

The Marfan Foundation, Inc.

Financial Statements

June 30, 2017 and 2016



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, 2017 and 2016, 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, 2017 and 2016, 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 27, 2017

The Marfan Foundation, Inc.

Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
Assets		
Assets		
Cash	\$ 459,043	\$ 604,429
Investments	6,983,908	6,677,308
Pledge receivables, net	4,065,160	219,958
Prepaid expenses and other current assets	223,351	124,696
Property and equipment, net	660,404	691,253
Beneficial interest in charitable remainder trust	1,020,337	967,074
Other assets	54,706	29,758
Total assets	<u>\$ 13,466,909</u>	<u>\$ 9,314,476</u>
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	\$ 247,343	\$ 147,606
Deferred income	113,365	136,622
Other payables	54,706	29,758
Total liabilities	<u>415,414</u>	<u>313,986</u>
Net Assets		
Unrestricted:		
General	1,945,282	2,056,018
Board designated	2,165,752	2,006,110
Temporarily restricted	8,940,461	4,938,362
Total net assets	<u>13,051,495</u>	<u>9,000,490</u>
Total liabilities and net assets	<u>\$ 13,466,909</u>	<u>\$ 9,314,476</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Revenues and Gains				
Major contributions	\$ 932,979	\$ 4,605,010	\$ 5,537,989	\$ 825,244
Other contributions	327,475	26,140	353,615	432,719
Direct response	260,892	-	260,892	235,285
Community events	182,311	8,830	191,141	173,343
The Marfan Annual Conference	159,730	50,000	209,730	218,639
Other conferences and symposia	19,918	-	19,918	5,295
Net investment income	212,275	-	212,275	32,203
Events, net of direct expenses of \$337,580 and \$380,066, respectively	1,677,851	-	1,677,851	1,614,045
Change in value of beneficial interest in charitable remainder trust	-	53,262	53,262	(12,101)
Gifts in-kind	264,177	-	264,177	248,585
Net assets released from restriction	741,143	(741,143)	-	-
Total revenues and gains	4,778,751	4,002,099	8,780,850	3,773,257
Expenses				
Program service expenses:				
Research initiatives and grants	1,720,485	-	1,720,485	1,890,723
Education and public awareness	801,211	-	801,211	708,352
Patient services and annual conference	1,147,193	-	1,147,193	1,108,727
Total program service expenses	3,668,889	-	3,668,889	3,707,802
Supporting service expenses:				
Management and general	482,013	-	482,013	471,340
Fundraising	578,943	-	578,943	713,740
Total supporting service expenses	1,060,956	-	1,060,956	1,185,080
Total expenses	4,729,845	-	4,729,845	4,892,882
Change in net assets	48,906	4,002,099	4,051,005	(1,119,625)
Net Assets, Beginning of the Year	4,062,128	4,938,362	9,000,490	10,120,115
Net Assets, End of the Year	\$ 4,111,034	\$ 8,940,461	\$ 13,051,495	\$ 9,000,490

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Gains			
Major contributions	\$ 712,744	\$ 112,500	\$ 825,244
Other contributions	432,719	-	432,719
Direct response	235,285	-	235,285
Community events	143,493	29,850	173,343
The Marfan Annual Conference	218,639	-	218,639
Other conferences and symposia	5,295	-	5,295
Net investment income	32,203	-	32,203
Events, net of direct expenses of \$380,066	1,614,045	-	1,614,045
Change in value of beneficial interest in charitable remainder trust	-	(12,101)	(12,101)
Gifts in-kind	248,585	-	248,585
Net assets released from restriction	<u>1,255,062</u>	<u>(1,255,062)</u>	<u>-</u>
Total revenues and gains	<u>4,898,070</u>	<u>(1,124,813)</u>	<u>3,773,257</u>
Expenses			
Program service expenses:			
Research initiatives and grants	1,890,723	-	1,890,723
Education and public awareness	708,352	-	708,352
Patient services and annual conference	<u>1,108,727</u>	<u>-</u>	<u>1,108,727</u>
Total program service expenses	<u>3,707,802</u>	<u>-</u>	<u>3,707,802</u>
Supporting service expenses:			
Management and general	471,340	-	471,340
Fundraising	<u>713,740</u>	<u>-</u>	<u>713,740</u>
Total supporting service expenses	<u>1,185,080</u>	<u>-</u>	<u>1,185,080</u>
Total expenses	<u>4,892,882</u>	<u>-</u>	<u>4,892,882</u>
Increase (decrease) in net assets	5,188	(1,124,813)	(1,119,625)
Net Assets, Beginning of the Year	<u>4,056,940</u>	<u>6,063,175</u>	<u>10,120,115</u>
Net Assets, End of the Year	<u>\$ 4,062,128</u>	<u>\$ 4,938,362</u>	<u>\$ 9,000,490</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Program Services			Supporting Services		2017	2016
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fund Raising	Total Expenses	Total Expenses
Awards and fellowships	\$ 873,694	\$ 3,300	\$ 19,758	\$ -	\$ -	\$ 896,752	\$ 1,066,296
Payroll	480,181	396,887	565,614	304,647	280,952	2,028,281	1,883,551
Payroll taxes	31,098	26,447	45,005	22,860	18,564	143,974	131,620
Employee benefits	44,723	44,710	81,447	40,054	29,651	240,585	189,204
Professional fees	62,399	17,116	17,771	31,383	7,483	136,152	296,632
Office expenses	33,585	36,824	70,507	17,049	51,952	209,917	200,287
Occupancy	14,197	14,197	14,197	8,155	8,155	58,901	55,093
Advertising and promotions	24,440	35,906	31,714	1,767	56,650	150,477	122,575
Information technology	30,523	31,473	44,224	3,586	11,295	121,101	94,048
Travel and lodging	79,059	21,919	87,733	7,830	62,205	258,746	285,503
Conferences and other travel	106	12,246	116,368	64	1,182	129,966	159,265
Insurance	969	969	969	969	969	4,845	4,720
Fees and permits	2,238	2,173	2,173	250	-	6,834	8,118
Dues and subscriptions	4,640	3,509	3,509	2,239	80	13,977	21,077
Gifts in-kind	29,640	144,554	29,640	29,640	30,703	264,177	248,585
Uncollectible account expenses	-	-	-	-	3,000	3,000	500
Miscellaneous	1,653	1,641	9,224	4,180	8,762	25,460	20,828
Total expenses before depreciation	1,713,145	793,871	1,139,853	474,673	571,603	4,693,145	4,787,902
Depreciation	7,340	7,340	7,340	7,340	7,340	36,700	104,980
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>	<u>\$ 4,892,882</u>
Percent to total program and supporting service, current	<u>37%</u>	<u>17%</u>	<u>24%</u>	<u>10%</u>	<u>12%</u>	<u>100%</u>	
Percent to total program and supporting service, prior	<u>39%</u>	<u>14%</u>	<u>23%</u>	<u>10%</u>	<u>14%</u>		<u>100%</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services			Supporting Services		2016 Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fund Raising	
Awards and fellowships	\$ 1,040,801	\$ 3,300	\$ 22,195	\$ -	\$ -	\$ 1,066,296
Payroll	422,798	321,612	504,466	293,455	341,220	1,883,551
Payroll taxes	27,927	20,554	35,459	21,822	25,858	131,620
Employee benefits	32,632	30,899	54,674	33,023	37,976	189,204
Professional fees	141,452	49,070	48,993	39,946	17,171	296,632
Office expenses	38,948	39,216	54,488	16,595	51,040	200,287
Occupancy	12,971	12,949	14,321	7,426	7,426	55,093
Advertising and promotions	9,370	20,626	21,031	1,701	69,847	122,575
Information technology	21,518	24,599	34,294	3,375	10,262	94,048
Travel and lodging	75,728	22,500	132,330	4,938	50,007	285,503
Conference and other travel	11,429	17,936	128,689	490	721	159,265
Insurance	944	944	944	944	944	4,720
Fees and permits	2,760	2,679	2,679	-	-	8,118
Dues and subscriptions	4,817	11,802	3,892	566	-	21,077
Gifts in-kind	24,601	106,585	24,601	24,601	68,197	248,585
Uncollectible account expenses	-	-	-	-	500	500
Miscellaneous	1,031	2,085	4,675	1,462	11,575	20,828
Total expenses before depreciation	1,869,727	687,356	1,087,731	450,344	692,744	4,787,902
Depreciation	20,996	20,996	20,996	20,996	20,996	104,980
Total expenses	<u>\$ 1,890,723</u>	<u>\$ 708,352</u>	<u>\$ 1,108,727</u>	<u>\$ 471,340</u>	<u>\$ 713,740</u>	<u>\$ 4,892,882</u>
Percent to total program and Supporting service	<u>39%</u>	<u>14%</u>	<u>23%</u>	<u>10%</u>	<u>14%</u>	<u>100%</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 4,051,005	\$ (1,119,625)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	36,700	104,980
Net realized and unrealized gain on investments	(144,553)	(9,192)
Uncollectible account expenses	3,000	500
Change in unamortized discount on pledges receivable	169,990	(52,950)
Change in beneficial interest in charitable remainder trust	(53,263)	12,101
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Pledges receivable	(4,018,192)	895,042
Prepaid expenses and other current assets	(98,655)	(3,198)
Other assets	(24,948)	133,258
Increase (decrease) in operating liabilities:		
Accrued liabilities	99,737	(18,505)
Deferred income	(23,257)	(22,348)
Other payables	24,948	(133,258)
Net cash provided by (used in) operating activities	<u>22,512</u>	<u>(213,195)</u>
Cash Flows from Investing Activities		
Fixed asset purchases	(5,851)	-
Purchases of investments	(1,741,328)	(2,911,088)
Proceeds from the sale of investments	<u>1,579,281</u>	<u>2,841,987</u>
Net cash used in investing activities	<u>(167,898)</u>	<u>(69,101)</u>
Net decrease in cash and cash equivalents	(145,386)	(282,296)
Cash and Cash Equivalents, Beginning of Year	<u>604,429</u>	<u>886,725</u>
Cash and Cash Equivalents, End of Year	<u>\$ 459,043</u>	<u>\$ 604,429</u>

See notes to financial statements

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 disorders. 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.

Board Designated Unrestricted

Unrestricted net assets that have been designated for specific programs and 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, 2017 and 2016, 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 of \$2,000 or more and a useful life of more than three years and group equipment purchases with an acquisition 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.

The Foundation follows the provisions of Accounting Standards Update ("ASU") No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*, which removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

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.

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, 2017 and 2016, the Foundation received donated legal services from a board member of approximately \$78,000 and \$123,000, respectively. The Foundation also received donated website and TV advertisements of approximately \$186,000 and \$126,000 for the years ended June 30, 2017 and 2016, respectively.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications were made to the 2016 statement of activities and changes in net assets and statement of functional expenses to conform to the 2017 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 27, 2017, 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, 2017 and 2016

2. Investments

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

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 3,633,254	\$ 3,633,254	\$ 4,243,200	\$ 4,243,200
Certificates of deposit	-	-	1,636,000	1,634,983
U.S. government securities	-	-	642,176	651,241
Corporate bonds	685,273	682,390	137,517	147,340
Exchange traded funds	602,759	649,629	-	-
Mutual funds	1,911,075	2,018,067	-	-
Equities	343	568	343	544
	<u>\$ 6,832,704</u>	<u>\$ 6,983,908</u>	<u>\$ 6,659,236</u>	<u>\$ 6,677,308</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 above assets requiring classification within the fair value hierarchy were classified as follows for the year ended June 30, 2016:

	2016	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. government securities	\$ 651,241	\$ -
Corporate bonds	-	147,340
Equities	544	-
Total	<u>\$ 651,785</u>	<u>\$ 147,340</u>

The Marfan Foundation, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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:

	2017	2016
Interest and dividends	\$ 67,722	\$ 23,011
Realized gain (loss) on investments	2,345	(7,921)
Unrealized gain on investments	142,208	17,113
Total investment income	<u>\$ 212,275</u>	<u>\$ 32,203</u>

Investment management fees are included with professional fees on the statement of functional expenses. These fees were approximately \$9,600 and \$7,700 for the fiscal years ended June 30, 2017 and 2016, respectively.

3. Pledges Receivable

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

	2017	2016
Unconditional promises to give before unamortized discount	\$ 4,235,150	\$ 219,958
Less unamortized discount	(169,990)	-
Net unconditional promises to give	<u>\$ 4,065,160</u>	<u>\$ 219,958</u>
Amounts due in:		
One year	\$ 1,235,150	\$ 219,958
Two to five years	2,830,010	-
Net unconditional promises to give	<u>\$ 4,065,160</u>	<u>\$ 219,958</u>

The discount rate utilized to calculate the net present value of the pledges for the year ended June 30, 2017 was 1.76%.

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

4. Property and Equipment, Net

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

	<u>2017</u>	<u>2016</u>
Land	\$ 107,927	\$ 107,927
Building and improvements	810,575	804,724
Office equipment, furniture and fixtures	285,378	285,378
Website	182,876	182,876
	<u>1,386,756</u>	<u>1,380,905</u>
Less accumulated depreciation	<u>726,352</u>	<u>689,652</u>
	<u><u>\$ 660,404</u></u>	<u><u>\$ 691,253</u></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 \$2,165,752 and \$2,006,110 as of June 30, 2017 and 2016, respectively.

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

	<u>2017</u>	<u>2016</u>
Board designated net assets, beginning of year	\$ 2,006,110	\$ 1,915,019
Investment return:		
Investment income	17,387	8,241
Net appreciation	47,270	1,343
Investment fees	(95)	(150)
Purchases	440,080	1,364,657
Sales	<u>(345,000)</u>	<u>(1,283,000)</u>
Board designated net assets, end of year	<u><u>\$ 2,165,752</u></u>	<u><u>\$ 2,006,110</u></u>

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

6. Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Purpose restricted:		
Scholarships	\$ 68,789	\$ 42,649
Research-valve sparing	159,096	243,172
Programs and general research	6,235,076	2,121,137
Clinical trials	1,407,112	1,564,279
Thoracic Aortic Disease ("TAD") Coalition	51	51
Conference	50,000	-
Time restricted,		
Charitable Remainder Trust	<u>1,020,337</u>	<u>967,074</u>
	<u>\$ 8,940,461</u>	<u>\$ 4,938,362</u>

During 2017 and 2016, 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>2017</u>	<u>2016</u>
Scholarships	\$ -	\$ 3,586
Research-valve sparing	84,076	39,191
Programs and general research	499,900	1,013,011
Clinical trials	157,167	190,869
Thoracic Aortic Disease ("TAD") Coalition	<u>-</u>	<u>8,405</u>
	<u>\$ 741,143</u>	<u>\$ 1,255,062</u>

7. Line of Credit

In 2016, the Foundation maintained a loan management account, which is a demand line of credit that bears interest at LIBOR plus 2.00%. During 2017, the Foundation closed out the loan management account and opened 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 of credit line available to the Foundation at June 30, 2017 and 2016 is approximately \$2,400,000 and \$1,000,000, respectively. There were no borrowings against the lines of credit at June 30, 2017 or 2016. The line of credit can be terminated by the financial institution once the Foundation no longer holds accounts with the financial institution.

8. Deferred Income

Amounts received by the Foundation for its annual conference and other events were deferred as these events occurred subsequent to the years ended June 30, 2017 and 2016.

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, 2017 and 2016 was \$60,000 and \$45,000, 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 \$54,706 and \$29,758 as of June 30, 2017 and 2016, 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, 2017 and 2016.

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, 2017, approximately 94%, of pledges receivable were from one private foundation. At June 30, 2016, approximately 93%, of pledges receivable were from four donors, with each donor representing greater than 10% of pledges receivable. Management believes such pledge amounts are fully collectible.

11. Recent Accounting Pronouncements

The FASB has issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for the Foundation for the fiscal year beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on the Foundation's financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"). ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under ASC 820. ASU 2015-07 is effective for the Foundation for the fiscal year beginning after December 15, 2015. The Foundation has fully adopted the provisions of ASU 2015-07 as of June 30, 2017 and has presented the financial statements in accordance with this new pronouncement.

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 fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Foundation is assessing the impact this standard will have on its financial statements.