SPINA BIFIDA ASSOCIATION

SPINA BIFIDA ASSOCIATION OF AMERICA

Financial Statements

For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

and
Report Thereon

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Spina Bifida Association of America

We have audited the accompanying financial statements of the Spina Bifida Association of America (the Association), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Spina Bifida Association of America as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

We have previously audited the Association's 2016 financial statements, and our report dated August 3, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
June 25, 2018

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 320,582	$ 179,373
Grants and contributions receivable	187,967	232,011
Investments	248,740	241,527
Prepaid expenses	30,566	74,580
Inventory	8,229	9,736
Property and equipment, net	101,446	124,481
TOTAL ASSETS	$ 897,530	$ 861,708
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 47,649	$ 42,980
Deferred revenue	4,608	61,035
Deferred rent and leasehold incentives	189,822	190,003
TOTAL LIABILITIES	242,079	294,018
Net Assets		
Unrestricted	592,888	506,603
Temporarily restricted	2,563	1,087
Permanently restricted	60,000	60,000
TOTAL NET ASSETS	655,451	567,690
TOTAL LIABILITIES AND NET ASSETS	$ 897,530	$ 861,708

The accompanying notes are an integral part of these financial statements.

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
REVENUE AND SUPPORT					
Direct Public Support:					
Federal grants	$ 591,283	$ -	$ -	$ 591,283	$ 655,708
Foundation grants and contributions	389,758	-	-	389,758	384,426
Special events	339,505	-	-	339,505	337,231
Bequests	204,938	-	-	204,938	54,457
Donated services	10,000	-	-	10,000	12,604
Indirect Public Support:					
Federated fundraising organizations	52,497	-	-	52,497	35,914
Total Public Support	1,587,981	-	-	1,587,981	1,480,340
Other Revenue:					
Conference and meetings	305,275	-	-	305,275	391,556
Investment income	13,970	1,476	-	15,446	11,950
Other	11,253	-	-	11,253	5,460
Sales of materials and services	1,239	-	-	1,239	3,125
Total Other Revenue	331,737	1,476	-	333,213	412,091
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	-	-	-	-	-
TOTAL REVENUE AND SUPPORT	1,919,718	1,476	-	1,921,194	1,892,431
EXPENSES					
Program Services:					
Research	603,964	-	-	603,964	672,691
Education	568,886	-	-	568,886	642,348
Member services/chapter development	164,736	-	-	164,736	190,235
Government relations	67,937	-	-	67,937	40,669
Information and referral	56,623	-	-	56,623	72,403
Total Program Services	1,462,146	-	-	1,462,146	1,618,346
Supporting Services:					
Management and general	141,117	-	-	141,117	184,245
Fundraising	230,170	-	-	230,170	288,012
Total Supporting Services	371,287	-	-	371,287	472,257
TOTAL EXPENSES	1,833,433	-	-	1,833,433	2,090,603
CHANGE IN NET ASSETS	86,285	1,476	-	87,761	(198,172)
NET ASSETS, BEGINNING OF YEAR	506,603	1,087	60,000	567,690	765,862
NET ASSETS, END OF YEAR	$ 592,888	$ 2,563	$ 60,000	$ 655,451	$ 567,690

The accompanying notes are an integral part of these financial statements.

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	Program Services						Supporting Services			
	Research	Education	Member Services/ Chapter Development	Government Relations	Information and Referral	Total Program Services	Management and General	Fundraising	2017 Total	2016 Total
Salaries and fringe benefits	$ 361,286	$ 121,960	$ 75,784	$ 22,630	$ 32,303	$ 613,963	$ 66,990	$ 92,582	$ 773,535	$ 918,129
Conference and meetings	14,720	237,093	19,701	-	-	271,514	776	7,546	279,836	262,274
Consultant fees	103,221	60,157	4,575	32,603	2,200	202,756	11,617	4,763	219,136	350,185
Rent	-	46,423	6,848	1,586	6,528	61,385	9,579	13,807	84,771	78,283
Office	-	18,209	2,343	1,900	1,900	24,352	28,624	28,195	81,171	80,566
Travel costs	19,554	32,037	15,574	740	-	67,905	1,156	9,982	79,043	87,140
Equipment rental and maintenance	1,250	12,457	6,844	3,491	3,647	27,689	9,481	5,650	42,820	51,468
Legal and accounting fees	11,559	12,851	3,721	1,535	1,279	30,945	6,229	5,199	42,373	36,821
Supplies	118	6,524	7,678	370	1,183	15,873	3,576	20,916	40,365	38,504
Depreciation and amortization	-	116	-	-	-	116	28,056	-	28,172	24,078
Printing	-	7,348	3,143	65	32	10,588	899	15,378	26,865	37,985
Postage	-	5,777	1,479	40	2,085	9,381	3,823	13,505	26,709	37,027
Bad debt expense	-	-	-	-	-	-	22,654	-	22,654	-
Telephone	-	3,735	3,391	2,761	2,825	12,712	4,794	2,761	20,267	21,513
Temporary help	-	-	-	-	-	-	14,939	500	15,439	-
Miscellaneous	-	901	10,135	-	-	11,036	10,751	1,543	23,330	7,033
Filing registration	-	216	251	216	216	899	3,729	4,096	8,724	18,985
Taxes	-	-	-	-	-	-	5,400	-	5,400	453
Scholarships	-	1,700	1,654	-	-	3,354	-	1,065	4,419	27,449
Entertainment	-	-	405	-	-	405	300	2,682	3,387	6,175
Publications and materials	-	-	-	-	2,425	2,425	-	-	2,425	4,285
Website hosting	-	1,382	-	-	-	1,382	-	-	1,382	1,750
Grants	-	-	1,210	-	-	1,210	-	-	1,210	500
Indirect cost allocation – grants	92,256	-	-	-	-	92,256	(92,256)	-	-	-
TOTAL EXPENSES	$ 603,964	$ 568,886	$ 164,736	$ 67,937	$ 56,623	$ 1,462,146	$ 141,117	$ 230,170	$ 1,833,433	$ 2,090,603

The accompanying notes are an integral part of these financial statements.

SPINA BIFIDA ASSOCIATION OF AMERICA

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)
Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 87,761	$ (198,172)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	28,172	24,078
Net realized and unrealized gains on investments	(12,664)	(5,003)
Changes in assets and liabilities:		
Grants and contributions receivable	44,044	94,832
Prepaid expenses	44,014	32,596
Inventory	1,507	5,831
Accounts payable and accrued expenses	4,669	(27,071)
Deferred revenue	(56,427)	50,747
Deferred rent and leasehold incentives	(181)	562
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	140,895	(21,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	77,146	322,881
Purchases of investments	(71,695)	(235,059)
Purchases of property and equipment	(5,137)	(919)
NET CASH PROVIDED BY INVESTING ACTIVITIES	314	86,903
NET INCREASE IN CASH AND CASH EQUIVALENTS	141,209	65,303
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	179,373	114,070
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 320,582	$ 179,373

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The Spina Bifida Association of America (the Association) provides information related to spina bifida, including progress in the areas of medicine, education, legislation and financial support; helps to fund research into the causes, effects and treatment of spina bifida; and encourages the training of professionals involved in treatment.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 205, *Presentation of Financial Statements*.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, unless they are held as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered.

Grants and Contributions Receivable

Grants and contributions receivable are stated at fair value. All grants and contributions receivable are expected to be collected in less than one year. The Association uses the allowance method to record potentially uncollectible receivables.

Investments

Investments consist of money market funds, equity mutual funds, and growth and income stocks. These investments are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received upon the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices are used to value marketable equities and fixed-income securities. Investment gains and losses are based on the appreciation or depreciation of the fair value of investments held at the end of the year and those that are disposed of during the year. Interest and dividend income are recorded as earned.

Fair Value Measurement

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Association has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

> *Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.
>
> *Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.
>
> *Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2017, the Association's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of FASB ASC Topic *Fair Value Measurement*.

Inventory

Inventory consists of books, pamphlets and videos, which are recorded at the lower of cost or market value using the first-in, first-out method.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost. Donated furniture and equipment are recorded at fair value at the date of donation. Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of five to seven years. Computer software is amortized over an estimated useful life of three to five years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the life of the lease. The Association follows the practice of capitalizing all expenditures that are more than $500 for property and equipment. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalized. At the time the assets are retired or otherwise disposed of, the property and the related accumulated depreciation and amortization are relieved of the applicable amounts, and any gain or loss is credited or charged to revenue and support or to expenses in the accompanying statement of activities.

Classification of Net Assets

The Association's net assets are reported as follows:

- Unrestricted net assets represent unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the Association's operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- Temporarily restricted net assets represent revenue and contributions subject to donor-imposed stipulations that will be met by the Association's actions and/or the passage of time.
- Permanently restricted net assets represent funds restricted by the donor to be maintained by the Association in perpetuity.

Revenue Recognition

Federal grants treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants for which billings have not been presented to, or collected from, the awarding agency is included in grants and contributions receivable in the accompanying statement of financial position. Amounts received in advance of the performance of services are recorded as deferred revenue in the accompanying statement of financial position.

Foundation grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted revenue and support. Amounts received that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. Unconditional promises to give and conditional promises to give for which the inability to meet the conditions is remote are recognized as revenue in the year in which they are promised and, if uncollected, are reflected as grants and contributions receivable in the accompanying statement of financial position. 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 accompanying statement of activities as net assets released from restrictions.

Conference and meetings revenue is recognized in the period in which the activities are held. Accordingly, sponsorships and related fees received in advance of the related conference or meetings are reflected as deferred revenue in the accompanying statement of financial position.

The Association holds various fundraising events that include multiple Walk-N-Roll events and marathons held in various cities throughout the nation. Fees received from such events are considered unrestricted and are recognized as special events revenue in the accompanying statement of activities in the reporting period in which the event occurs.

Wills are recorded as bequests revenue when the probate courts declare the wills valid and the proceeds are measurable. In cases in which a will's approval is required by state government authorities, bequests revenue is recognized after final approval.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Donated Services

The value of contributions that enhance a nonfinancial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. Donated services are recognized as revenue and support and as expenses in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt. Donated services consist of contributed professional services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. The Association allocates indirect costs to nongovernment programs based on the percentage of direct costs related to each program and supporting service. Indirect costs reimbursed by the federal government have been calculated using the lower of actual or the award-specific indirect cost rate and are included in indirect cost allocation – grants on the statement of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Grants and Contributions Receivable

At December 31, 2017, grants and contributions receivable were composed of the following:

Contributions receivable	$ 104,087
Federal grants receivable	45,861
Bequest receivable	38,019
Total Grants and Contributions Receivable	$ 187,967

All amounts were deemed fully collectible and due within one year.

3. Investments and Fair Value Measurement

Investments, at fair value, consisted of the following as of December 31, 2017:

Money market funds	$ 160,320
Equity mutual funds	62,555
Growth and income stocks	25,865
Total Investments	$ 248,740

Continued

3. Investments and Fair Value Measurement (continued)

Investment income is summarized as follows for the year ended December 31, 2017:

Unrealized gains on investments	$ 7,291
Realized gains on investments	5,373
Interest and dividends	2,782
Total Investment Income	$ 15,446

The following table summarizes the Association's financial assets measured at fair value on a recurring basis as of December 31, 2017:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Money market funds	$ 160,320	$ 160,320	$ -	$ -
Equity mutual funds:				
Moderate allocation	38,646	38,646	-	-
Tactical allocation	11,941	11,941	-	-
Mid cap growth	11,028	11,028	-	-
Growth and income	940	940	-	-
Total Equity Mutual Funds	62,555	62,555	-	-
Growth and income stock	25,865	25,865	-	-
Total Investments	$ 248,740	$ 248,740	$ -	$ -

The Association used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Money market funds, equity mutual funds, and growth and income stock – Value based on quoted market prices that are available in an active market.

Continued

4. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of December 31, 2017:

Leasehold improvements	$ 131,076
Equipment	53,663
Computer software	30,144
Furniture	26,959
Total Property and Equipment	241,842
Less: Accumulated Depreciation and Amortization	(140,396)
Property and Equipment, Net	$ 101,446

Depreciation and amortization expense totaled $28,172 for the year ended December 31, 2017.

5. Commitments and Risks

Operating Lease

In February 2014, the Association entered into a noncancelable operating lease for office space in Arlington, Virginia. The lease commenced on May 15, 2014, and expires in 2025. The lease requires a monthly base rent of $5,201 with annual increases of 2.75% and a 10-month rental abatement. Under GAAP, all fixed rent increases are recognized on a straight-line basis over the term of the lease. In addition, the Association is obligated to pay its share of real estate tax and operating expense of the building.

As of December 31, 2017, the future minimum lease payments required under this lease were as follows:

For the Year Ending December 31,	
2018	$ 69,252
2019	71,157
2020	73,113
2021	75,124
2022	77,190
Thereafter	174,449
Total Future Minimum Lease Obligations	$ 540,285

Rent expense totaled $84,771 for the year ended December 31, 2017.

5. Commitments and Risks (continued)

Concentration of Credit Risk

The cash and cash equivalents of the Association are composed of amounts in accounts at various financial institutions. While the amounts, at times, exceed the amount guaranteed by federal agencies and, therefore, bear some risk, the Association has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2017, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor at each FDIC-insured institution up to $250,000. The amounts held by the Association in excess of the FDIC-insured limit as of December 31, 2017, totaled approximately $47,700.

Employment Agreement

The Association signed an employment agreement with its Executive Director on December 5, 2015. Under the terms of the agreement, if the Association terminates the agreement for reasons other than cause, the Executive Director is entitled to receive severance pay in the amount of three months' current salary plus insurance, fringe and other benefits, and payment for unused earned vacation and sick/personal days accrued as of the date of termination.

6. Temporarily Restricted Net Assets

The Association's temporarily restricted net assets of $2,563 were available for scholarships as of December 31, 2017.

7. Endowment Funds

The Association has certain donor-restricted endowment funds, of which the principal is to be invested in perpetuity and the investment earnings are to be restricted for the purposes of funding an annual scholarship award to an eligible individual with spina bifida and funding spina bifida research.

Interpretation of Relevant Law

The Association's Board of Directors has interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

Continued

7. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Association and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The Association's other resources; and
- The Association's investment policies.

The Association's endowment net asset composition by fund type was as follows as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 2,563	$ 60,000	$ 62,563

For the year ended December 31, 2017, the Association's endowment had the following activity:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 1,087	60,000	$ 61,087
Investment return:				
Investment income	-	266	-	266
Net appreciation (realized and unrealized)	-	1,210	-	1,210
Total Investment Return	-	1,476	-	1,476
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment Net Assets, End of Year	$ -	$ 2,563	$ 60,000	$ 62,563

Continued

7. Endowment Funds (continued)

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA:

Sabadie Family Endowed Fund	$	50,000
Carolyn Elizabeth Gilbert Endowed Fund		10,000
Total Endowment Funds Classified as Permanently Restricted Net Assets	$	60,000

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no funds with deficiencies as of December 31, 2017.

Return Objectives and Strategies Employed for Achieving Objectives

The Association has adopted an investment policy and a spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested in a manner that is intended to achieve a balanced return of current income for program support and modest capital appreciation.

Spending Policy

The Board of Directors authorizes spending of up to a maximum of 4% of the cumulative investment earnings generated by the donor-restricted endowment funds for the Sabadie Family Endowed Fund and Carolyn Elizabeth Gilbert Endowed Fund. Earnings are spent based on the purposes designated by the donors (i.e., funding an annual scholarship award to an eligible individual with spina bifida and the duration and preservation of the funds). There was no spending from these funds in 2017.

8. Donated Services

The Association received pro bono legal and consulting services during the year ended December 31, 2017. These services are recorded in the financial statements if the services create or enhance long-lived assets or if they require specialized skills which are provided by individuals possessing these skills and would typically need to be purchased if not donated. The services, which are included in donated services, are recorded at fair value in the amount of $10,000 in the accompanying statement of activities.

Continued

9. Income Taxes

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under IRC Section 509(a)(1). As such, the Association is taxed only on its net unrelated business income. No provision for income taxes has been made in the accompanying financial statements for the year ended December 31, 2017, as there was no net unrelated business income.

The Association follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Association evaluated its uncertainty in income taxes for the year ended December 31, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2017, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Association files tax returns. It is the Association's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2017, the Association had no accrual for interest and/or penalties.

10. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2016, from which the summarized financial information was derived.

11. Reclassifications

Certain 2016 amounts have been reclassified to conform with the 2017 financial statement presentation.

12. Subsequent Events

In preparing these financial statements, the Association has evaluated, for potential recognition or disclosure, events and transactions through June 25, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.