

**Spina Bifida Association of Western Pennsylvania  
and Related Entity**

**Consolidated Financial Statements and  
Supplementary Information  
December 31, 2016**

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Financial Statements and Supplementary Information  
December 31, 2016

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Independent Auditor's Report

Board of Directors  
Spina Bifida Association of Western Pennsylvania and Related Entity  
Mars, Pennsylvania

We have audited the accompanying consolidated financial statements of Spina Bifida Association of Western Pennsylvania (a nonprofit organization) and related entity, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spina Bifida Association of Western Pennsylvania and related entity as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental financial information on pages 23 to 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pittsburgh, Pennsylvania  
June 6, 2017

*McLee Morison & Associates, P.C.*

Spina Bifida of Western Pennsylvania and Related Entity

Consolidated Statement of Financial Position

December 31, 2016

Assets

Current assets:	
Cash and cash equivalents	\$ 138,306
Accounts receivable	36,879
Prepaid expenses	<u>1,967</u>
Total current assets	<u>177,152</u>
Property and equipment:	
Land	128,994
Building and improvements	2,716,892
Office equipment	137,924
Vehicles	69,753
Furniture and fixtures	<u>12,575</u>
	3,066,138
Less: accumulated depreciation	<u>(757,561)</u>
Net property and equipment	<u>2,308,577</u>
Other assets:	
Investments	141,714
Security deposits	330
Restricted deposits	<u>32,876</u>
Total other assets	<u>174,920</u>
Total assets	<u><u>\$ 2,660,649</u></u>

See accompanying notes to the financial statements.

**Liabilities and Net Assets**

Current liabilities:	
Note payable - current portion	\$ 6,654
Accounts payable	20,879
Accrued payroll	30,469
Accrued vacation	11,213
Other accrued liabilities	<u>3,505</u>
Total current liabilities	<u>72,720</u>
Other liabilities:	
Tenant security deposits	4,472
Note payable - net of current portion	264,216
Mortgage payable - Capital Advance	<u>2,418,000</u>
Total other liabilities	<u>2,686,688</u>
Total liabilities	<u>2,759,408</u>
Net assets:	
Unrestricted	(293,266)
Temporarily restricted	98,955
Permanently restricted	<u>95,552</u>
Total net assets	<u>(98,759)</u>
Total liabilities and net assets	<u><u>\$ 2,660,649</u></u>

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidated Statement of Activities

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Consolidated</u>
<b>Public support and revenue:</b>				
Program fees	\$ 758,969	\$ -	\$ -	\$ 758,969
Contributions	153,356	315,069	-	468,425
Rent	149,688	-	-	149,688
Interest and investment income	146	-	4,727	4,873
United Way grants	12,415	-	-	12,415
Donated services and materials	34,372	-	-	34,372
Miscellaneous revenue	2,520	-	-	2,520
Net assets released from restrictions	<u>276,712</u>	<u>(271,414)</u>	<u>(5,298)</u>	<u>-</u>
<b>Total public support and revenue</b>	<u>1,388,178</u>	<u>43,655</u>	<u>(571)</u>	<u>1,431,262</u>
<b>Expenses:</b>				
Program services	1,247,438	-	-	1,247,438
Supporting services:				
Administrative and general	130,255	-	-	130,255
Fundraising	<u>88,175</u>	<u>-</u>	<u>-</u>	<u>88,175</u>
<b>Total expenses</b>	<u>1,465,868</u>	<u>-</u>	<u>-</u>	<u>1,465,868</u>
<b>Change in net assets</b>	<u>(77,690)</u>	<u>43,655</u>	<u>(571)</u>	<u>(34,606)</u>
<b>Net assets:</b>				
Beginning of year	<u>(215,576)</u>	<u>55,300</u>	<u>96,123</u>	<u>(64,153)</u>
End of year	<u>\$ (293,266)</u>	<u>\$ 98,955</u>	<u>\$ 95,552</u>	<u>\$ (98,759)</u>

See accompanying notes to the financial statements.

SPINA BIFIDA ASSOCIATION OF WESTERN PENNSYLVANIA AND RELATED ENTITY

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2016

	Program Services				
	Gatehouse	Developmental Camping	Weekend Retreats	School Consulting	Community Service
Personnel costs	\$ 274,220	\$ 56,946	\$ 44,225	\$ 2,354	\$ 363,081
Staff development and training	640	154	50	-	687
Sub contract staff	-	599	-	-	-
Interest expense	-	-	-	-	-
Professional fees	2,039	243	438	-	2,617
Program food & beverage	4,280	22,646	10,673	-	259
Program supplies	4,236	17,752	3,037	-	373
Insurance	6,436	2,145	2,145	429	6,436
Telephone	5,034	183	502	183	3,145
Office supplies	130	3	2	-	68
Postage	243	146	194	1	66
Rent expense	74,685	10,138	19,124	2,748	16,486
Bank service charges	-	-	-	-	-
Office equipment leases	1,806	592	592	296	6,016
Computer expenses	3,636	222	222	357	4,113
Licenses/permits	231	-	-	-	50
Conferences	-	-	-	-	-
Meetings	990	88	17	-	4,079
Marketing expense	-	85	-	-	-
Operations	-	-	-	-	-
Repairs and maintenance	4,926	-	-	-	-
Depreciation	-	575	-	-	-
Utilities	15,833	232	232	232	1,393
Contract services	752	2	3	4	26
Events expense	379	32,771	-	-	-
Furniture, fixtures and equipment	2,381	-	-	-	-
Miscellaneous	-	-	-	-	-
Total functional expenditures	<u>\$ 402,877</u>	<u>\$ 145,522</u>	<u>\$ 81,456</u>	<u>\$ 6,604</u>	<u>\$ 408,895</u>

See accompanying notes to the financial statements.



Program Services

BluePrints	Fac/Maint	Housing	Total Program Services	Fundraising	Management and General	Grand Total
\$ 5,228	\$ 30,253	\$ -	\$ 776,307	\$ 59,148	\$ 74,644	\$ 910,099
-	161	-	1,692	25	675	2,392
-	-	-	599	-	-	599
-	166	-	166	-	11,207	11,373
-	197	-	5,534	363	15,930	21,827
108	-	-	37,966	-	178	38,144
5,678	21	-	31,097	9	818	31,924
1,073	1,716	9,997	30,377	-	1,073	31,450
183	503	-	9,733	184	366	10,283
-	-	-	203	85	4,965	5,253
71	3	-	724	606	317	1,647
2,748	2,747	-	128,676	2,747	5,495	136,918
-	-	-	-	-	645	645
296	-	-	9,598	1,480	1,837	12,915
87	531	-	9,168	544	2,928	12,640
-	25	-	306	-	290	596
3,491	-	-	3,491	47	22	3,560
36	341	-	5,551	-	1,091	6,642
-	-	-	85	5,223	-	5,308
-	-	30,813	30,813	-	-	30,813
-	7,296	-	12,222	-	-	12,222
-	3,974	71,753	76,302	790	3,227	80,319
232	233	22,115	40,502	232	465	41,199
4	4	-	795	1,200	13	2,008
-	-	-	33,150	15,492	2,115	50,757
-	-	-	2,381	-	-	2,381
-	-	-	-	-	1,954	1,954
<u>\$ 19,235</u>	<u>\$ 48,171</u>	<u>\$ 134,678</u>	<u>\$ 1,247,438</u>	<u>\$ 88,175</u>	<u>\$ 130,255</u>	<u>\$ 1,465,868</u>

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ (34,606)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	80,319
Unrealized (gain) loss on investments	1,619
Change in:	
Decrease in accounts receivable	6,963
Decrease in prepaid expenses	7,499
Decrease in security deposit	200
Increase in accounts payable	102
Increase in accrued expenses	8,440
Net cash provided by operating activities	<u>70,536</u>
Cash flows from investing activities:	
Purchases of property and equipment	(88,862)
Net withdrawals from reserve for replacement	32,681
Proceeds from sale of investments	169,367
Purchases of investments	<u>(148,875)</u>
Net cash used by investing activities	<u>(35,689)</u>
Cash flows from financing activities:	
Payments on long-term debt	(4,770)
Proceeds from note payable	<u>16,436</u>
Net cash provided by financing activities	<u>11,666</u>
Net increase in cash and cash equivalents	46,513
Cash and cash equivalents at beginning of year	<u>91,793</u>
Cash and cash equivalents at end of year	<u>\$ 138,306</u>
Cash paid for:	
Interest	<u>\$ 11,373</u>

See accompanying notes to the financial statements.

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Notes to the Financial Statements  
December 31, 2016

(1) **Organization**

Spina Bifida Association of Western Pennsylvania (“SBAWP” or Organization) is incorporated under the laws of the Commonwealth of Pennsylvania as a voluntary, not-for-profit corporation. SBAWP is committed to improving the quality of life for people with spina bifida, and their families, by providing a continuum of direct service, education and advocacy. Services include overnight camping, primary and secondary school consultation and assistance and adult residential and vocational assistance and training. SBAWP receives public support from contributions and other organization grants which support its programs.

SBAWP Housing, Inc. (“SB Housing”) was formed in 2006 as a nonprofit Corporation under the Nonprofit Corporation Law of 1988 of the Commonwealth of Pennsylvania. SB Housing is identified as HUD Project Number 033-HD095 by the U.S. Department of Housing and Urban Development (HUD) and is regulated by HUD as to rents charged and certain operating procedures.

SB Housing was formed to construct, own and operate a 14 unit apartment complex in Wexford, Pennsylvania under Section 811 of the National Housing Act. Construction of the apartment complex was substantially completed in December 2008. SB Housing was granted occupancy in January 2009 and began renting units to eligible tenants in February of 2009. SB Housing provides handicapped individuals with housing facilities and services specially designed to meet their physical, social, and psychological needs and to promote their health, security, happiness and usefulness in longer living. SB Housing’s major program is its Section 811 Capital Advance Funds.

Since January 1, 2009, SB Housing has had a Project Rental Assistance Contract (PRAC) with HUD. The purpose of the contract is to provide project rental assistance on behalf of eligible families leasing decent, safe, and sanitary units pursuant to Section 811. Effective January 1, 2016, SB Housing renewed the PRAC with HUD for a one year period.

(2) **Summary of Significant Accounting Policies**

(a) **Principles of Consolidation**

The consolidated financial statements include the accounts of SBAWP and SB Housing. All significant intercompany transactions and accounts have been eliminated in consolidation.

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(2) **Summary of Significant Accounting Policies, continued**

(b) **Basis of Accounting**

These statements have been prepared on the accrual basis in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, regardless of dates of cash receipts or cash disbursements.

(c) **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, Accounting Standards Codification, FASB ASC No. 958. Under FASB ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

1. Unrestricted net assets include gifts which are currently available at the discretion of the Board of Directors for use in operations.

2. Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met but for which the ultimate purpose of the proceeds is not permanently restricted

3. Permanently restricted net assets are required to be retained permanently by donor-imposed restrictions, although a portion of the resources are permitted to be released to defray operating costs each year, as more fully described in Note 12.

(d) **Federally Subsidized Rent Income**

SB Housing is also subject to Section 8 Housing Assistance payment agreements with the U.S. Department of Housing and Urban Development (HUD), and a significant portion of the project's rental income is received from HUD.

SB Housing has also entered into a rent regulatory agreement with Allegheny County. The agreement contains certain conditions with which SB Housing must comply. Under this agreement, SB Housing may not increase rents charged to tenants without HUD approval and may not increase rents more than two times in any calendar year.

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(2) **Summary of Significant Accounting Policies, continued**

(e) **Distributions**

SB Housing 's regulatory agreement with HUD stipulates, among other things, that SB Housing will not make distributions of assets or income to any of its officers or directors.

(f) **Accounts Receivable**

Accounts receivable are recorded at the amounts originally billed, less payments received and are non-interest bearing. The potential risk is limited to the amount recorded in the consolidated financial statements. The allowance for doubtful accounts is based upon historical collections and the amount of past due receivables for accounts whose collectability is in doubt. Management believes that no allowance is needed at December 31, 2016. Balances are written off once management determines collectability is not possible. Amounts due from two customers represent 99% of the outstanding accounts receivable balance at December 31, 2016. The total amounts due from these two customers were collected subsequent to December 31, 2016.

(g) **Property, Plant and Equipment**

Property, plant, and equipment are recorded at cost. The Organization's policy is to capitalize all expenditures for building and equipment in excess of \$1,000. Major renewals and betterments are capitalized, while maintenance and repair charges are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The Organization assesses for impairment losses when conditions warrant.

(h) **Investments**

The Organization determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each consolidated statement of financial position date. Debt securities are classified as held to maturity when the Organization has the positive intent and ability to hold the securities to maturity. Debt securities for which the Organization does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the consolidated statement of financial position, based on contractual maturity date and are stated at amortized cost.

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(2) **Summary of Significant Accounting Policies, continued**

(h) **Investments, continued**

Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt and marketable equity securities not classified as held to maturity or as trading, are classified as available-for-sale, and are carried at fair value, with the unrealized gains and losses recognized in the consolidated statement of activities and changes in net assets. For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification. Investment income is recorded when earned.

(i) **Donated Assets**

Donations of property and equipment and other noncash donations are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long donated assets must be maintained, the Organization reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and depreciation begins. No donated assets were received for the year ended December 31, 2016.

(j) **Cash Equivalents**

For purposes of cash flows, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

(k) **Donated Services and Materials**

A number of individuals have donated their time and services to the Organization. These services include legal and Board of Director support. In instances where an objective basis for valuing the services or materials contributed exists, the value is reflected in the financial statements as support and a related expense in the period the services are used. Services or materials for which it is impractical to estimate a fair market value are not reflected in the accompanying financial statements.

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(2) **Summary of Significant Accounting Policies, continued**

(k) **Donated Services and Materials, continued**

Donated materials and services are recorded as contributions at their estimated fair value at the date of receipt. The donated goods are used to maintain the agency's program activities. During 2016, the value of these items was as follows:

Materials	<u>\$34,372</u>
Total	<u>\$34,372</u>

(l) **Income Tax**

SBAWP was formed as a nonprofit Corporation under the Nonprofit Corporation Law of 1988 of the Commonwealth of Pennsylvania. The Organization is exempt from federal income taxes under Internal Revenue Code Section 501 (c) (3) and classified by the Internal Revenue Service as other than a private foundation. The Organization is also exempt from state income taxes. Accordingly, no provision for current or deferred federal or state income taxes has been made in the accompanying consolidated financial statements.

SB Housing was formed in 2006 as a nonprofit Corporation under the Nonprofit Corporation Law of 1988 of the Commonwealth of Pennsylvania. The Organization is exempt from federal income taxes under Internal Revenue Service as other than a private foundation. The Organization is also exempt from state income taxes. Accordingly, no provision for current or deferred federal or state income taxes has been made in the accompanying consolidated financial statements.

The Financial Accounting Standards Board (FASB) has issued Interpretation FASB ASC No. 740, which clarifies accounting principles generally accepted in the United States of America for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FASB ASC No. 740 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. The Organization evaluates uncertain tax positions in accordance with FASB ASC No. 740 and has determined there is no material impact on the Organization's financial position or results of operations for the year ended December 31, 2016.

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(2) **Summary of Significant Accounting Policies, continued**

(l) **Income Tax, continued**

The Organization annually files a federal Exempt Organization Tax Return (Form 990) as applicable. The filed form is subject to examination by the Internal Revenue Service generally for three years after it is filed.

(m) **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(n) **Fair Value**

The Financial Accounting Standards Board (FASB) has issued FASB ASC No. 820, "Fair Value Measurements", which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. This pronouncement does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. The carrying value of Organization's cash, accounts receivable, accounts payable and accrued expenses approximates fair value primarily because of the short maturity of these instruments. See note 3 on Fair Value of Investments.

The Board of Directors reviews and approves the Organization's fair value measurement policies and procedures annually. At least annually, the finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate

(o) **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.



Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(3) **Investments**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at estimated fair value as of December 31, 2016:

Investments – Level 1	
Money market funds	\$ 36,186
Bond funds	23,577
Equity funds	<u>76,951</u>
	136,714
Investments – Level 3	
Stock – Private trade organization	<u>5,000</u>
Total	<u>\$141,714</u>

FASB ASC No. 820 establishes a framework for measuring fair value by providing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(3) **Investments, continued**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Income earned on investments is as follows for the year ended December 31, 2016:

Interest and dividends	\$6,492
Unrealized gain (loss) on investments	(1,619)
	<u>\$4,873</u>

(4) **Reserve for Replacements**

SB Housing is required by a regulatory agreement to deposit \$1,450 per month into the reserve for replacements. SB Housing complied with this monthly deposit requirement for the year ending December 31, 2016. Disbursements from this reserve may be made only after written consent by HUD. In the event of a default in the terms of the mortgage, HUD may demand the full or partial application of the balance in this fund to the amount due on the mortgage debt.

(5) **Residual Receipts**

Under the regulatory agreement, SB Housing is required to deposit into a separate residual receipts account within sixty (60) days after the end of each fiscal year any surplus cash, as defined by HUD, realized from the operation of SB Housing. There was no surplus cash from operations for the year ended December 31, 2016.

Disbursements from such fund may be made only after prior written approval from HUD. The balance of \$10 at December 31, 2016 is held in a separate interest-bearing account and is generally not available for operating purposes.

(6) **Restricted Cash**

As described in footnote 4 and 5, the terms of the Regulatory Agreement specify that SB Housing is required to set aside certain amounts for the replacement of property and other project expenditures as approved by HUD. Restricted cash funds of \$32,876 at December 31, 2016, are held in separate interest bearing accounts and use of these funds is contingent upon HUD's prior written approval.

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(7) **Property, Plant and Equipment**

Property, plant, and equipment consisted of the following at December 31, 2016:

	Cost Basis	Estimated Useful Lives (years)
Land	\$ 128,994	-
Building	2,613,053	40
Building equipment - fixed	9,303	30
Building equipment - fixed	49,687	10
Building equipment - fixed	16,605	5
Building equipment - portable	11,764	10
Building equipment - portable	15,024	5
Furnishings	7,930	10
Furnishings	1,620	7
Furnishings	4,645	5
Office furniture and equipment	5,150	10
Office furniture and equipment	130,116	5
Office furniture and equipment	2,494	3
Vehicles	<u>69,753</u>	5
	3,066,138	
Less: accumulated depreciation	<u>( 757,561)</u>	
Net property, plant, and equipment	<u>\$2,308,577</u>	

(8) **Refundable Advances**

**Capital Advance Program**

SB Housing has entered into a first mortgage note payable agreement with HUD in the principal amount of \$2,068,000. The amount outstanding on the note amounted \$2,068,000 at December 31, 2016. The note bears no interest and repayment is not required so long as the housing remains available for very low income persons with disabilities in accordance with section 811 of the National Affordable Housing Act of 1990, the regulatory agreement and regulations.

The debt may not be prepaid prior to the maturity date of October 1, 2048 without the prior written approval of HUD. Provided that SB Housing has complied with applicable terms and conditions of the program, the note shall be deemed to be paid and discharged on the maturity date.

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(8) **Refundable Advances, continued**

**Capital Advance Program, continued**

If default occurs under the terms of the mortgage, the regulatory agreement, or the regulations, at the option of HUD, the entire principal sum shall at once become due and payable without notice. Interest per annum at a rate equal to 5.25% shall be payable on demand with respect to the payment of principal upon default.

**Home Investment Partnership Program**

SB Housing has entered into a non-interest bearing, subordinated second mortgage note payable to Allegheny County in the principal amount of \$350,000. The amount outstanding on the note amounted to \$350,000 at December 31, 2016. The loan is deferred for 41 years and provided there is no default under the terms and conditions of the regulatory agreement during this period, the loan may be forgiven and satisfied with no payment due, upon request of SB Housing.

(9) **Operating Lease**

The Organization has two operating leases. The term of the lease agreement for the office building located in Mars, Pennsylvania expires in April 2017. The term of the lease agreement for the Gatehouse program located in Wexford, Pennsylvania expires in January 2018. At December 31, 2016, total future minimum rentals under these leases are as follows:

2017	<u>\$72,039</u>
Total	<u>\$72,039</u>

(10) **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

Gatehouse program	\$ 5,675
Camp/weekend retreats	65,500
General program support	<u>27,780</u>
Total temporarily restricted net assets	<u>\$98,955</u>

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2016

(10) **Temporarily Restricted Net Assets, continued**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Blueprints	\$ 9,500
Camp/weekend retreats	119,785
Gatehouse program	86,609
General program support	32,220
Vehicle development	<u>23,300</u>
Total released from restrictions	<u>\$271,414</u>

(11) **Permanently Restricted Net Assets**

Net assets were permanently restricted for the following reason at December 31, 2016:

Program Related	<u>\$95,552</u>
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(12) **Endowment Funds**

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, (ASC 958-205) "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (ASC 958-205). ASC 958-205 provided guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Organization conducts activities within the Commonwealth of Pennsylvania, which has yet to adopt provisions of UPMIFA or the Uniform Management of Institutional Funds Act of 1972 (UMIFA).

Spina Bifida Association of Western Pennsylvania  
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Notes to the Financial Statements, continued  
December 31, 2016

(12) **Endowment Funds, continued**

Therefore, the Organization follows Pennsylvania Act 141, which addresses how not-for-profit organizations can invest and spend the income from restricted endowment funds. Under the provision, an Organization must make a choice between two basic strategies:

- a.) Principal and Interest Act – Under this act, the Organization may only spend the restricted endowment funds’ income, primarily interest and dividends, not capital gains or principal.
- b.) Total Return Policy – Under this policy, the Organization may elect a “total return policy” for the determination of income from a restricted endowment. The Organization board of directors may elect to spend between 2% and 7% of the fair market value of the investment in the restricted endowment. The Organization calculates the value of the assets by calculating their average fair value over a three-year period. If the assets have been held less than three years, the average is calculated over the period the assets have been held.

The Board of Directors has elected for the Organization to use a total return policy governed by Act 141.

The Organization has adopted an investment and spending policy, approved by the Board of Directors, for endowment assets. The policies stress a moderately conservative investment approach, with the objective of achieving long-term growth with reduced volatility by diversifying amounts between money market accounts, fixed income securities and equity mutual funds. The current long-term object is a return of 5% averaged over the 10-year time horizon of the Endowment Funds. Actual returns may vary in any given year from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2016

(12) **Endowment Funds, continued**

From 2000 through 2016, endowment grants totaling \$111,854 were received by SBAWP. Under the terms of the grants and SBAWP's investment spending policy, up to 5% of the three year average fair value of endowment investments may be transferred to unrestricted or temporarily restricted funds.

Endowment net assets as of December 31, 2016 comprise the following:

<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
<u>\$5,298</u>	<u>\$95,552</u>	<u>\$100,850</u>

Changes in endowment net assets as of December 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Beginning balance, January 1, 2016	\$ 12,392	\$96,123	\$108,515
Investment income	0	4,727	4,727
Net Drawdowns	<u>(7,094)</u>	<u>( 5,298)</u>	<u>( 12,392)</u>
Ending balance, December 31, 2016	<u>\$5,298</u>	<u>\$ 95,552</u>	<u>\$100,850</u>

The fair value of investments at December 31, 2016 is sufficient to satisfy donor or statutory restrictions.

(13) **Contingencies**

SB Housing receives a substantial amount of its support from the U.S. Department of Housing & Urban Development. A significant reduction in the level of this support, if this were to occur, may have a material effect on SB Housing's programs and activities.

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2016

(14) **Note Payable**

Note payable as of December 31, 2016 consisted of the following:

SBAWP's note payable to NexTier Bank with monthly interest charged at 4.25% and a fixed principal amount of \$290 due monthly with a final balloon payment due June 2019. The loan is collateralized by all business assets of Spina Bifida Association of Western Pennsylvania. \$255,724

Less current maturities included in current liabilities 3,480  
\$252,244

SBAWP's note payable to Ally Bank with annual interest charged at 2.39% and a fixed payment amount of \$291 due monthly. The loan is collateralized by an accessible van purchased by Spina Bifida Association of Western Pennsylvania. \$15,146

Less current maturities included in current liabilities 3,174  
\$11,972

Scheduled maturities and repayments on the note payable are as follows:

For the year ending December 31,

2017	\$ 6,654
2018	6,724
2019	252,086
2020 and thereafter	<u>5,406</u>
	<u>\$270,870</u>

SBAWP's credit agreements with the banks contain certain financial covenants that require, among other things, timely reporting of annual financial results to the bank and limits lending or making advances to other entities. The financial covenants were met or waived by the bank as of December 31, 2016.

(15) **Subsequent Events**

Subsequent events were evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued. No subsequent events were noted, except for the fact that effective January 1, 2017, SB Housing renewed the PRAC with HUD for a one year period. Additionally, on January 30, 2017 SBAWP signed a lease for a new office space. The lease term is from April 1, 2017 through March 31, 2022.



**SUPPLEMENTARY INFORMATION**

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidating Statement of Financial Position

December 31, 2016

	Spina Bifida Association of Western PA <u>Pennsylvania</u>	SBAWP Housing, Inc.	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash and cash equivalents	\$ 134,829	\$ 3,477	\$ -	\$ 138,306
Accounts receivable	36,879	-	-	36,879
Prepaid expenses	1,967	-	-	1,967
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	173,675	3,477	-	177,152
Property and equipment:				
Land	-	128,994	-	128,994
Building and improvements	15,943	2,700,949	-	2,716,892
Office equipment	109,903	28,021	-	137,924
Vehicles	69,753	-	-	69,753
Furniture and fixtures	-	12,575	-	12,575
	<hr/>	<hr/>	<hr/>	<hr/>
	195,599	2,870,539	-	3,066,138
Less accumulated depreciation	(150,348)	(607,213)	-	(757,561)
	<hr/>	<hr/>	<hr/>	<hr/>
Net property and equipment	45,251	2,263,326	-	2,308,577
Other assets:				
Investments	141,714	-	-	141,714
Due from SBAWP Housing, Inc.	210,778	-	(210,778)	-
Security deposits	330	-	-	330
Restricted deposits	-	32,876	-	32,876
	<hr/>	<hr/>	<hr/>	<hr/>
Total other assets	352,822	32,876	(210,778)	174,920
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 571,748	\$ 2,299,679	\$ (210,778)	\$ 2,660,649
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidating Statement of Financial Position (continued)

December 31, 2016

	Spina Bifida Association of Western PA <u>Pennsylvania</u>	SBAWP <u>Housing, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Current liabilities:</b>				
Note payable - current portion	\$ 6,654	\$ -	\$ -	\$ 6,654
Accounts payable	5,787	15,092	-	20,879
Accrued payroll	30,469	-	-	30,469
Accrued vacation	11,213	-	-	11,213
Other accrued liabilities	3,505	-	-	3,505
	<u>57,628</u>	<u>15,092</u>	<u>-</u>	<u>72,720</u>
<b>Other liabilities:</b>				
Due to SBAWP	-	210,778	(210,778)	-
Tenant security deposits	-	4,472	-	4,472
Note payable - net of current portion	264,216	-	-	264,216
Mortgage payable - Capital Advance	-	2,418,000	-	2,418,000
	<u>264,216</u>	<u>2,633,250</u>	<u>(210,778)</u>	<u>2,686,688</u>
<b>Total liabilities</b>	<u>321,844</u>	<u>2,648,342</u>	<u>(210,778)</u>	<u>2,759,408</u>
<b>Net assets:</b>				
Unrestricted	55,397	(348,663)	-	(293,266)
Temporarily restricted	98,955	-	-	98,955
Permanently restricted	95,552	-	-	95,552
	<u>249,904</u>	<u>(348,663)</u>	<u>-</u>	<u>(98,759)</u>
<b>Total net assets</b>	<u>249,904</u>	<u>(348,663)</u>	<u>-</u>	<u>(98,759)</u>
	<u>\$ 571,748</u>	<u>\$ 2,299,679</u>	<u>\$ (210,778)</u>	<u>\$ 2,660,649</u>

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidating Statement of Activities

For the Year Ended December 31, 2016

	Spina Bifida Association of Western PA <u>Pennsylvania</u>	SBAWP <u>Housing, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Public support and revenue:				
Program fees	\$ 816,909	\$ -	\$ (57,940)	\$ 758,969
Contributions	468,425	-	-	468,425
Rent	-	149,688	-	149,688
Interest and investment income	4,763	110	-	4,873
United Way grants	12,415	-	-	12,415
Donated services and materials	34,372	-	-	34,372
Miscellaneous revenue	-	2,520	-	2,520
	<u>1,336,884</u>	<u>152,318</u>	<u>(57,940)</u>	<u>1,431,262</u>
Total public support and revenue				
Expenses:				
Program services	1,112,760	154,744	(20,066)	1,247,438
Supporting services:				
Administrative and general	116,851	51,278	(37,874)	130,255
Fundraising	88,175	-	-	88,175
	<u>1,317,786</u>	<u>206,022</u>	<u>(57,940)</u>	<u>1,465,868</u>
Total expenses				
Change in net assets	19,098	(53,704)	-	(34,606)
Net assets:				
Beginning of year	<u>230,806</u>	<u>(294,959)</u>	<u>-</u>	<u>(64,153)</u>
End of year	<u>\$ 249,904</u>	<u>\$ (348,663)</u>	<u>\$ -</u>	<u>\$ (98,759)</u>