

Financial Statements

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

August 31, 2022

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Financial Statements

August 31, 2022

(With Independent Accountant's Review Report Thereon)

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SCHAFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Stephen J. Sheridan, CPA
Daniel M. Hinson, CPA

Independent Accountant's Review Report

The Board of Directors
The Association of Birth Defect Children, Inc.:

We have reviewed the accompanying statement of financial position of The Association of Birth Defect Children, Inc. as of August 31, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously reviewed The Association of Birth Defect Children, Inc.'s 2021 financial statements, and have issued our report dated October 22, 2021, which was a standard review report on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the financial statements from which it has been derived.

Schatz, Tschoff, Whitcomb, Mitchell & Shulman, LLP

Maitland, Florida
November 9, 2022

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Statements of Financial Position

August 31, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 13,398	43,174
Contribution receivable - split-interest agreement (note 4)	<u>1,403,437</u>	<u>1,638,608</u>
Total current assets	1,416,835	1,681,782
Property and equipment, net (note 3)	-	-
Deposits	<u>2,282</u>	<u>2,282</u>
Total assets	<u><u>\$ 1,419,117</u></u>	<u><u>1,684,064</u></u>

Liabilities and Net Assets

Liabilities:		
Accrued expenses	\$ 1,333	640
Accrued interest (note 6)	<u>2,800</u>	<u>1,560</u>
Total current liabilities	<u>4,133</u>	<u>2,200</u>
Note payable, less current maturities (note 6)	<u>45,400</u>	<u>45,400</u>
Total liabilities	<u>49,533</u>	<u>47,600</u>
Net assets:		
Net assets without donor restrictions	(33,853)	(2,144)
Net assets with donor restrictions (note 4)	<u>1,403,437</u>	<u>1,638,608</u>
Total net assets	<u>1,369,584</u>	<u>1,636,464</u>
Total liabilities and net assets	<u><u>\$ 1,419,117</u></u>	<u><u>1,684,064</u></u>

See accompanying notes to financial statements and independent accountant's review report.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Statement of Activities

Year ended August 31, 2022

(With summarized comparative data from the year ended August 31, 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021
Public support and revenue:				
Public support:				
Donated services	\$ 147,940	-	147,940	111,455
Contributions	60,460	-	60,460	54,843
Paycheck protection program grant (note 7)	-	-	-	12,324
Allocated by combined				
Federal campaign	2,375	-	2,375	3,050
Interest income	25	-	25	118
Change in value of split interest agreement (note 4)	-	(235,171)	(235,171)	257,428
Total support and revenue	<u>210,800</u>	<u>(235,171)</u>	<u>(24,371)</u>	<u>439,218</u>
Expenses:				
Program services	237,697	-	237,697	206,811
Supporting services:				
Management and general	3,772	-	3,772	4,089
Fund raising	<u>1,040</u>	<u>-</u>	<u>1,040</u>	<u>5,956</u>
Total expenses	<u>242,509</u>	<u>-</u>	<u>242,509</u>	<u>216,856</u>
Change in net assets	(31,709)	(235,171)	(266,880)	222,362
Net assets at beginning of year	<u>(2,144)</u>	<u>1,638,608</u>	<u>1,636,464</u>	<u>1,414,102</u>
Net assets at end of year	<u>\$ (33,853)</u>	<u>1,403,437</u>	<u>1,369,584</u>	<u>1,636,464</u>

See accompanying notes to financial statements and independent accountant's review report.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Statement of Functional Expenses

Year ended August 31, 2022

(With summarized comparative data from the year ended August 31, 2021)

	Year ended August 31, 2022				Year ended August 31, 2021
	Program	Management and General	Fund Raising	Total	
Payroll and related expenses	\$ 50,166	780	1,040	51,986	55,067
Advertising	4,950	-	-	4,950	250
Fundraising	-	-	-	-	4,855
Insurance	3,159	351	-	3,510	9,571
Office supplies	2,847	316	-	3,163	2,637
Public outreach	147,940	-	-	147,940	111,455
Professional fees	2,700	300	-	3,000	3,000
Web site costs	6,850	-	-	6,850	4,908
Rent	13,968	1,552	-	15,520	16,813
License and registration	136	-	-	136	136
Internet	-	-	-	-	2,030
Other	4,981	473	-	5,454	6,134
	<u>\$ 237,697</u>	<u>3,772</u>	<u>1,040</u>	<u>242,509</u>	<u>216,856</u>

See accompanying notes to financial statements and independent accountant's review report.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Statements of Cash Flows

Years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (266,880)	222,362
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in operating assets and liabilities:		
Split interest agreement	235,171	(257,428)
Pledges receivable	-	2,300
Accrued expenses	693	(1)
Accrued interest	<u>1,240</u>	<u>1,560</u>
Net cash provided by (used in) operating activities	<u>(29,776)</u>	<u>(31,207)</u>
Change in cash and cash equivalents	(29,776)	(31,207)
Cash and cash equivalents at beginning of year	<u>43,174</u>	<u>74,381</u>
Cash and cash equivalents at end of year	<u><u>\$ 13,398</u></u>	<u><u>43,174</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>-</u>	<u>-</u>
Cash paid during the year for income taxes	<u><u>\$ -</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements and independent accountant's review report.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2022

(1) Summary of Significant Accounting Policies

(a) General

The Association of Birth Defect Children, Inc. (Association) serves as an international clearinghouse to provide information about all kinds of structural and functional birth defects as well as support systems and resources to assist families who have children with these conditions. The Association sponsors the National Birth Defect Registry, a research and birth defects prevention project. The Association also assists in client referral, follow-up, information and support services in addition to research on several birth defect issues related to veterans' service in Vietnam, the Gulf War or in communities with toxic environmental exposures.

(b) Basis of Presentation

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization has adopted the provisions of FASB Accounting Standards Codification Topic 958, Not-for-Profit Entities.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole and presents balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions---Net assets that are not subject to donor-imposed stipulations.
- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2022

(1) Summary of Significant Accounting Policies - Continued

(b) Basis of Presentation - Continued

Revenue and public support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expirations with donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as support without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period made or received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

(c) Property and Equipment

Property and equipment are stated at cost, or estimated market value at the date of receipt if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. All property expenditures in excess of \$500 are capitalized; maintenance and renewals are charged to expense as incurred.

(d) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2022

(1) Summary of Significant Accounting Policies - Continued

(e) Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified and reported in the statement of activities as net assets released from restrictions.

(f) Donated Assets, Materials, Facilities and Services

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. In addition, the Association receives a significant amount of contributed time related to various program services and fundraising campaigns. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Association, and (b) the services required specialized skills. The Association received an in-kind service grant to facilitate its public outreach via the internet. The services provided by the donor, Google.com, were valued at \$147,940 and \$111,455 for the years ended August 31, 2022 and 2021, respectively.

(g) 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(h) Functional Allocation of Expenses

The costs of providing the various programs and the administration of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the estimated proportion of time spent for each function and management's estimate of the relative functional activity.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2022

(1) Summary of Significant Accounting Policies - Continued

(i) Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(j) Income Taxes

The Association is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Association has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with “Income Taxes” FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Since the Association’s income tax filings are subject to audit by various taxing authorities, generally for three years after they are filed, the Association is no longer subject to examination by taxing authorities for years ended before August 31, 2019. The Association is not aware of any activities that would jeopardize its tax-exempt status. There is no interest or penalties included in expenses in the statement of activities and changes in net assets. There are currently no pending income tax examinations by taxing authorities. As of August 31, 2022, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2022

(1) Summary of Significant Accounting Policies - Continued

(k) Financial Instruments Fair Value, Concentration of Business and Credit Risks

The carrying amount reported in the balance sheet for cash and cash equivalents, accounts receivable, and accrued expenses approximates fair value because of the immediate or short-term maturity of these financial instruments.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

The recorded net present value of a long-term contribution receivable split-interest agreement approximates fair value, as the discount rate approximates market rates. (Level 3 inputs). The fair value of the underlying investments within the trust instruments are based on quoted market prices (Level 1 inputs) in an active market for identical assets and liabilities.

(l) Prior Year Comparative Data

The financial statements include certain prior year summarized comparative information. This information has been presented in order to provide an understanding of changes in the Association's financial position and activities. The prior year information in the statement of activities is presented in total but not by net asset class and, as such, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In addition, certain amounts have been reclassified in order to conform with the current year's presentation.

(m) Subsequent Events

In preparing these financial statements, the Association has evaluated subsequent events and transactions for potential recognition and disclosure through November 9, 2022, which is the date the financial statements were available to be issued.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2022

(2) Liquidity and Availability

As of August 31, 2022, the Organization has \$13,398 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of August 31, 2022 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	<u>\$ 13,398</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,398</u>

(3) Property and Equipment

Major classifications of property and equipment at August 31, are summarized below:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 9,759	9,759
Accumulated depreciation	<u>(9,759)</u>	<u>(9,759)</u>
	<u>\$ -</u>	<u>-</u>

(4) Split Interest Agreement

During 1997, a split-interest agreement in the form of a charitable remainder trust was funded, with the Association as one-half beneficiary upon the death of the income beneficiary. An individual independent of the Association is the trustee. The basis used for recognizing assets related to the split-interest agreement is fair-market value. Due to the terms of the agreement, the fair market value amount is \$1,403,439 and \$1,638,608 at August 31, 2022 and 2021, respectively, using a 2.0% discount rate. An increase (decrease) in the value of the split-interest agreement in the amount of \$(235,171) and \$257,428 was recorded during the years ended August 31, 2022 and 2021, respectively. In accordance with SFAS No. 116, contributions of assets to be received in the future under split-interest agreements carry an implied time restriction and thus are classified as net assets with donor restrictions.

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2022

(5) Commitments

The Association leases its office facility for \$1,293 per month. The lease commenced April 1, 2016 and expires March 31, 2023.

Future minimum lease payments:

<u>Fiscal year ended August 31</u>	<u>Amount</u>
2023	\$ 9,051

Rent expense was \$15,520 and \$16,813 for the years ended August 31, 2022 and 2021, respectively.

(6) Note Payable

Note payable consists of SBA loan, principal and interest in monthly installments of \$194, beginning in November 2021; interest rate is 2.75%; maturity at May 11, 2050.

Balance due, August 31, 2022	\$ 45,403
Less current portion	<u>-</u>
Long-term debt, less current portion	<u>\$ 45,400</u>

Future maturities of long-term debt are as follows:

<u>Year ending August 31,</u>	
2023	\$ -
2024	1,029
2025	1,058
2026	1,088
2027	1,118
Thereafter	<u>41,107</u>
	<u>\$ 45,400</u>

THE ASSOCIATION OF BIRTH DEFECT CHILDREN, INC.

Notes to Financial Statements

August 31, 2022

(7) Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been an impact to the Organization's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of donors to continue making contributions as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

In April 2020 the Organization applied for and received a loan in the amount of \$11,253 pursuant to the Paycheck Protection Program (PPP) established by the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief in connection with the coronavirus pandemic. In February 2021, the Organization received a second PPP loan in the amount of \$12,324. These notes bear interest at 1% and are subject to a payment deferral period of six months. However, the notes and related interest are subject to forgiveness when the proceeds of the loan are used to fund payroll and other allowable expenses as defined by the PPP. As of August 31, 2020, the Organization incurred \$11,253 of qualifying expenditures and, accordingly, has recorded that amount as PPP grant revenue in the accompanying statement of activities. As of August 31, 2021, the Organization incurred \$12,324 of allowable expenses and recorded this amount as PPP grant revenue. In addition, as a result of the forgiveness described herein, the loan balance is considered satisfied in full as of June 30, 2020.