>323,522</u> | <u>248,632</u> |
| Expenses: | | | | |
| Program services | 252,043 | - | 252,043 | 251,957 |
| Supporting services: | | | | |
| Management and general | 12,383 | - | 12,383 | 11,888 |
| Fund raising | 2,257 | - | 2,257 | 5,233 |
| Total expenses | <u>266,683</u> | <u>-</u> | <u>266,683</u> | <u>269,078</u> |
| Change in net assets | (12,570) | 69,409 | 56,839 | (20,446) |
| Net assets at beginning of year | <u>155,624</u> | <u>1,161,052</u> | <u>1,316,676</u> | <u>1,337,122</u> |
| Net assets at end of year | <u>\$ 143,054</u> | <u>1,230,461</u> | <u>1,373,515</u> | <u>1,316,676</u> |

See accompanying notes to financial statements.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Statement of Functional Expenses

Year ended August 31, 2017 (Unaudited)

(With summarized comparative data from the year ended August 31, 2016 (Audited))

| | Year ended August 31, 2017 | | | | Year ended August 31, 2016 |
|------------------------------|----------------------------|---------------------------|-----------------|----------------|----------------------------------|
| | Program | Management and General | Fund Raising | Total | |
| Payroll and related expenses | \$ 91,184 | 1,321 | 1,887 | 94,392 | 94,159 |
| Advertising | - | - | - | - | 3,350 |
| Fundraising | - | - | 370 | 370 | - |
| Telephone | 80 | 10 | - | 90 | 246 |
| Promotion and education | 189 | - | - | 189 | 9,110 |
| Insurance | 5,909 | 657 | - | 6,566 | 6,593 |
| Office supplies | 4,410 | 490 | - | 4,900 | 2,289 |
| Public outreach | 121,000 | - | - | 121,000 | 113,318 |
| Professional fees | 3,600 | 400 | - | 4,000 | 4,000 |
| Web site costs | 10,561 | - | - | 10,561 | 10,481 |
| Rent | 13,944 | 1,549 | - | 15,493 | 16,545 |
| License and registration | 815 | 91 | - | 906 | 1,930 |
| Depreciation | 351 | 39 | - | 390 | 390 |
| Other | - | 605 | - | 605 | 231 |
| Taxes | - | 7,221 | - | 7,221 | 6,436 |
| | <u>\$ 252,043</u> | <u>12,383</u> | <u>2,257</u> | <u>266,683</u> | <u>269,078</u> |

See accompanying notes to financial statements.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Statements of Cash Flows

Years ended August 31, 2017 (Unaudited) and 2016 (Audited)

| | <u>2017</u> | <u>2016</u> |
|---|--------------------------|-----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 56,839 | (20,446) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 390 | 390 |
| Change in operating assets and liabilities: | | |
| Split interest agreement | (69,409) | (41,328) |
| Pledges receivable | 4,603 | 4,800 |
| Accrued expenses | <u>(2,072)</u> | <u>(1,829)</u> |
| Net cash used in operating activities | <u>(9,649)</u> | <u>(58,413)</u> |
| Change in cash and cash equivalents | (9,649) | (58,413) |
| Cash and cash equivalents at beginning of year | <u>146,608</u> | <u>205,021</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 136,959</u></u> | <u><u>146,608</u></u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ -</u> | <u>-</u> |
| Cash paid during the year for income taxes | <u><u>\$ -</u></u> | <u><u>-</u></u> |

See accompanying notes to financial statements.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2017

(1) **Summary of Significant Accounting Policies**

(a) **General**

The Association of Birth Defect Children, Inc. (Association) serves as an international clearinghouse to provide information about all kinds of structural and functional birth defects as well as support systems and resources to assist families who have children with these conditions. The Association sponsors the National Birth Defect Registry, a research and birth defects prevention project. The Association also assists in client referral, follow-up, information and support services in addition to research on several birth defect issues related to veterans' service in Vietnam, the Gulf War or in communities with toxic environmental exposures.

(b) **Basis of Presentation**

These financial statements are prepared on an entity wide basis, focusing on the Association as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. There were no permanently restricted net assets as of or for the year ended August 31, 2017.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Association and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations. The Association reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

(c) **Property and Equipment**

Property and equipment are stated at cost, or estimated market value at the date of receipt if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. All property expenditures in excess of \$500 are capitalized; maintenance and renewals are charged to expense as incurred.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2017

(1) Summary of Significant Accounting Policies - Continued

(d) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(e) Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

(f) Donated Assets, Materials, Facilities and Services

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. In addition, the Association receives a significant amount of contributed time related to various program services and fundraising campaigns. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Association, and (b) the services required specialized skills. The Association received an in-kind service grant to facilitate its public outreach via the internet. The services provided by the donor, Google.com, were valued at \$121,000 and \$113,318 for the years ended August 31, 2017 and 2016, respectively.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2017

(1) Summary of Significant Accounting Policies - Continued

(g) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(h) Functional Allocation of Expenses

The costs of providing Association programs and the administration of the Association have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(i) Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(j) Income Taxes

The Association is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Association has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Since the Association's income tax filings are subject to audit by various taxing authorities, generally for three years after they are filed, the Association is no longer subject to examination by

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2017

(1) Summary of Significant Accounting Policies - Continued

(j) Income Taxes - Continued

taxing authorities for years ended before August 31, 2014. The Association is not aware of any activities that would jeopardize its tax-exempt status. There is no interest or penalties included in expenses in the statement of activities and changes in net assets. There are currently no pending income tax examinations by taxing authorities. As of August 31, 2017, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

(k) Financial Instruments Fair Value, Concentration of Business and Credit Risks

The carrying amount reported in the balance sheet for cash and cash equivalents, accounts receivable, and accrued expenses approximates fair value because of the immediate or short-term maturity of these financial instruments.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

The recorded net present value of a long-term contribution receivable split-interest agreement approximates fair value, as the discount rate approximates market rates. (Level 3 inputs). The fair value of the underlying investments within the trust instruments are based on quoted market prices (Level 1 inputs) in an active market for identical assets and liabilities.

(l) Prior Year Comparative Data

The financial statements include certain prior year summarized comparative information. This information has been presented in order to provide an understanding of changes in the Association's financial position and activities. The prior year information in the statement of activities is presented in total but not by net asset class and, as such, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In addition, certain amounts have been reclassified in order to conform with the current year's presentation.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2017

(1) **Summary of Significant Accounting Policies - Continued**

(m) **Subsequent Events**

In preparing these financial statements, the Association has evaluated subsequent events and transactions for potential recognition and disclosure through October 20, 2017, which is the date the financial statements were available to be issued.

(2) **Property and Equipment**

Major classifications of property and equipment at August 31, are summarized below:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|----------------|----------------|
| Office furniture and equipment | \$ 9,759 | 9,759 |
| Accumulated depreciation | <u>(9,564)</u> | <u>(9,174)</u> |
| | <u>\$ 195</u> | <u>585</u> |

(3) **Split Interest Agreement**

During 1997, a split-interest agreement in the form of a charitable remainder trust was funded, with the Association as one-half beneficiary upon the death of the income beneficiary. An individual independent of the Association is the trustee. The basis used for recognizing assets related to the split-interest agreement is fair-market value. Due to the terms of the agreement, the fair market value amount is \$1,230,461 and \$1,161,052 at August 31, 2017 and 2016, respectively, using a 2.0% discount rate. An increase (decrease) in the value of the split-interest agreement in the amount of \$69,409 and \$41,328 was recorded during the years ended August 31, 2017 and 2016, respectively. In accordance with SFAS No. 116, contributions of assets to be received in the future under split-interest agreements carry an implied time restriction and thus are classified as temporarily restricted revenue.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2017

(4) Commitments

The Association leases its office facility for \$1,292 per month. The lease commenced April 1, 2016 and expires March 31, 2018. The rent increases 2.5% per year. The Association also has the option to renew the lease.

Future minimum lease payments:

| <u>Fiscal Year ended August 31,</u> | <u>Amount</u> |
|-------------------------------------|-----------------|
| 2018 | <u>\$ 9,271</u> |

Rent expense was \$15,493 and \$16,545 for the years ended August 31, 2017 and 2016, respectively.