



The Marfan Foundation, Inc.

Financial Statements

June 30, 2019 and 2018

The Marfan Foundation, Inc.

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Independent Auditors' Report

Board of Directors
The Marfan Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Marfan Foundation, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Marfan Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Melville, New York
October 24, 2019

The Marfan Foundation, Inc.

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Assets		
Cash and cash equivalents	\$ 641,800	\$ 777,754
Investments	6,552,335	6,438,849
Pledge receivables, net	2,775,803	3,373,109
Prepaid expenses and other current assets	212,186	171,431
Property and equipment, net	701,711	730,146
Beneficial interest in charitable remainder trust	1,087,721	1,065,896
Other assets	104,997	80,600
	<u>12,076,553</u>	<u>12,637,785</u>
Total assets	<u>\$ 12,076,553</u>	<u>\$ 12,637,785</u>
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	\$ 252,171	\$ 237,353
Deferred income	108,030	102,126
Other payables	104,997	80,600
Line of credit	19,246	-
	<u>484,444</u>	<u>420,079</u>
Total liabilities	<u>484,444</u>	<u>420,079</u>
Net Assets		
Without donor restrictions:		
General	2,926,080	2,441,548
Board designated	1,411,412	1,720,476
With donor restrictions	7,254,617	8,055,682
	<u>11,592,109</u>	<u>12,217,706</u>
Total net assets	<u>11,592,109</u>	<u>12,217,706</u>
Total liabilities and net assets	<u>\$ 12,076,553</u>	<u>\$ 12,637,785</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenues and Gains				
Major contributions	\$ 888,007	\$ 500,120	\$ 1,388,127	\$ 1,145,596
Other contributions	591,211	-	591,211	403,476
Direct response	254,832	-	254,832	283,922
Community events	251,589	9,065	260,654	188,242
Conferences and symposia	113,490	-	113,490	210,989
Net investment income	278,534	-	278,534	299,139
Events, net of direct expenses of \$440,331 and \$411,134, respectively	1,922,784	-	1,922,784	1,955,023
Change in value of beneficial interest in charitable remainder trust	-	21,825	21,825	45,559
Gifts in-kind	310,452	-	310,452	323,108
Net assets released from restrictions	1,332,075	(1,332,075)	-	-
Total revenues and gains	5,942,974	(801,065)	5,141,909	4,855,054
Expenses				
Program service expenses:				
Research initiatives and grants	2,231,543	-	2,231,543	2,271,491
Education and public awareness	816,548	-	816,548	830,703
Patient services and annual conference	1,456,376	-	1,456,376	1,378,835
Total program service expenses	4,504,467	-	4,504,467	4,481,029
Supporting service expenses:				
Management and general	525,714	-	525,714	525,590
Fundraising	737,325	-	737,325	682,224
Total supporting service expenses	1,263,039	-	1,263,039	1,207,814
Total expenses	5,767,506	-	5,767,506	5,688,843
Changes in net assets	175,468	(801,065)	(625,597)	(833,789)
Net Assets, Beginning of the Year	4,162,024	8,055,682	12,217,706	13,051,495
Net Assets, End of the Year	\$ 4,337,492	\$ 7,254,617	\$ 11,592,109	\$ 12,217,706

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Gains			
Major contributions	\$ 742,460	\$ 403,136	\$ 1,145,596
Other contributions	386,684	16,792	403,476
Direct response	283,922	-	283,922
Community events	182,107	6,135	188,242
Conferences and symposia	210,989	-	210,989
Net investment income	299,139	-	299,139
Events, net of direct expenses of \$411,134	1,955,023	-	1,955,023
Change in value of beneficial interest in charitable remainder trust	-	45,559	45,559
Gifts in-kind	323,108	-	323,108
Net assets released from restrictions	1,356,401	(1,356,401)	-
	<u>5,739,833</u>	<u>(884,779)</u>	<u>4,855,054</u>
Expenses			
Program service expenses:			
Research initiatives and grants	2,271,491	-	2,271,491
Education and public awareness	830,703	-	830,703
Patient services and annual conference	1,378,835	-	1,378,835
	<u>4,481,029</u>	<u>-</u>	<u>4,481,029</u>
Supporting service expenses:			
Management and general	525,590	-	525,590
Fundraising	682,224	-	682,224
	<u>1,207,814</u>	<u>-</u>	<u>1,207,814</u>
Total supporting service expenses	<u>1,207,814</u>	<u>-</u>	<u>1,207,814</u>
Total expenses	<u>5,688,843</u>	<u>-</u>	<u>5,688,843</u>
Changes in net assets	50,990	(884,779)	(833,789)
Net Assets, Beginning of the Year	<u>4,111,034</u>	<u>8,940,461</u>	<u>13,051,495</u>
Net Assets, End of the Year	<u>\$ 4,162,024</u>	<u>\$ 8,055,682</u>	<u>\$ 12,217,706</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Program Services			Supporting Services		2019 Total Expenses	2018 Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fundraising		
Awards and fellowships	\$ 1,106,645	\$ 3,191	\$ 27,254	\$ -	\$ -	\$ 1,137,090	\$ 1,132,107
Payroll	588,130	472,135	696,387	339,618	343,674	2,439,944	2,298,035
Payroll taxes	35,958	31,348	51,067	25,033	23,728	167,134	161,680
Employee benefits	58,478	56,120	101,042	51,484	35,551	302,675	273,696
Professional fees	135,271	36,427	36,751	58,718	34,176	301,343	323,733
Office expenses	40,426	45,275	53,614	19,768	67,270	226,353	219,519
Occupancy	13,559	13,559	13,559	7,975	7,975	56,627	59,726
Advertising and promotions	60,654	78,059	62,251	205	107,327	308,496	341,113
Information technology	37,432	36,694	61,044	4,761	10,993	150,924	123,200
Travel and lodging	137,266	20,958	92,637	6,148	73,885	330,894	421,219
Conferences and other travel	-	6,264	216,781	-	3,278	226,323	233,197
Insurance	1,006	1,006	1,006	1,006	1,006	5,030	5,015
Fees and permits	2,779	2,697	2,697	-	-	8,173	8,830
Dues and subscriptions	4,196	3,078	3,078	1,080	9,558	20,990	17,304
Uncollectible account expenses	-	-	15,000	-	1,516	16,516	-
Miscellaneous	1,687	1,681	14,152	1,862	9,332	28,714	33,109
Total expenses before depreciation	2,223,487	808,492	1,448,320	517,658	729,269	5,727,226	5,651,483
Depreciation	8,056	8,056	8,056	8,056	8,056	40,280	37,360
Total expenses	\$ 2,231,543	\$ 816,548	\$ 1,456,376	\$ 525,714	\$ 737,325	\$ 5,767,506	\$ 5,688,843
Percent to total program and supporting service, current	39%	14%	25%	9%	13%	100%	
Percent to total program and supporting service, prior	40%	15%	24%	9%	12%		100%

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services			Supporting Services		Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fundraising	
Awards and fellowships	\$ 1,079,595	\$ 5,280	\$ 47,232	\$ -	\$ -	\$ 1,132,107
Payroll	569,910	434,224	650,280	328,509	315,112	2,298,035
Payroll taxes	36,083	29,585	49,033	24,334	22,645	161,680
Employee benefits	56,877	49,362	89,995	44,135	33,327	273,696
Professional fees	136,533	37,341	40,658	60,209	48,992	323,733
Office expenses	43,367	49,663	53,255	20,072	53,162	219,519
Occupancy	14,406	14,407	14,438	8,234	8,241	59,726
Advertising and promotions	50,906	131,449	50,315	17,547	90,896	341,113
Information technology	33,860	33,095	47,305	2,777	6,163	123,200
Travel and lodging	233,895	24,007	80,745	7,903	74,669	421,219
Conferences and other travel	-	7,321	215,123	-	10,753	233,197
Insurance	1,003	1,003	1,003	1,003	1,003	5,015
Fees and permits	3,002	2,914	2,914	-	-	8,830
Dues and subscriptions	3,737	2,754	2,754	1,289	6,770	17,304
Miscellaneous	845	826	26,313	2,106	3,019	33,109
Total expenses before depreciation	2,264,019	823,231	1,371,363	518,118	674,752	5,651,483
Depreciation	7,472	7,472	7,472	7,472	7,472	37,360
Total expenses	<u>\$ 2,271,491</u>	<u>\$ 830,703</u>	<u>\$ 1,378,835</u>	<u>\$ 525,590</u>	<u>\$ 682,224</u>	<u>\$ 5,688,843</u>
Percent to total program and supporting service	<u>40%</u>	<u>15%</u>	<u>24%</u>	<u>9%</u>	<u>12%</u>	<u>100%</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (625,597)	\$ (833,789)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	40,280	37,360
Net realized and unrealized gain on investments	(140,346)	(207,144)
Uncollectible account expenses	16,516	-
Change in unamortized discount on pledges receivable	(24,511)	67
Change in beneficial interest in charitable remainder trust	(21,825)	(45,559)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Pledges receivable	605,301	691,984
Prepaid expenses and other current assets	(40,755)	51,920
Other assets	(24,397)	(25,894)
Increase (decrease) in operating liabilities:		
Accrued liabilities	14,818	(9,990)
Deferred income	5,904	(11,239)
Other payables	24,397	25,894
Net cash used in operating activities	<u>(170,215)</u>	<u>(326,390)</u>
Cash Flows from Investing Activities		
Fixed asset purchases	(11,845)	(107,102)
Purchases of investments	(2,230,210)	(1,608,063)
Proceeds from the sale of investments	<u>2,257,070</u>	<u>2,360,266</u>
Net cash provided by investing activities	<u>15,015</u>	<u>645,101</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	<u>19,246</u>	<u>-</u>
Net cash provided by financing activities	<u>19,246</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(135,954)	318,711
Cash and Cash Equivalents, Beginning of Year	<u>777,754</u>	<u>459,043</u>
Cash and Cash Equivalents, End of Year	<u>\$ 641,800</u>	<u>\$ 777,754</u>

See notes to financial statements

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Operations

The Marfan Foundation, Inc. (the "Foundation"), based in Port Washington, New York, was incorporated in 1981 in Maryland. It is the only national not-for-profit health organization that supports people with Marfan syndrome (a genetic disorder of connective tissue) and other related conditions. The Foundation conducts comprehensive, multi-pronged public and medical awareness campaigns about these conditions; provides extensive education and support to patients and family members through a national network of chapters and network groups, an Information Resource Center that is staffed by a registered nurse, and peer-to-peer connections both on-line and in-person; and supports a robust research program that provides grants to scientists, convenes international symposia, and encourages young researchers in the field.

Basis of Accounting

The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Donor-Imposed Restrictions

The Foundation reports gifts of cash or other assets as without donor restrictions, unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions that originate in a given year and are released from restrictions in the same year by meeting the donor's restricted purposes are reflected in net assets without donor restrictions.

The Foundation reports gifts of land, buildings and equipment as support without donor restrictions 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 donor 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.

Net Assets

The net assets of the Foundation are classified and reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Foundation. Included in net assets without donor restrictions are:

Board Designated Without Donor Restrictions

Net assets without donor restrictions that have been designated for general reserves by the board of directors.

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

With Donor Restrictions

Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Foundation and/or the passage of time. As the restrictions are satisfied, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions also includes net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but permit the Foundation to utilize earnings from such donor restricted funds for operations.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and highly liquid investments with maturities of three months or less, except that cash and cash equivalents held by investment managers is included in investments, as the Foundation considers these balances to be invested for long-term purposes.

Unconditional Promises to Give (Pledges)

Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those 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 contribution revenue. Conditional promises to give are not included as support until the conditions have been substantially met.

Allowance for Doubtful Accounts and Pledges

Management must make estimates of the uncollectability of all accounts and pledges receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the need for an allowance for doubtful accounts and pledges. As of June 30, 2019 and 2018, no allowance for doubtful accounts and pledges was necessary.

Property, Equipment and Depreciation

Property and equipment are capitalized at cost when acquired. Individual equipment purchases with an acquisition cost of \$2,000 or more and a useful life of more than three years and group equipment purchases with an acquisition cost of \$5,000 or more and a useful life of more than three years are capitalized. Donated fixed assets are recorded at fair value at the date of donation. Depreciation is computed over periods ranging from 3 to 39 years on a straight-line basis.

Fair Value

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Foundation must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs), or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Investments

Investments in debt securities, mutual funds and exchange traded funds, are recorded at their estimated fair values, which are based on quoted market prices.

Gains and losses on investments are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Investment return is presented net of investment fees. Investments donated to the Foundation are recorded at fair value as of the date of the contribution.

Beneficial Interest in Charitable Remainder Trust

The Foundation's beneficial interest in charitable remainder trust (the "Trust") is valued at the fair value of the underlying investments held within the Trust as reported by the third-party trustee and is classified as Level 3 in the fair value hierarchy.

Donated Services

Donated services requiring specific expertise are recorded as in-kind contributions and expensed or capitalized at their fair values as determined by donors. For the years ended June 30, 2019 and 2018, the Foundation received donated legal services from a board member of approximately \$138,000 and \$158,000, respectively. The Foundation also received donated website and TV advertisements of approximately \$169,000 and \$163,000 for the years ended June 30, 2019 and 2018, respectively. In addition, for the year ended June 30, 2019, the Foundation received donated services of IT consulting of approximately \$3,000. For the year ended June 30, 2018, the Foundation received donated services for our Sydney Lerman Pediatric hospitality program of approximately \$1,900.

Tax-Exempt Status

The Foundation qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

Uncertain Tax Positions

Management has evaluated the Foundation's tax positions and concluded that the Foundation has not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 740.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits are allocated based on time and effort. Building costs are allocated based on square footage. Information technology, postage and shipping are allocated based on staff usage. Other costs are directly charged based on the nature of the expense.

Reclassifications

Certain reclassifications were made to the 2018 statement of activities and changes in net assets and statement of functional expenses to conform to the 2019 presentation. These reclassifications had no impact on the changes in net assets previously reported.

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation was required to adopt ASU 2016-14 in 2019, and has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the Foundation's financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The temporarily restricted net asset class has been renamed Net Assets with Donor Restrictions
- The financial statements include a disclosure about liquidity and availability of resources (Note 11)
- The basis of allocation of expenses to functional classifications has been disclosed (Note 1)
- Investment expenses are included in net investment income

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for the Foundation for the fiscal year ending June 30, 2020. Management is currently evaluating the impact of ASU 2014-09 on the Foundation's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Foundation for the fiscal year ending June 30, 2020. Management is currently evaluating the impact of ASU 2018-08 on the Foundation's financial statements.

Evaluation of Subsequent Events

Management has evaluated subsequent events through October 24, 2019, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

The Marfan Foundation, Inc.

Notes to Financial Statements
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2. Investments

The composition of investments is as follows for the years ended June 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 384,319	\$ 384,319	\$ 2,572,066	\$ 2,572,066
Corporate bonds	919,655	923,476	1,252,739	1,243,047
Exchange traded funds	482,015	621,372	482,015	581,381
Mutual funds	4,359,587	4,623,168	1,839,285	2,042,355
	<u>\$ 6,145,576</u>	<u>\$ 6,552,335</u>	<u>\$ 6,146,105</u>	<u>\$ 6,438,849</u>

The above assets requiring classification within the fair value hierarchy were classified as follows for the year ended June 30, 2019:

	2019	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Exchange traded funds	\$ 621,372	\$ -
Corporate bonds	-	923,476
Mutual funds	4,623,168	-
Total	<u>\$ 5,244,540</u>	<u>\$ 923,476</u>

The above assets requiring classification within the fair value hierarchy were classified as follows for the year ended June 30, 2018:

	2018	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Exchange traded funds	\$ 581,381	\$ -
Corporate bonds	-	1,243,047
Mutual funds	2,042,355	-
Total	<u>\$ 2,623,736</u>	<u>\$ 1,243,047</u>

Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

3. Pledges Receivable

Pledges receivable are comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give before unamortized discount	\$ 2,921,349	\$ 3,543,166
Less unamortized discount	<u>(145,546)</u>	<u>(170,057)</u>
Net unconditional promises to give	<u>\$ 2,775,803</u>	<u>\$ 3,373,109</u>
Amounts due in:		
One year	\$ 1,456,484	\$ 1,327,503
Two to five years	1,318,319	2,045,606
More than five years	<u>1,000</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 2,775,803</u>	<u>\$ 3,373,109</u>

The discount rates utilized to calculate the net present value of multi-year pledges for the years ended June 30, 2019 and 2018 ranged from 1.76 percent to 2.92 percent.

4. Property and Equipment, Net

Property and equipment, net, consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 107,927	\$ 107,927
Building and improvements	917,564	905,719
Office equipment, furniture and fixtures	292,032	292,032
Website	<u>182,876</u>	<u>182,876</u>
	1,500,399	1,488,554
Less accumulated depreciation	<u>798,688</u>	<u>758,408</u>
	<u>\$ 701,711</u>	<u>\$ 730,146</u>

5. Board Designated Net Assets

The Foundation has restricted cash and cash equivalents and certificates of deposit included in the investment portfolio which represent board designated net assets, consisting of general reserve funds.

Board designated net assets consist of board designated cash reserve funds of \$1,411,412 and \$1,720,476 as of June 30, 2019 and 2018, respectively.

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

The changes in board designated net assets were as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Board designated net assets, beginning of year	\$ 1,720,476	\$ 2,165,752
Net Investment income	78,700	111,838
Transfer to Surplus fund	(331,000)	-
Purchases	555,591	-
Sales	(612,355)	(557,114)
	<u>\$ 1,411,412</u>	<u>\$ 1,720,476</u>

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted for the following as of June 30:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Scholarships	\$ 813,338	\$ 318,219
Research-valve sparing	-	50,528
Support services	53,880	44,815
Education	-	6,000
General research	4,306,065	5,293,417
Clinical trials	891,062	1,149,759
Thoracic Aortic Disease ("TAD") Coalition	51	51
Conference	102,500	126,997
Time restricted:		
Charitable Remainder Trust	1,087,721	1,065,896
	<u>\$ 7,254,617</u>	<u>\$ 8,055,682</u>

During 2019 and 2018, net assets were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors, as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Research-valve sparing	\$ 50,528	\$ 108,568
Education	6,000	-
General research	992,353	940,480
Clinical trials	258,697	257,353
Conference	24,497	50,000
	<u>\$ 1,332,075</u>	<u>\$ 1,356,401</u>

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7. Line of Credit

During 2019 and 2018, the Foundation maintained a margin account, which is a securities based line of credit that bears interest at a base rate adjusted by a factor determined by the size of the debit balance during the interest period as specified in the margin agreement. The Foundation has access, at the discretion of the financial institution, to borrow certain percentages of the value of the Foundation's collateral accounts held by the financial institution. As such, the value of the securities based line of credit fluctuates during the course of the year. The amount available to the Foundation as of June 30, 2019 and 2018 was approximately \$3,100,000 and \$3,200,000, respectively. There was \$19,246 borrowed against the margin account as of June 30, 2019. As of June 30, 2019, the interest rate was 7.25 percent. There were no borrowings against the margin account as of June 30, 2018. The margin account can be terminated by the financial institution once the Foundation no longer holds accounts with the financial institution.

8. Deferred Income

Amounts received by the Foundation for its annual conference and other events were deferred as these events occurred subsequent to the years ended June 30, 2019 and 2018.

9. Pension Plan

A defined contribution plan, as defined by IRC Section 403(b), is offered to all employees of the Foundation. The Foundation may provide a discretionary employer contribution provided an employee has reached 21 years of age, has completed at least one year of service, worked a minimum of 1,000 hours in the plan's fiscal year, and is actively employed on the last day of the plan's fiscal year. Employer contributions are allocated on the basis of the ratio that each eligible participant's compensation bears to the total compensation of all eligible participants for the plan's fiscal year. Pension expense for each of the years ended June 30, 2019 and 2018 was \$70,000.

The Foundation maintains a 457(b) deferred compensation plan (the "Plan") for two current employees. Pursuant to the Plan agreement, the Plan's assets are considered general assets of the Foundation until the assets are distributed to the beneficiary. As a result, the Plan's net assets available for benefits of approximately \$105,000 and \$80,600 as of June 30, 2019 and 2018, respectively, are included in other assets and other payables on the Foundation's statements of financial position. The Foundation expensed employer contributions for the Plan totaling \$20,000 for each of the years ended June 30, 2019 and 2018.

10. Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments and pledges receivable. The Foundation maintains its cash, cash equivalents and temporary cash investments in various financial institutions which, at times, may exceed the Federal Deposit Insurance Corporation insurance limit. The Foundation's pledges receivable are subject to various collection risks. As of June 30, 2019 and 2018, approximately 72 percent and 84 percent, respectively, of pledges receivable were from one private foundation. Management believes such pledge amounts are fully collectible.

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11. Liquidity and Availability of Resources

The following table reflects the Foundation's financial assets available for general expenditure within one year as of June 30, 2019 and 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2019</u>	<u>2018</u>
Cash	\$ 641,800	\$ 777,754
Investments	6,552,335	6,438,849
Pledge receivables, net	<u>1,456,484</u>	<u>1,327,503</u>
 Total financial assets	 8,650,619	 8,544,106
 Less donor restricted amounts	 4,847,577	 4,944,180
Less board designated amounts for other purposes	1,411,412	1,720,476
Less investments restricted as collateral	<u>19,246</u>	<u>-</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,372,384</u>	 <u>\$ 1,879,450</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, there is a fund established by the governing board that may be drawn upon in the event of financial distress resulting from events outside the typical life cycle or for short term borrowing. The balance of the fund as of June 30, 2019 and 2018 was \$1,411,412 and \$1,720,476, respectively. Additionally, the Foundation maintains a margin account which is a securities based line of credit. The Foundation has access, at the discretion of the financial institution, to borrow certain percentages of the value of the Foundation's collateral accounts held by the financial institution. The amount available to the Foundation as of June 30, 2019 and 2018 was approximately \$3,100,000 and \$3,200,000, respectively.