

The Marfan Foundation, Inc.

Financial Statements

June 30, 2018 and 2017



BAKER TILLY

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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, 2018 and 2017, 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, 2018 and 2017, 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 26, 2018

The Marfan Foundation, Inc.

Statements of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Assets		
Cash	\$ 777,754	\$ 459,043
Investments	6,438,849	6,983,908
Pledge receivables, net	3,373,109	4,065,160
Prepaid expenses and other current assets	171,431	223,351
Property and equipment, net	730,146	660,404
Beneficial interest in charitable remainder trust	1,065,896	1,020,337
Other assets	80,600	54,706
	<u>12,637,785</u>	<u>13,466,909</u>
Total assets	<u>\$ 12,637,785</u>	<u>\$ 13,466,909</u>
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	\$ 237,353	\$ 247,343
Deferred income	102,126	113,365
Other payables	80,600	54,706
	<u>420,079</u>	<u>415,414</u>
Total liabilities	<u>420,079</u>	<u>415,414</u>
Net Assets		
Unrestricted:		
General	2,441,548	1,945,282
Board designated	1,720,476	2,165,752
Temporarily restricted	8,055,682	8,940,461
	<u>12,217,706</u>	<u>13,051,495</u>
Total net assets	<u>12,217,706</u>	<u>13,051,495</u>
Total liabilities and net assets	<u>\$ 12,637,785</u>	<u>\$ 13,466,909</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018 (With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
Revenues and Gains				
Major contributions	\$ 742,460	\$ 403,136	\$ 1,145,596	\$ 5,674,462
Other contributions	386,684	16,792	403,476	343,492
Direct response	283,922	-	283,922	260,892
Community events	182,107	6,135	188,242	191,141
Conferences and symposia	210,989	-	210,989	103,298
Net investment income	307,992	-	307,992	212,275
Events, net of direct expenses of \$411,134 and \$337,580, respectively	1,955,023	-	1,955,023	1,677,851
Change in value of beneficial interest in charitable remainder trust	-	45,559	45,559	53,262
Gifts in-kind	323,108	-	323,108	264,177
Net assets released from restriction	1,356,401	(1,356,401)	-	-
	<u>5,748,686</u>	<u>(884,779)</u>	<u>4,863,907</u>	<u>8,780,850</u>
Expenses				
Program service expenses:				
Research initiatives and grants	2,278,140	-	2,278,140	1,720,485
Education and public awareness	831,659	-	831,659	801,211
Patient services and annual conference	1,379,855	-	1,379,855	1,147,193
	<u>4,489,654</u>	<u>-</u>	<u>4,489,654</u>	<u>3,668,889</u>
Supporting service expenses:				
Management and general	525,704	-	525,704	482,013
Fundraising	682,338	-	682,338	578,943
	<u>1,208,042</u>	<u>-</u>	<u>1,208,042</u>	<u>1,060,956</u>
Total supporting service expenses	<u>1,208,042</u>	<u>-</u>	<u>1,208,042</u>	<u>1,060,956</u>
Total expenses	<u>5,697,696</u>	<u>-</u>	<u>5,697,696</u>	<u>4,729,845</u>
Change in net assets	50,990	(884,779)	(833,789)	4,051,005
Net Assets, Beginning of the Year	<u>4,111,034</u>	<u>8,940,461</u>	<u>13,051,495</u>	<u>9,000,490</u>
Net Assets, End of the Year	<u>\$ 4,162,024</u>	<u>\$ 8,055,682</u>	<u>\$ 12,217,706</u>	<u>\$ 13,051,495</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Gains			
Major contributions	\$ 1,019,452	\$ 4,655,010	\$ 5,674,462
Other contributions	317,352	26,140	343,492
Direct response	260,892	-	260,892
Community events	182,311	8,830	191,141
Conferences and symposia	103,298	-	103,298
Net investment income	212,275	-	212,275
Events, net of direct expenses of \$337,580	1,677,851	-	1,677,851
Change in value of beneficial interest in charitable remainder trust	-	53,262	53,262
Gifts in-kind	264,177	-	264,177
Net assets released from restriction	741,143	(741,143)	-
	<u>4,778,751</u>	<u>4,002,099</u>	<u>8,780,850</u>
Expenses			
Program service expenses:			
Research initiatives and grants	1,720,485	-	1,720,485
Education and public awareness	801,211	-	801,211
Patient services and annual conference	1,147,193	-	1,147,193
	<u>3,668,889</u>	<u>-</u>	<u>3,668,889</u>
Supporting service expenses:			
Management and general	482,013	-	482,013
Fundraising	578,943	-	578,943
	<u>1,060,956</u>	<u>-</u>	<u>1,060,956</u>
Total supporting service expenses	<u>1,060,956</u>	<u>-</u>	<u>1,060,956</u>
Total expenses	<u>4,729,845</u>	<u>-</u>	<u>4,729,845</u>
Change in net assets	48,906	4,002,099	4,051,005
Net Assets, Beginning of the Year	<u>4,062,128</u>	<u>4,938,362</u>	<u>9,000,490</u>
Net Assets, End of the Year	<u>\$ 4,111,034</u>	<u>\$ 8,940,461</u>	<u>\$ 13,051,495</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Program Services			Supporting Services		2018 Total Expenses	2017 Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fund Raising		
Awards and fellowships	\$ 1,079,595	\$ 5,280	\$ 47,232	\$ -	\$ -	\$ 1,132,107	\$ 896,752
Payroll	569,910	434,224	650,280	328,509	315,112	2,298,035	2,028,281
Payroll taxes	36,083	29,585	49,033	24,334	22,645	161,680	143,974
Employee benefits	56,877	49,362	89,995	44,135	33,327	273,696	240,585
Professional fees	111,594	6,709	10,090	28,735	15,622	172,750	136,152
Office expenses	43,367	49,663	53,255	20,072	53,162	219,519	209,917
Occupancy	14,406	14,407	14,438	8,234	8,241	59,726	58,901
Advertising and promotions	33,654	39,606	33,063	295	71,221	177,839	150,477
Information technology	33,860	33,095	47,305	2,777	6,163	123,200	121,101
Travel and lodging	233,895	24,007	80,745	7,903	74,669	421,219	258,746
Conferences and other travel	-	7,321	215,123	-	10,753	233,197	129,966
Insurance	1,003	1,003	1,003	1,003	1,003	5,015	4,845
Fees and permits	3,002	2,914	2,914	-	-	8,830	6,834
Dues and subscriptions	3,737	2,754	2,754	1,289	6,770	17,304	13,977
Gifts in-kind	48,840	123,431	48,840	48,838	53,159	323,108	264,177
Uncollectible account expenses	-	-	-	-	-	-	3,000
Miscellaneous	845	826	26,313	2,108	3,019	33,111	25,460
Total expenses before depreciation	2,270,668	824,187	1,372,383	518,232	674,866	5,660,336	4,693,145
Depreciation	7,472	7,472	7,472	7,472	7,472	37,360	36,700
Total expenses	<u>\$ 2,278,140</u>	<u>\$ 831,659</u>	<u>\$ 1,379,855</u>	<u>\$ 525,704</u>	<u>\$ 682,338</u>	<u>\$ 5,697,696</u>	<u>\$ 4,729,845</u>
Percent to total program and supporting service, current	<u>40%</u>	<u>15%</u>	<u>24%</u>	<u>9%</u>	<u>12%</u>	<u>100%</u>	
Percent to total program and supporting service, prior	<u>37%</u>	<u>17%</u>	<u>24%</u>	<u>10%</u>	<u>12%</u>		<u>100%</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services			Supporting Services		2017 Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fund Raising	
Awards and fellowships	\$ 873,694	\$ 3,300	\$ 19,758	\$ -	\$ -	\$ 896,752
Payroll	480,181	396,887	565,614	304,647	280,952	2,028,281
Payroll taxes	31,098	26,447	45,005	22,860	18,564	143,974
Employee benefits	44,723	44,710	81,447	40,054	29,651	240,585
Professional fees	62,399	17,116	17,771	31,383	7,483	136,152
Office expenses	33,585	36,824	70,507	17,049	51,952	209,917
Occupancy	14,197	14,197	14,197	8,155	8,155	58,901
Advertising and promotions	24,440	35,906	31,714	1,767	56,650	150,477
Information technology	30,523	31,473	44,224	3,586	11,295	121,101
Travel and lodging	79,059	21,919	87,733	7,830	62,205	258,746
Conferences and other travel	106	12,246	116,368	64	1,182	129,966
Insurance	969	969	969	969	969	4,845
Fees and permits	2,238	2,173	2,173	250	-	6,834
Dues and subscriptions	4,640	3,509	3,509	2,239	80	13,977
Gifts in-kind	29,640	144,554	29,640	29,640	30,703	264,177
Uncollectible account expenses	-	-	-	-	3,000	3,000
Miscellaneous	1,653	1,641	9,224	4,180	8,762	25,460
Total expenses before depreciation	1,713,145	793,871	1,139,853	474,673	571,603	4,693,145
Depreciation	7,340	7,340	7,340	7,340	7,340	36,700
Total expenses	<u>\$ 1,720,485</u>	<u>\$ 801,211</u>	<u>\$ 1,147,193</u>	<u>\$ 482,013</u>	<u>\$ 578,943</u>	<u>\$ 4,729,845</u>
Percent to total program and supporting service	<u>37%</u>	<u>17%</u>	<u>24%</u>	<u>10%</u>	<u>12%</u>	<u>100%</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (833,789)	\$ 4,051,005
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	37,360	36,700
Net realized and unrealized gain on investments	(207,144)	(144,553)
Uncollectible account expenses	-	3,000
Change in unamortized discount on pledges receivable	67	169,990
Change in beneficial interest in charitable remainder trust	(45,559)	(53,263)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Pledges receivable	691,984	(4,018,192)
Prepaid expenses and other current assets	51,920	(98,655)
Other assets	(25,894)	(24,948)
Increase (decrease) in operating liabilities:		
Accrued liabilities	(9,990)	99,737
Deferred income	(11,239)	(23,257)
Other payables	25,894	24,948
Net cash provided by (used in) operating activities	<u>(326,390)</u>	<u>22,512</u>
Cash Flows from Investing Activities		
Fixed asset purchases	(107,102)	(5,851)
Purchases of investments	(1,608,063)	(1,741,328)
Proceeds from the sale of investments	<u>2,360,266</u>	<u>1,579,281</u>
Net cash provided by (used in) investing activities	<u>645,101</u>	<u>(167,898)</u>
Net increase (decrease) in cash and cash equivalents	318,711	(145,386)
Cash and Cash Equivalents, Beginning of Year	<u>459,043</u>	<u>604,429</u>
Cash and Cash Equivalents, End of Year	<u>\$ 777,754</u>	<u>\$ 459,043</u>

See notes to financial statements

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

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 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 unrestricted, unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Temporarily 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 unrestricted net assets.

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

Net Assets

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

General Unrestricted

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.

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

Board Designated Unrestricted

Unrestricted net assets that have been designated for general reserves by the board of directors.

Temporarily Restricted

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, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted

Net assets that are subject to donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or removed by actions of the Foundation. Generally, the donors of these funds permit the Foundation to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes. The Foundation has no permanently restricted net assets.

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, 2018 and 2017, no allowance for doubtful accounts and pledges was necessary.

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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.

Investments

Investments in marketable equity securities and debt securities, including mutual funds are recorded at their estimated fair values, which are based on quoted market prices. Investments in funds with no readily determinable fair value, which report net asset value or its equivalent, are reported at estimated fair value. The estimated fair value of the net asset value funds, as a practical expedient, is the net asset value as provided by the investment managers, and evaluated for reasonableness by the Foundation. Due to the inherent uncertainties of these estimates these values may differ from the values that would have been used had a ready market existed for such investments.

Gains and losses on investments are reported in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. 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.

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, the Foundation received donated legal services from a board member of approximately \$158,000 and \$78,000, respectively. The Foundation also received donated website and TV advertisements of approximately \$163,000 and \$186,000 for the years ended June 30, 2018 and 2017, respectively. In addition, 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.

Reclassifications

Certain reclassifications were made to the 2017 statement of activities and changes in net assets and statement of functional expenses to conform to the 2018 presentation. These reclassifications had no impact on the changes in net assets previously reported.

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.

Evaluation of Subsequent Events

Management has evaluated subsequent events through October 26, 2018, 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, 2018 and 2017

2. Investments

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 2,572,066	\$ 2,572,066	\$ 3,633,254	\$ 3,633,254
Corporate bonds	1,252,739	1,243,047	685,273	682,390
Exchange traded funds	482,015	581,381	602,759	649,629
Mutual funds	1,839,285	2,042,355	1,911,075	2,018,067
Equities	-	-	343	568
	<u>\$ 6,146,105</u>	<u>\$ 6,438,849</u>	<u>\$ 6,832,704</u>	<u>\$ 6,983,908</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>

The above assets requiring classification within the fair value hierarchy were classified as follows for the year ended June 30, 2017:

	2017	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equities	\$ 568	\$ -
Exchange traded funds	649,629	-
Corporate bonds	-	682,390
Mutual funds	2,018,067	-
Total	<u>\$ 2,668,264</u>	<u>\$ 682,390</u>

The Marfan Foundation, Inc.

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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.

Investment income included in the statements of activities and changes in net assets consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 100,848	\$ 67,722
Realized gain on investments	65,604	2,345
Unrealized gain on investments	<u>141,540</u>	<u>142,208</u>
Total investment income	<u>\$ 307,992</u>	<u>\$ 212,275</u>

Investment management fees are included with professional fees on the statement of functional expenses. These fees were approximately \$8,900 and \$9,600 for the fiscal years ended June 30, 2018 and 2017, respectively.

3. Pledges Receivable

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

	<u>2018</u>	<u>2017</u>
Unconditional promises to give before unamortized discount	\$ 3,543,166	\$ 4,235,150
Less unamortized discount	<u>(170,057)</u>	<u>(169,990)</u>
Net unconditional promises to give	<u>\$ 3,373,109</u>	<u>\$ 4,065,160</u>
Amounts due in:		
One year	\$ 1,327,503	\$ 1,235,150
Two to five years	<u>2,045,606</u>	<u>2,830,010</u>
Net unconditional promises to give	<u>\$ 3,373,109</u>	<u>\$ 4,065,160</u>

The discount rates utilized to calculate the net present value of three multi-year pledges for the year ended June 30, 2018 ranged from 1.76% to 2.92%. For the year ended June 30, 2017, the discount rate utilized was 1.76%.

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

4. Property and Equipment, Net

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

	<u>2018</u>	<u>2017</u>
Land	\$ 107,927	\$ 107,927
Building and improvements	905,719	810,575
Office equipment, furniture and fixtures	292,032	285,378
Website	182,876	182,876
	<u>1,488,554</u>	<u>1,386,756</u>
Less accumulated depreciation	<u>758,408</u>	<u>726,352</u>
	<u>\$ 730,146</u>	<u>\$ 660,404</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 \$1,720,476 and \$2,165,752 as of June 30, 2018 and 2017, respectively.

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

	<u>2018</u>	<u>2017</u>
Board designated net assets, beginning of year	\$ 2,165,752	\$ 2,006,110
Investment return:		
Investment income	47,324	17,387
Net appreciation	64,514	47,270
Investment fees	-	(95)
Purchases	-	440,080
Sales	<u>(557,114)</u>	<u>(345,000)</u>
Board designated net assets, end of year	<u>\$ 1,720,476</u>	<u>\$ 2,165,752</u>

The Marfan Foundation, Inc.

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6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted for the following as of June 30:

	<u>2018</u>	<u>2017</u>
Purpose restricted:		
Scholarships	\$ 318,219	\$ 68,789
Research-valve sparing	50,528	159,096
Support services	44,815	-
Education	6,000	-
General research	5,293,417	6,235,076
Clinical trials	1,149,759	1,407,112
Thoracic Aortic Disease ("TAD") Coalition	51	51
Conference	126,997	50,000
Time restricted:		
Charitable Remainder Trust	1,065,896	1,020,337
	<u>\$ 8,055,682</u>	<u>\$ 8,940,461</u>

During 2018 and 2017, 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>2018</u>	<u>2017</u>
Research-valve sparing	\$ 108,568	\$ 84,076
General research	940,480	499,900
Clinical trials	257,353	157,167
Conference	50,000	-
	<u>\$ 1,356,401</u>	<u>\$ 741,143</u>

7. Line of Credit

During 2018 and 2017, 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 at June 30, 2018 and 2017 was approximately \$3,200,000 and \$2,400,000, respectively. There were no borrowings against the margin account at June 30, 2018 or 2017. The margin account can be terminated by the financial institution once the Foundation no longer holds accounts with the financial institution.

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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, 2018 and 2017.

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 years ended June 30, 2018 and 2017 was \$70,000 and \$60,000, respectively.

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 \$80,600 and \$54,706 as of June 30, 2018 and 2017, 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, 2018 and 2017.

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. At June 30, 2018, approximately 84% of pledges receivable were from one private foundation. At June 30, 2017, approximately 94% of pledges receivable were from one private foundation. Management believes such pledge amounts are fully collectible.

11. Recent Accounting Pronouncements

In May 2014, the FASB issued 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. 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 August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the Foundation for the fiscal year ending June 30, 2019. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-14 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 that ASU 2018-08 on the Foundation's financial statements.