

# **The Marfan Foundation, Inc.**

Financial Statements

June 30, 2020 and 2019

# The Marfan Foundation, Inc.

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June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, The Marfan Foundation, Inc. adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* on the modified prospective basis. The adoption resulted in additional awards and fellowships expense in the amount of \$625,000 due to recording of expense for grants that were considered conditional grants prior to the adoption. Our opinion is not modified with respect to that matter.

*Baker Tilly US, LLP*

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Melville, New York  
October 29, 2020

# The Marfan Foundation, Inc.

## Statements of Financial Position

June 30, 2020 and 2019

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |
| <b>Assets</b>                                     |                      |                      |
| Cash and cash equivalents                         | \$ 1,237,573         | \$ 641,800           |
| Investments                                       | 6,136,199            | 6,552,335            |
| Pledges receivable, net                           | 1,706,703            | 2,775,803            |
| Prepaid expenses and other current assets         | 208,691              | 212,186              |
| Property and equipment, net                       | 668,901              | 701,711              |
| Beneficial interest in charitable remainder trust | 1,058,305            | 1,087,721            |
| Other assets                                      | 130,399              | 104,997              |
|   | <u>11,146,771</u>    | <u>12,076,553</u>    |
| Total assets                                      | <u>\$ 11,146,771</u> | <u>\$ 12,076,553</u> |
| <b>Liabilities and Net Assets</b>                 |                      |                      |
| <b>Liabilities</b>                                |                      |                      |
| Accrued liabilities                               | \$ 254,451           | \$ 252,171           |
| Deferred income                                   | 509,427              | 108,030              |
| Other payables                                    | 131,950              | 104,997              |
| Line of credit                                    | 500,000              | 19,246               |
| Grants payable                                    | 662,500              | -                    |
|   | <u>2,058,328</u>     | <u>484,444</u>       |
| Total liabilities                                 | <u>2,058,328</u>     | <u>484,444</u>       |
| <b>Net Assets</b>                                 |                      |                      |
| Without donor restrictions:                       |                      |                      |
| General   | 2,526,611            | 2,926,080            |
| Board designated                                  | 1,128,897            | 1,411,412            |
| With donor restrictions                           | 5,432,935            | 7,254,617            |
|   | <u>9,088,443</u>     | <u>11,592,109</u>    |
| Total net assets                                  | <u>9,088,443</u>     | <u>11,592,109</u>    |
| Total liabilities and net assets                  | <u>\$ 11,146,771</u> | <u>\$ 12,076,553</u> |

See notes to financial statements

**The Marfan Foundation, Inc.**

## Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020 (With Comparative Totals for 2019)

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>        |                      |
|--|---------------------------------------|------------------------------------|---------------------|----------------------|
|  |                                       |                                    | <b>2020</b>         | <b>2019</b>          |
| <b>Revenues and Gains</b>  |                                       |                                    |                     |                      |
| Major contributions  | \$ 634,724                            | \$ 244,804                         | \$ 879,528          | \$ 1,388,127         |
| Other contributions  | 584,260                               | -                                  | 584,260             | 591,211              |
| Direct response  | 247,236                               | -                                  | 247,236             | 254,832              |
| Community events   | 239,998                               | 2,662                              | 242,660             | 260,654              |
| Conferences and symposia   | 65,758                                | 25,000                             | 90,758              | 113,490              |
| Net investment income  | 140,881                               | -                                  | 140,881             | 278,534              |
| Events, net of direct expenses of \$101,692<br>and \$440,331, respectively | 1,503,868                             | -                                  | 1,503,868           | 1,922,784            |
| Change in value of beneficial interest in<br>charitable remainder trust    | -                                     | (29,416)                           | (29,416)            | 21,825               |
| Gifts in-kind  | 270,671                               | -                                  | 270,671             | 310,452              |
| Net assets released from restrictions                                      | 2,064,732                             | (2,064,732)                        | -                   | -                    |
| <b>Total revenues and gains</b>  | <b>5,752,128</b>                      | <b>(1,821,682)</b>                 | <b>3,930,446</b>    | <b>5,141,909</b>     |
| <b>Expenses</b>  |                                       |                                    |                     |                      |
| Program service expenses:  |                                       |                                    |                     |                      |
| Research initiatives and grants  | 2,791,437                             | -                                  | 2,791,437           | 2,231,543            |
| Education and public awareness   | 886,210                               | -                                  | 886,210             | 816,548              |
| Patient services and annual conference                                     | 1,511,228                             | -                                  | 1,511,228           | 1,456,376            |
| <b>Total program service expenses</b>                                      | <b>5,188,875</b>                      | <b>-</b>                           | <b>5,188,875</b>    | <b>4,504,467</b>     |
| Supporting service expenses:   |                                       |                                    |                     |                      |
| Management and general   | 516,693                               | -                                  | 516,693             | 525,714              |
| Fundraising  | 728,544                               | -                                  | 728,544             | 737,325              |
| <b>Total supporting service expenses</b>                                   | <b>1,245,237</b>                      | <b>-</b>                           | <b>1,245,237</b>    | <b>1,263,039</b>     |
| <b>Total expenses</b>  | <b>6,434,112</b>                      | <b>-</b>                           | <b>6,434,112</b>    | <b>5,767,506</b>     |
| <b>Changes in net assets</b>   | <b>(681,984)</b>                      | <b>(1,821,682)</b>                 | <b>(2,503,666)</b>  | <b>(625,597)</b>     |
| <b>Net Assets, Beginning</b>   | <b>4,337,492</b>                      | <b>7,254,617</b>                   | <b>11,592,109</b>   | <b>12,217,706</b>    |
| <b>Net Assets, Ending</b>  | <b>\$ 3,655,508</b>                   | <b>\$ 5,432,935</b>                | <b>\$ 9,088,443</b> | <b>\$ 11,592,109</b> |

See notes to financial statements

# The Marfan Foundation, Inc.

## Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|---|---------------------------------------|------------------------------------|----------------------|
| <b>Revenues and Gains</b>   |                                       |                                    |                      |
| Major contributions   | \$ 888,007                            | \$ 500,120                         | \$ 1,388,127         |
| Other contributions   | 591,211                               | -                                  | 591,211              |
| Direct response   | 254,832                               | -                                  | 254,832              |
| Community events  | 251,589                               | 9,065                              | 260,654              |
| Conferences and symposia  | 113,490                               | -                                  | 113,490              |
| Net investment income   | 278,534                               | -                                  | 278,534              |
| Events, net of direct expenses of \$440,331                             | 1,922,784                             | -                                  | 1,922,784            |
| Change in value of beneficial interest in<br>charitable remainder trust | -                                     | 21,825                             | 21,825               |
| Gifts in-kind   | 310,452                               | -                                  | 310,452              |
| Net assets released from restrictions                                   | 1,332,075                             | (1,332,075)                        | -                    |
|   | <u>5,942,974</u>                      | <u>(801,065)</u>                   | <u>5,141,909</u>     |
| <b>Expenses</b>   |                                       |                                    |                      |
| Program service expenses:   |                                       |                                    |                      |
| Research initiatives and grants   | 2,231,543                             | -                                  | 2,231,543            |
| Education and public awareness  | 816,548                               | -                                  | 816,548              |
| Patient services and annual conference                                  | 1,456,376                             | -                                  | 1,456,376            |
|   | <u>4,504,467</u>                      | <u>-</u>                           | <u>4,504,467</u>     |
| Supporting service expenses:  |                                       |                                    |                      |
| Management and general  | 525,714                               | -                                  | 525,714              |
| Fundraising   | 737,325                               | -                                  | 737,325              |
|   | <u>1,263,039</u>                      | <u>-</u>                           | <u>1,263,039</u>     |
| Total supporting service expenses                                       | <u>1,263,039</u>                      | <u>-</u>                           | <u>1,263,039</u>     |
| Total expenses  | <u>5,767,506</u>                      | <u>-</u>                           | <u>5,767,506</u>     |
| Changes in net assets   | 175,468                               | (801,065)                          | (625,597)            |
| <b>Net Assets, Beginning</b>  | <u>4,162,024</u>                      | <u>8,055,682</u>                   | <u>12,217,706</u>    |
| <b>Net Assets, Ending</b>   | <u>\$ 4,337,492</u>                   | <u>\$ 7,254,617</u>                | <u>\$ 11,592,109</u> |

See notes to financial statements

**The Marfan Foundation, Inc.**

Statement of Functional Expenses

Year Ended June 30, 2020 (With Comparative Totals for 2019)

|  | Program Services                |                                |  | Supporting Services    |                   | 2020                | 2019                |
|--|---------------------------------|--------------------------------|--|------------------------|-------------------|---------------------|---------------------|
|  | Research Initiatives and Grants | Education and Public Awareness | Patient Services and Annual Conference | Management and General | Fundraising       | Total Expenses      | Total Expenses      |
| Awards and fellowships                                   | \$ 1,717,773                    | \$ 4,984                       | \$ 30,071                              | \$ -                   | \$ -              | \$ 1,752,828        | \$ 1,137,090        |
| Payroll  | 620,699                         | 538,097                        | 765,675                                | 327,116                | 369,550           | 2,621,137           | 2,439,944           |
| Payroll taxes  | 36,499                          | 34,994                         | 53,525                                 | 23,126                 | 24,651            | 172,795             | 167,134             |
| Employee benefits  | 53,308                          | 61,053                         | 99,773                                 | 43,373                 | 31,170            | 288,677             | 302,675             |
| Professional fees  | 107,687                         | 35,041                         | 37,106                                 | 63,126                 | 34,709            | 277,669             | 301,343             |
| Office expenses  | 32,966                          | 34,712                         | 52,003                                 | 17,946                 | 63,280            | 200,907             | 226,353             |
| Occupancy  | 12,711                          | 12,711                         | 12,711                                 | 7,796                  | 7,796             | 53,725              | 56,627              |
| Advertising and promotions                               | 53,013                          | 59,426                         | 59,556                                 | 70                     | 77,938            | 250,003             | 308,496             |
| Information technology                                   | 58,208                          | 57,700                         | 72,497                                 | 7,630                  | 14,186            | 210,221             | 150,924             |
| Travel and lodging                                       | 82,491                          | 31,407                         | 64,855                                 | 9,582                  | 48,480            | 236,815             | 330,894             |
| Conferences and other travel                             | -                               | 1,075                          | 237,589                                | -                      | 4,292             | 242,956             | 226,323             |
| Insurance  | 1,049                           | 1,049                          | 1,049                                  | 1,049                  | 1,049             | 5,245               | 5,030               |
| Fees and permits   | 2,678                           | 2,600                          | 2,600                                  | -                      | -                 | 7,878               | 8,173               |
| Dues and subscriptions                                   | 3,997                           | 3,006                          | 3,006                                  | 3,531                  | 5,712             | 19,252              | 20,990              |
| Uncollectible account expenses                           | -                               | -                              | -                                      | -                      | 29,500            | 29,500              | 16,516              |
| Miscellaneous  | 442                             | 439                            | 11,296                                 | 4,432                  | 8,315             | 24,924              | 28,714              |
| <b>Total expenses before depreciation</b>                | <b>2,783,521</b>                | <b>878,294</b>                 | <b>1,503,312</b>                       | <b>508,777</b>         | <b>720,628</b>    | <b>6,394,532</b>    | <b>5,727,226</b>    |
| Depreciation   | 7,916                           | 7,916                          | 7,916                                  | 7,916                  | 7,916             | 39,580              | 40,280              |
| <b>Total expenses</b>                                    | <b>\$ 2,791,437</b>             | <b>\$ 886,210</b>              | <b>\$ 1,511,228</b>                    | <b>\$ 516,693</b>      | <b>\$ 728,544</b> | <b>\$ 6,434,112</b> | <b>\$ 5,767,506</b> |
| Percent to total program and supporting service, current | 43%                             | 14%                            | 24%                                    | 8%                     | 11%               | 100%                |                     |
| Percent to total program and supporting service, prior   | 39%                             | 14%                            | 25%                                    | 9%                     | 13%               |                     | 100%                |

See notes to financial statements



## The Marfan Foundation, Inc.

### Statement of Functional Expenses

Year Ended June 30, 2019

|   | 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                          | \$ 1,106,645                    | \$ 3,191                       | \$ 27,254                              | \$ -                   | \$ -              | \$ 1,137,090        |
| Payroll   | 588,130                         | 472,135                        | 696,387                                | 339,618                | 343,674           | 2,439,944           |
| Payroll taxes                                   | 35,958                          | 31,348                         | 51,067                                 | 25,033                 | 23,728            | 167,134             |
| Employee benefits                               | 58,478                          | 56,120                         | 101,042                                | 51,484                 | 35,551            | 302,675             |
| Professional fees                               | 135,271                         | 36,427                         | 36,751                                 | 58,718                 | 34,176            | 301,343             |
| Office expenses                                 | 40,426                          | 45,275                         | 53,614                                 | 19,768                 | 67,270            | 226,353             |
| Occupancy                                       | 13,559                          | 13,559                         | 13,559                                 | 7,975                  | 7,975             | 56,627              |
| Advertising and promotions                      | 60,654                          | 78,059                         | 62,251                                 | 205                    | 107,327           | 308,496             |
| Information technology                          | 37,432                          | 36,694                         | 61,044                                 | 4,761                  | 10,993            | 150,924             |
| Travel and lodging                              | 137,266                         | 20,958                         | 92,637                                 | 6,148                  | 73,885            | 330,894             |
| Conferences and other travel                    | -                               | 6,264                          | 216,781                                | -                      | 3,278             | 226,323             |
| Insurance                                       | 1,006                           | 1,006                          | 1,006                                  | 1,006                  | 1,006             | 5,030               |
| Fees and permits                                | 2,779                           | 2,697                          | 2,697                                  | -                      | -                 | 8,173               |
| Dues and subscriptions                          | 4,196                           | 3,078                          | 3,078                                  | 1,080                  | 9,558             | 20,990              |
| Uncollectable account expenses                  | -                               | -                              | 15,000                                 | -                      | 1,516             | 16,516              |
| Miscellaneous                                   | 1,687                           | 1,681                          | 14,152                                 | 1,862                  | 9,332             | 28,714              |
| Total expenses before depreciation              | 2,223,487                       | 808,492                        | 1,448,320                              | 517,658                | 729,269           | 5,727,226           |
| Depreciation                                    | 8,056                           | 8,056                          | 8,056                                  | 8,056                  | 8,056             | 40,280              |
| Total expenses                                  | <u>\$ 2,231,543</u>             | <u>\$ 816,548</u>              | <u>\$ 1,456,376</u>                    | <u>\$ 525,714</u>      | <u>\$ 737,325</u> | <u>\$ 5,767,506</u> |
| Percent to total program and supporting service | <u>39%</u>                      | <u>14%</u>                     | <u>25%</u>                             | <u>9%</u>              | <u>13%</u>        | <u>100%</u>         |

See notes to financial statements

# The Marfan Foundation, Inc.

## Statements of Cash Flows

Years Ended June 30, 2020 and 2019

|  | <u>2020</u>         | <u>2019</u>       |
|--|---------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |                   |
| Changes in net assets  | \$ (2,503,666)      | \$ (625,597)      |
| Adjustments to reconcile changes in net assets<br>to net cash flows from operating activities: |                     |                   |
| Depreciation   | 39,580              | 40,280            |
| Net realized and unrealized gain on investments  | (22,268)            | (140,346)         |
| Uncollectible account expenses   | 29,500              | 16,516            |
| Change in unamortized discount on pledges receivable   | (48,995)            | (24,511)          |
| Change in beneficial interest in charitable remainder trust                                    | 29,416              | (21,825)          |
| Changes in operating assets and liabilities:   |                     |                   |
| Decrease (increase) in operating assets:   |                     |                   |
| Pledges receivable   | 1,088,595           | 605,301           |
| Prepaid expenses and other current assets  | 3,495               | (40,755)          |
| Other assets   | (25,402)            | (24,397)          |
| Increase (decrease) in operating liabilities:  |                     |                   |
| Accrued liabilities  | 2,280               | 14,818            |
| Deferred income  | 401,397             | 5,904             |
| Grants payable   | 662,500             | -                 |
| Other payables   | 26,953              | 24,397            |
| Net cash flows from operating activities   | <u>(316,615)</u>    | <u>(170,215)</u>  |
| <b>Cash Flows From Investing Activities</b>  |                     |                   |
| Fixed asset purchases  | (6,770)             | (11,845)          |
| Purchases of investments   | (2,012,873)         | (2,230,210)       |
| Proceeds from the sale of investments  | <u>2,451,277</u>    | <u>2,257,070</u>  |
| Net cash flows from investing activities   | <u>431,634</u>      | <u>15,015</u>     |
| <b>Cash Flows From Financing Activities</b>  |                     |                   |
| Proceeds from line of credit   | <u>480,754</u>      | <u>19,246</u>     |
| Net cash flows from financing activities   | <u>480,754</u>      | <u>19,246</u>     |
| Net increase (decrease) in cash and cash equivalents   | 595,773             | (135,954)         |
| <b>Cash and Cash Equivalents, Beginning</b>  | <u>641,800</u>      | <u>777,754</u>    |
| <b>Cash and Cash Equivalents, Ending</b>   | <u>\$ 1,237,573</u> | <u>\$ 641,800</u> |

See notes to financial statements

# The Marfan Foundation, Inc.

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Notes to Financial Statements  
June 30, 2020 and 2019

## 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, Loeys Dietz, Vascular Ehlers Danlos and other genetic aortic conditions. The Foundation provides extensive education and support to patients and family members through its website, webinars, support groups, symposiums, conference and its Information Resource Center that is staffed by a registered nurse. In addition, it offers 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.

### Contributions

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.

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.

### Events Revenue

A portion of events revenue represents a reciprocal transaction equal to the cost of direct expenses with the remainder representing contributions. For the years ended June 30, 2020 and 2019, direct expenses were \$101,692 and \$440,331, respectively, and are netted against special events revenue.

### 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, 2020 and 2019, the Foundation received donated legal services from a board member of approximately \$146,000 and \$138,000, respectively. The Foundation also received donated website and TV advertisements of approximately \$125,000 and \$169,000 for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2019, the Foundation received donated services of IT consulting of approximately \$3,000.

# The Marfan Foundation, Inc.

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Notes to Financial Statements

June 30, 2020 and 2019

## Net Assets

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

### Net Assets 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.

### Net Assets 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.

## 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, 2020 and 2019, 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.**

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Notes to Financial Statements

June 30, 2020 and 2019

### **Investments**

Investments are recorded at their estimated fair values.

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.

### **Grants Payable**

Grants payable are comprised of unconditional promises to give and are payable in less than one year as of both June 30, 2020 and 2019.

### **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.

### **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 2020, the Foundation adopted Accounting Standards Update (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. The adoption of ASU 2014-09 did not impact the Foundation's revenue recognition methodology.

In 2020, the Foundation adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* on the modified prospective basis. 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. The Foundation has adopted the provisions of ASU 2018-08 as of June 30, 2020 and has presented the financial statements in accordance with this new pronouncement. The adoption of ASU 2018-08 did not impact the Foundation's revenue recognition methodology. The adoption resulted in additional awards and fellowships expense in the amount of \$625,000 due to recording of expense for grants that were considered conditional grants prior to the adoption.

In 2019, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption standard changed 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 September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently evaluating the impact of ASU 2020-07 on the Foundation's financial statements.

### **Evaluation of Subsequent Events**

Management has evaluated subsequent events through October 29, 2020, 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  
June 30, 2020 and 2019

### 2. Investments

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

|                           | 2020                |                     | 2019                |                     |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
|                           | Cost                | Fair Value          | Cost                | Fair Value          |
| Cash and cash equivalents | \$ 1,965,550        | \$ 1,965,550        | \$ 384,319          | \$ 384,319          |
| Corporate bonds           | 894,880             | 900,339             | 919,655             | 923,476             |
| Exchange traded funds     | 200,279             | 253,579             | 482,015             | 621,372             |
| Mutual funds              | 2,860,821           | 3,016,731           | 4,359,587           | 4,623,168           |
|                           | <u>\$ 5,921,530</u> | <u>\$ 6,136,199</u> | <u>\$ 6,145,576</u> | <u>\$ 6,552,335</u> |

The above assets requiring classification within the fair value hierarchy were classified as follows for the year ended June 30, 2020:

|                       | 2020   |   |
|-----------------------|--|---|
|                       | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| Exchange traded funds | \$ 253,579   | \$ -  |
| Corporate bonds       | -  | 900,339                                       |
| Mutual funds          | 3,016,731  | -   |
| Total                 | <u>\$ 3,270,310</u>  | <u>\$ 900,339</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>                             |

Exchange traded funds and mutual funds are valued based on quoted market prices. 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, 2020 and 2019

### 3. Pledges Receivable, Net

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

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Unconditional promises to give before unamortized discount | \$ 1,803,254        | \$ 2,921,349        |
| Less unamortized discount                                  | <u>(96,551)</u>     | <u>(145,546)</u>    |
| Net unconditional promises to give                         | <u>\$ 1,706,703</u> | <u>\$ 2,775,803</u> |
| Amounts due in:  |                     |                     |
| One year   | \$ 1,391,895        | \$ 1,456,484        |
| Two to five years  | 310,208             | 1,318,319           |
| More than five years                                       | <u>4,600</u>        | <u>1,000</u>        |
| Net unconditional promises to give                         | <u>\$ 1,706,703</u> | <u>\$ 2,775,803</u> |

The discount rates utilized to calculate the net present value of multi-year pledges for the years ended June 30, 2020 and 2019 ranged from 1.54 percent to 2.92 percent.

### 4. Property and Equipment, Net

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

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Land                                     | \$ 107,927        | \$ 107,927        |
| Building and improvements                | 917,564           | 917,564           |
| Office equipment, furniture and fixtures | 298,802           | 292,032           |
| Website                                  | <u>182,876</u>    | <u>182,876</u>    |
|  | 1,507,169         | 1,500,399         |
| Less accumulated depreciation            | <u>838,268</u>    | <u>798,688</u>    |
|  | <u>\$ 668,901</u> | <u>\$ 701,711</u> |



## The Marfan Foundation, Inc.

Notes to Financial Statements  
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### 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 \$1,128,897 and \$1,411,412 as of June 30, 2020 and 2019, respectively.

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

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Board designated net assets, beginning | \$ 1,411,412        | \$ 1,720,476        |
| Net Investment income                  | 46,920              | 78,700              |
| Transfer to Surplus fund               | -                   | (331,000)           |
| Purchases                              | 2,299               | 555,591             |
| Sales                                  | (331,734)           | (612,355)           |
|  | <u>\$ 1,128,897</u> | <u>\$ 1,411,412</u> |

### 6. Net Assets With Donor Restrictions

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

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Purpose restricted:                     |                     |                     |
| Scholarships                            | \$ 1,005,375        | \$ 813,338          |
| Support services                        | 91,601              | 53,880              |
| Education                               | 17,708              | -                   |
| General research                        | 2,666,965           | 4,306,065           |
| Clinical trials                         | 557,930             | 891,062             |
| Thoracic Aortic Disease (TAD) Coalition | 51                  | 51                  |
| Conference                              | 35,000              | 102,500             |
| Time restricted:                        |                     |                     |
| Charitable Remainder Trust              | 1,058,305           | 1,087,721           |
|   | <u>\$ 5,432,935</u> | <u>\$ 7,254,617</u> |

During 2020 and 2019, 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>2020</u>         | <u>2019</u>         |
|------------------------|---------------------|---------------------|
| Research-valve sparing | \$ -                | \$ 50,528           |
| Education              | -                   | 6,000               |
| General research       | 1,664,100           | 992,353             |
| Clinical trials        | 333,132             | 258,697             |
| Conference             | 67,500              | 24,497              |
|                        | <u>\$ 2,064,732</u> | <u>\$ 1,332,075</u> |

# The Marfan Foundation, Inc.

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Notes to Financial Statements  
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## 7. Line of Credit

During 2020 and 2019, 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, 2020 and 2019 was approximately \$2,100,000 and \$3,100,000, respectively. There was \$500,000 borrowed against the margin account as of June 30, 2020. As of June 30, 2020, the interest rate was 2.60 percent. 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. The margin account can be terminated by the financial institution once the Foundation no longer holds accounts with the financial institution.

## 8. Deferred Income

Deferred income as of June 30, 2020 includes \$491,000 of Paycheck Protection Program (PPP) funds, administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief and Economic Security (CARES) Act. Subject to certain eligibility and spending requirements under the PPP, some or all of the amount received may be forgiven. The Foundation is accounting for the PPP funds as a conditional contribution. The revenue will be recognized as the conditions are met.

Also included within deferred income as of June 30, 2020 and 2019 are amounts of \$18,427 and \$108,030, respectively, received by the Foundation for its annual conference and other events which were deferred as these events had not been held as of June 30, 2020 and 2019.

## 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 the year ended June 30, 2019 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 \$130,400 and \$105,000 as of June 30, 2020 and 2019, 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, 2020 and 2019.

## 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, 2020 and 2019, approximately 59 percent and 72 percent, respectively, of pledges receivable were from one private foundation. Management believes such pledge amounts are fully collectible.

## The Marfan Foundation, Inc.

Notes to Financial Statements

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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, 2020 and 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

|   | <u>2020</u>             | <u>2019</u>             |
|---|-------------------------|-------------------------|
| Cash  | \$ 1,237,573            | \$ 641,800              |
| Investments   | 6,136,199               | 6,552,335               |
| Pledges receivable, net   | <u>1,391,895</u>        | <u>1,456,484</u>        |
| <br>Total financial assets  | <br>8,765,667           | <br>8,650,619           |
| <br>Less donor restricted amounts   | <br>4,059,822           | <br>4,847,577           |
| Less board designated amounts for other purposes  | 1,128,897               | 1,411,412               |
| Less investments restricted as collateral   | <u>500,000</u>          | <u>19,246</u>           |
| <br>Total financial assets available to meet cash needs for<br>general expenditures within one year | <br><u>\$ 3,076,948</u> | <br><u>\$ 2,372,384</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, 2020 and 2019 was \$1,128,897 and \$1,411,412, 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, 2020 and 2019 was approximately \$1,600,000 and \$3,100,000, respectively.