

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

**Consolidated Financial Statements and  
Supplementary Information  
December 31, 2017**

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Financial Statements and Supplementary Information  
December 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 2
Financial Statements:	
Consolidated Statement of Financial Position	3 – 4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6 – 7
Consolidated Statement of Cash Flows	8
Notes to the Financial Statements	9 – 22
Consolidating Statement of Financial Position	23 – 24
Consolidating Statement of Activities	25



**McGee Maruca & Associates, P.C.**  
Certified Public Accountants  
3111 Banksville Road, Suite 200  
Pittsburgh, PA 15216  
Ph 412.344.9006  
Fax 412.344.9475  
Email: office@mcgeemaruca.com  
Website: mcgeemaruca.com

Leslie A. McGee, C.P.A.  
Lisa Maruca DiPardo, C.P.A.

## 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, 2017, 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, 2017, 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  
May 14, 2018

*McLee Marica & Associates, P.C.*

Spina Bifida of Western Pennsylvania and Related Entity  
Consolidated Statement of Financial Position  
December 31, 2017

Assets

Current assets:	
Cash and cash equivalents	\$ 133,093
Accounts receivable	31,863
Prepaid expenses	<u>10,398</u>
Total current assets	<u>175,354</u>
Property and equipment:	
Land	128,994
Building and improvements	2,755,767
Office equipment	128,725
Vehicles	69,753
Furniture and fixtures	<u>12,575</u>
	3,095,814
Less: accumulated depreciation	<u>(820,224)</u>
Net property and equipment	<u>2,275,590</u>
Other assets:	
Investments	152,577
Security deposits	3,313
Restricted deposits	<u>29,791</u>
Total other assets	<u>185,681</u>
Total assets	<u><u>\$ 2,636,625</u></u>

See accompanying notes to the financial statements.

**Liabilities and Net Assets**

Current liabilities:

Note payable - current portion	\$ 6,737
Accounts payable	9,826
Accrued payroll	27,266
Accrued vacation	<u>9,130</u>

Total current liabilities 52,959

Other liabilities:

Tenant security deposits	4,460
Note payable - net of current portion	257,492
Mortgage payable - Capital Advance	<u>2,418,000</u>

Total other liabilities 2,679,952

Total liabilities 2,732,911

Net assets:

Unrestricted	(305,919)
Temporarily restricted	103,062
Permanently restricted	<u>106,571</u>

Total net assets (96,286)

Total liabilities and net assets \$ 2,636,625

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidated Statement of Activities

For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Consolidated</u>
Public support and revenue:				
Program fees	\$ 674,701	\$ -	\$ -	\$ 674,701
Contributions	266,548	206,633	-	473,181
Rent	184,371	-	-	184,371
Interest and investment income	99	-	16,374	16,473
United Way grants	10,794	-	-	10,794
Donated services and materials	36,059	-	-	36,059
Miscellaneous revenue	2,448	-	-	2,448
Net assets released from restrictions	207,881	(202,526)	(5,355)	-
	<u>1,382,901</u>	<u>4,107</u>	<u>11,019</u>	<u>1,398,027</u>
Total public support and revenue				
Expenses:				
Program services	1,177,206	-	-	1,177,206
Supporting services:				
Administrative and general	132,222	-	-	132,222
Fundraising	86,126	-	-	86,126
	<u>1,395,554</u>	<u>-</u>	<u>-</u>	<u>1,395,554</u>
Total expenses				
Change in net assets	(12,653)	4,107	11,019	2,473
Net assets:				
Beginning of year	<u>(293,266)</u>	<u>98,955</u>	<u>95,552</u>	<u>(98,759)</u>
End of year	<u>\$ (305,919)</u>	<u>\$ 103,062</u>	<u>\$ 106,571</u>	<u>\$ (96,286)</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, 2017

	Program Services				
	Gatehouse	Developmental Camping	Weekend Retreats	School Consulting	Community Service
Personnel costs	\$ 263,974	\$ 63,784	\$ 39,051	\$ 2,385	\$ 292,209
Staff development and training	417	120	120	-	570
Sub contract staff	-	595	-	-	-
Interest expense	-	-	-	-	-
Professional fees	2,281	324	453	-	2,171
Program food & beverage	6,583	19,364	9,477	-	357
Program supplies	2,764	28,692	4,965	-	1,806
Insurance	5,977	1,993	1,993	398	4,981
Telephone	4,868	196	463	171	2,226
Office supplies	151	14	15	12	130
Postage	50	162	112	-	51
Rent expense	70,126	19,920	14,540	2,048	10,239
Bank service charges	-	-	-	-	-
Office equipment leases	1,851	632	632	317	5,292
Computer expenses	1,873	1,089	847	430	1,847
Licenses/permits	241	-	-	-	50
Conferences	-	-	-	-	-
Meetings	1,562	63	23	-	3,106
Marketing expense	-	-	-	-	-
Operations	-	-	-	-	-
Repairs and maintenance	2,371	25	25	25	125
Depreciation	-	339	-	-	-
Utilities	16,253	86	86	86	430
Contract services	1,234	112	112	112	559
Events expense	-	34,026	80	-	-
Furniture, fixtures and equipment	1,559	30	30	30	151
Miscellaneous	-	-	-	-	-
Total functional expenditures	<u>\$ 384,135</u>	<u>\$ 171,566</u>	<u>\$ 73,024</u>	<u>\$ 6,014</u>	<u>\$ 326,300</u>

See accompanying notes to the financial statements.



Program Services

Program Services				Total Program Services	Fundraising	Management and General	Grand Total
Wellness	BluePrints	Fac/Maint	Housing				
\$ 11,269	\$ 4,807	\$ 32,134	\$ -	\$ 709,613	\$ 54,216	\$ 75,671	\$ 839,500
25	-	21	-	1,273	21	477	1,771
-	-	-	-	595	-	-	595
-	-	624	-	624	-	11,047	11,671
162	-	202	-	5,593	368	16,134	22,095
-	151	-	-	35,932	-	-	35,932
-	4,409	-	-	42,636	-	116	42,752
996	996	1,594	8,405	27,333	-	996	28,329
856	171	491	-	9,442	171	341	9,954
12	12	12	-	358	21	7,471	7,850
-	25	2	-	402	881	761	2,044
2,048	2,048	2,048	-	123,017	2,047	4,095	129,159
-	-	-	-	-	-	705	705
562	316	40	-	9,642	1,504	2,099	13,245
443	430	442	-	7,401	1,042	1,685	10,128
-	-	20	-	311	-	534	845
-	2,139	-	-	2,139	-	90	2,229
-	20	95	-	4,869	20	922	5,811
-	-	-	-	-	5,604	-	5,604
-	-	-	30,309	30,309	-	-	30,309
25	25	2,018	-	4,639	25	50	4,714
-	-	7,947	73,503	81,789	790	2,233	84,812
86	85	86	23,630	40,828	86	172	41,086
112	112	112	-	2,465	1,308	224	3,997
-	-	-	-	34,106	17,992	5,968	58,066
30	30	30	-	1,890	30	61	1,981
-	-	-	-	-	-	370	370
<u>\$ 16,626</u>	<u>\$ 15,776</u>	<u>\$ 47,918</u>	<u>\$ 135,847</u>	<u>\$ 1,177,206</u>	<u>\$ 86,126</u>	<u>\$ 132,222</u>	<u>\$ 1,395,554</u>

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2017

Cash flows from operating activities:	
Change in net assets	\$ 2,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	84,812
Unrealized (gain) loss on investments	(8,553)
Change in:	
Decrease in accounts receivable	5,016
Increase in prepaid expenses	(8,431)
Increase in security deposit	(2,995)
Decrease in accounts payable	(11,053)
Decrease in accrued expenses	(8,791)
Net cash provided by operating activities	<u>52,478</u>
Cash flows from investing activities:	
Purchase of property and equipment	(51,825)
Net withdrawals from reserve for replacement	3,085
Purchases of investments	(2,310)
Net cash used by investing activities	<u>(51,050)</u>
Cash flows from financing activities:	
Payments on long-term debt	<u>(6,641)</u>
Net cash used by financing activities	<u>(6,641)</u>
Net decrease in cash and cash equivalents	(5,213)
Cash and cash equivalents at beginning of year	<u>138,306</u>
Cash and cash equivalents at end of year	<u>\$ 133,093</u>
Cash paid for:	
Interest	<u>\$ 11,671</u>

See accompanying notes to the financial statements.

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Notes to the Financial Statements  
December 31, 2017

(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, 2017, 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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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, 2017. Balances are written off once management determines collectability is not possible. Amounts due from two customers represent 96% of the outstanding accounts receivable balance at December 31, 2017. The total amounts due from these two customers were collected subsequent to December 31, 2017.

(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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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, 2017.

(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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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 2017, the value of these items was as follows:

Materials	<u>\$36,059</u>
Total	<u>\$36,059</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, 2017.

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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, prepaid expenses, 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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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, 2017:

Investments – Level 1	
Money market funds	\$ 36,137
Bond funds	24,803
Equity funds	<u>86,637</u>
	147,577
Investments – Level 3	
Stock – Private trade organization	<u>5,000</u>
Total	<u>\$152,577</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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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, 2017:

Interest and dividends	\$7,920
Unrealized gain (loss) on investments	<u>8,553</u>
	<u>\$16,473</u>

(4) **Reserve for Replacements**

SB Housing is required by a regulatory agreement to deposit \$3,540 per month into the reserve for replacements. SB Housing complied with this monthly deposit requirement for the year ending December 31, 2017. 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, 2017.

Disbursements from such fund may be made only after prior written approval from HUD. The balance of \$10 at December 31, 2017 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 \$29,791 at December 31, 2017, 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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

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

Property, plant, and equipment consisted of the following at December 31, 2017:

	Cost Basis	Estimated Useful Lives (years)
Land	\$ 128,994	-
Building	2,643,463	40
Building equipment - fixed	9,303	30
Building equipment - fixed	49,687	10
Building equipment - fixed	25,070	5
Building equipment - portable	11,764	10
Building equipment - portable	15,024	5
Furnishings	7,930	10
Furnishings	1,620	7
Furnishings	3,903	5
Office furniture and equipment	5,150	10
Office furniture and equipment	121,659	5
Office furniture and equipment	2,494	3
Vehicles	69,753	5
	3,095,814	
Less: accumulated depreciation	( 820,224)	
Net property, plant, and equipment	\$2,275,590	

(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, 2017. 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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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, 2017. 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 Gatehouse program located in Wexford, Pennsylvania expires in January 2019. The lease term for the office located in Wexford, PA expires March 2022. At December 31, 2017, total future minimum rentals under these leases are as follows:

2018	\$94,894
2019	37,425
2020	38,178
2021	38,954
2022	<u>9,788</u>
Total	<u>\$219,239</u>

(10) **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Gatehouse program	\$ 2,562
Camp/weekend retreats	75,500
General program support	<u>25,000</u>
Total temporarily restricted net assets	<u>\$103,062</u>

Spina Bifida Association of Western Pennsylvania  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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	\$ 5,000
Camp/weekend retreats	127,500
Gatehouse program	7,246
General program support	<u>62,780</u>
Total released from restrictions	<u>\$202,526</u>

(11) **Permanently Restricted Net Assets**

Net assets were permanently restricted for the following reason at December 31, 2017:

Program Related	<u>\$106,571</u>
-----------------	------------------

(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  
and Related Entity

Notes to the Financial Statements, continued  
December 31, 2017

(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, 2017

(12) **Endowment Funds, continued**

From 2000 through 2017, 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, 2017 comprise the following:

<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
\$ <u>5,355</u>	\$ <u>106,571</u>	\$ <u>111,926</u>

Changes in endowment net assets as of December 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Beginning balance, January 1, 2017	\$ 5,298	\$95,552	\$100,850
Investment income	57	16,374	16,431
Net Drawdowns	<u>0</u>	<u>( 5,355)</u>	<u>( 5,355)</u>
Ending balance, December 31, 2017	\$ <u>5,355</u>	\$ <u>106,571</u>	\$ <u>111,926</u>

The fair value of investments at December 31, 2017 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, 2017

(14) **Note Payable**

Note payable as of December 31, 2017 consisted of the following:

SBAWP's note payable to NextTier 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. \$252,244

Less current maturities included in current liabilities 3,480  
\$248,764

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. \$11,985

Less current maturities included in current liabilities 3,257  
\$8,728

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

For the year ending December 31, 2017

2018	\$ 6,737
2019	252,086
2020	3,402
2021 and thereafter	<u>2,004</u>
	<u>\$264,229</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, 2017.

(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, 2018, SB Housing renewed the PRAC with HUD for a one year period.



**SUPPLEMENTARY INFORMATION**

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidating Statement of Financial Position

December 31, 2017

	Spina Bifida Association of Western PA <u>Pennsylvania</u>	SBAWP <u>Housing, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash and cash equivalents	\$ 129,594	\$ 3,499	\$ -	\$ 133,093
Accounts receivable	31,821	42	-	31,863
Prepaid expenses	8,446	1,952	-	10,398
	<u>169,861</u>	<u>5,493</u>	<u>-</u>	<u>175,354</u>
Property and equipment:				
Land	-	128,994	-	128,994
Building and improvements	14,015	2,741,752	-	2,755,767
Office equipment	101,446	27,279	-	128,725
Vehicles	69,753	-	-	69,753
Furniture and fixtures	-	12,575	-	12,575
	<u>185,214</u>	<u>2,910,600</u>	<u>-</u>	<u>3,095,814</u>
Less accumulated depreciation	<u>(141,264)</u>	<u>(678,960)</u>	<u>-</u>	<u>(820,224)</u>
	<u>43,950</u>	<u>2,231,640</u>	<u>-</u>	<u>2,275,590</u>
Other assets:				
Investments	152,577	-	-	152,577
Due from SBAWP Housing, Inc.	210,777	-	(210,777)	-
Security deposits	3,313	-	-	3,313
Restricted deposits	-	29,791	-	29,791
	<u>366,667</u>	<u>29,791</u>	<u>(210,777)</u>	<u>185,681</u>
Total other assets	<u>366,667</u>	<u>29,791</u>	<u>(210,777)</u>	<u>185,681</u>
	<u>\$ 580,478</u>	<u>\$ 2,266,924</u>	<u>\$ (210,777)</u>	<u>\$ 2,636,625</u>

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidating Statement of Financial Position (continued)

December 31, 2017

	Spina Bifida Association of Western PA <u>Pennsylvania</u>	SBAWP <u>Housing, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current liabilities:				
Note payable - current portion	\$ 6,737	\$ -	\$ -	\$ 6,737
Accounts payable	2,430	7,396	-	9,826
Accrued payroll	27,266	-	-	27,266
Accrued vacation	9,130	-	-	9,130
	<u>45,563</u>	<u>7,396</u>	<u>-</u>	<u>52,959</u>
Total current liabilities				
Other liabilities:				
Due to SBAWP	-	210,777	(210,777)	-
Tenant security deposits	-	4,460	-	4,460
Note payable - net of current portion	257,492	-	-	257,492
Mortgage payable - Capital Advance	-	2,418,000	-	2,418,000
	<u>257,492</u>	<u>2,633,237</u>	<u>(210,777)</u>	<u>2,679,952</u>
Total other liabilities				
	<u>303,055</u>	<u>2,640,633</u>	<u>(210,777)</u>	<u>2,732,911</u>
Total liabilities				
Net assets:				
Unrestricted	67,790	(373,709)	-	(305,919)
Temporarily restricted	103,062	-	-	103,062
Permanently restricted	106,571	-	-	106,571
	<u>277,423</u>	<u>(373,709)</u>	<u>-</u>	<u>(96,286)</u>
Total net assets				
	<u>\$ 580,478</u>	<u>\$ 2,266,924</u>	<u>\$ (210,777)</u>	<u>\$ 2,636,625</u>

Spina Bifida Association of Western Pennsylvania and Related Entity

Consolidating Statement of Activities

For the Year Ended December 31, 2017

	Spina Bifida Association of Western PA <u>Pennsylvania</u>	SBAWP Housing, Inc.	<u>Eliminations</u>	<u>Consolidated</u>
Public support and revenue:				
Program fees	\$ 736,743	\$ -	\$ (62,042)	\$ 674,701
Contributions	473,181	-	-	473,181
Rent	-	184,371	-	184,371
Interest and investment income	16,425	48	-	16,473
United Way grants	10,794	-	-	10,794
Donated services and materials	36,059	-	-	36,059
Miscellaneous revenue	-	2,448	-	2,448
	<u>1,273,202</u>	<u>186,867</u>	<u>(62,042)</u>	<u>1,398,027</u>
Total public support and revenue				
Expenses:				
Program services	1,041,359	163,447	(27,600)	1,177,206
Supporting services:				
Administrative and general	118,198	48,466	(34,442)	132,222
Fundraising	86,126	-	-	86,126
	<u>1,245,683</u>	<u>211,913</u>	<u>(62,042)</u>	<u>1,395,554</u>
Total expenses				
Change in net assets	27,519	(25,046)	-	2,473
Net assets:				
Beginning of year	<u>249,904</u>	<u>(348,663)</u>	<u>-</u>	<u>(98,759)</u>
End of year	<u>\$ 277,423</u>	<u>\$ (373,709)</u>	<u>\$ -</u>	<u>\$ (96,286)</u>