Turner Syndrome Society of the United States

Financial Statements

For the Year Ended December 31, 2018

CONTENTS

Briggs & Veselka Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Turner Syndrome Society of the United States
Houston, Texas

We have audited the accompanying financial statements of Turner Syndrome Society of the United States (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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To the Board of Directors of
Turner Syndrome Society of the United States
Re: Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Turner Syndrome Society of the United States as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Briggs & Veselka Co.

Briggs & Veselka Co.
The Woodlands, Texas

July 16, 2019

TURNER SYNDROME SOCIETY OF THE UNITED STATES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS	
Cash and cash equivalents	$ 302,832
Investments	72,961
Prepaid expenses	2,570
Lease deposit	1,000
Furniture and equipment	6,029
Accumulated depreciation	(4,394)
TOTAL ASSETS	$ 380,998
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	24,296
Net assets	
Without donor restrictions	350,175
With donor restrictions	6,527
Total net assets	356,702
TOTAL LIABILITIES AND NET ASSETS	$ 380,998

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

TURNER SYNDROME SOCIETY OF THE UNITED STATES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Conference income	$ 183,582	$ -	$ 183,582
Contributions	495,684	3,933	499,617
Interest income	2,618	-	2,618
Membership dues	38,010	-	38,010
Publication sales and other revenue, net of discounts given	25,002	-	25,002
Return on investments, net	647	-	647
Net assets released from restrictions	5,556	(5,556)	-
Total support and revenues	751,099	(1,623)	749,476
Expenses			
Program services	681,259	-	681,259
Supporting services			
Management and general	57,388	-	57,388
Fundraising	69,331	-	69,331
Total expenses	807,978	-	807,978
Change in net assets	(56,879)	(1,623)	(58,502)
Net assets, beginning of year	407,054	8,150	415,204
NET ASSETS, END OF YEAR	$ 350,175	$ 6,527	$ 356,702

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

TURNER SYNDROME SOCIETY OF THE UNITED STATES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 183,245	$ 11,999	$ 31,157	$ 226,401
Payroll fees and benefits	14,372	1,336	2,215	17,923
Payroll taxes	14,121	390	2,395	16,906
Bank fees	5,649	1,024	4,583	11,256
Conference	201,399	57	-	201,456
Dues and subscriptions	27,314	4,515	4,006	35,835
Election Board	-	227	-	227
Equipment	444	-	-	444
Grants and direct assistance	63,430	-	-	63,430
Insurance	2,206	2,206	-	4,412
Postage	9,796	1,752	6,574	18,122
Printing	16,457	-	7,630	24,087
Product costs	28,926	-	-	28,926
Professional fees	5,654	17,980	-	23,634
Rent	10,813	1,123	2,106	14,042
Repairs and maintenance	-	143	-	143
Supplies	1,885	1,192	129	3,206
Telephone	2,622	656	656	3,934
Travel	61,851	11,233	225	73,309
Website	243	30	500	773
Other	30,832	1,525	7,155	39,512
TOTAL EXPENSES	$ 681,259	$ 57,388	$ 69,331	$ 807,978

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

TURNER SYNDROME SOCIETY OF THE UNITED STATES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities	
Change in net assets	$ (58,502)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Unrealized loss on investment	39
Change in operating assets and liabilities:	
Prepaid expenses	442
Accounts payable and accrued expenses	(1,383)
Net cash from operating activities	(59,404)
Cash from investing activities	
Purchases of investments	(110,006)
Proceeds from sale of investments	96,867
Net cash from investing activities	(13,139)
Net change in cash and cash equivalents	(72,543)
Cash and cash equivalents, beginning of year	375,375
Cash and cash equivalents, end of year	$ 302,832

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

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Turner Syndrome Society of the United States (the “Society”) is a nonprofit organization that facilitates research of Turner Syndrome, a chromosomal condition, and provides assistance and information to individuals affected. The Society’s headquarters are located in Houston, Texas. Affiliated chapters are located throughout the United States of America. These financial statements do not reflect the financial position or results of affiliated chapters.

Basis of Accounting – The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Basis of Presentation – Financial reporting standards for nonprofit organizations require that resources be classified for reporting purposes into two net asset categories according to donor-imposed restrictions or by law. A description of the Society’s two net asset categories is as follows:

- **Net assets without donor restrictions –** Assets are not restricted by donors, or the donor-imposed restrictions have expired or have been satisfied.

- **Net assets with donor restrictions** – Donor-imposed restrictions that permit the Society to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Society. Donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the income derived from the donated assets to be expended for donor-restricted or unrestricted purposes.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include demand deposits, and savings accounts. The Society considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments – Investments in marketable securities with readily determinable fair values 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.

Fair Value of Financial Instruments – The carrying amounts reported in the statement of financial position for cash and cash equivalents, investments, and receivables approximate their fair value.

Furniture and Equipment – Furniture and equipment acquisitions greater than $2,000 are recorded at cost if purchased or, if donated, at fair value at the date of the gift. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Routine repairs and maintenance are expensed as incurred.

Support and Revenue – Support and revenue are comprised primarily of contributions from donors, membership dues, conference income, and sales from Society publications. Contributions are recorded as unrestricted net assets unless they are received with donor stipulations that limit their use either through their purpose or time restrictions. If received with such stipulations, the support and revenue are recorded as donor-restricted net assets. When donor time restrictions expire, or when contributed funds are expended for donor stipulated purposes, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services and Goods – Contributed services are recognized as revenue if the services received created or enhanced nonfinancial assets, or require specialized skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist in providing the Society's services. Contributed services for 2018 was $12,726.

Contributed goods are recorded as unrestricted support at their estimated fair values 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 furniture and equipment are reported as restricted support. Absent of donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions by reclassifying donor-restricted net assets to unrestricted net assets when the donated or acquired assets are placed in service as instructed by the donor. Contributed goods for 2018 was $44,427.

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

Functional Allocation of Expenses – The costs of providing program and support services have been presented on a functional basis in the statement of functional expenses. All expenses, by function, have been directly allocated with the program or supporting services to which they relate and are charged accordingly.

Federal Income Taxes – The Society is a nonprofit, charitable corporation as described in Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes on related income. The Society is not a private foundation. Gifts to the Society are tax deductible to the extent allowed by law.

Recently Adopted Accounting Pronouncement – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. These amendments change presentation and disclosure requirements for not-for-profit (NFP) entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes; investment return; expenses; liquidity and availability of resources; and presentation of operating cash flows. The amendments are effective for NFP organizations for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted.

The effects of this pronouncement are presented in the financial statements.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018, for nonpublic entities.

In February 2016, the FASB issued ASU No. 2016-02*, Leases (Topic 842)*. The ASU will require most leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for fiscal years beginning after December 15, 2019, for nonpublic entities. The standard may be early adopted and requires a modified retrospective transition approach to apply.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update provides guidance on how to record eight specific cash flow issues, and how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019, for nonpublic entities, with early adoption permitted. Adoption will be applied retrospectively to all periods presented.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*, which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption permitted.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by NFP's and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellations of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Society follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance is effective for annual periods beginning after December 15, 2018 or December 15, 2019 if the NFP is a resource recipient or a resource provider, respectively. Early adoption is permitted.

The Society is currently evaluating the impact these pronouncements will have on its financial statements and related disclosures.

NOTE 3 – LIQUIDITY AND AVAILABILITY

As part of the Society's liquidity management plan, the Board of Directors have set a minimum cash level of $200,000. Funds are held in a money market account or in certificates of deposit with six to twelve month durations, and cash flow is monitored on a monthly basis to ensure that liquidity does not fall below the directed limit. Each year, the Society sets an annual budget with the objective to only spend funding that has been received in the current fiscal year.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year-end:	
Cash and cash equivalents	$ 302,832
Investments	72,961
Total financial assets at year-end	375,793
Less: amounts not available for general expenditure:	
Cash and cash equivalents	6,527
Total amounts not available for general expenditure	6,527
Total financial assets at year-end available for general expenditure	$ 369,266

Amounts not available for general expenditure within one year of the statement of financial position date represents cash and cash equivalents with time or purpose restrictions.

NOTE 4 – FAIR VALUE MEASUREMENTS

Investments consist of certificates of deposit that were purchased by the Society during 2018. Generally, U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- **Level 1 –** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Society has the ability to access.

- **Level 2 –** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- **Level 3 –** Unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Society's own data.).

The following sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 72,961	$ -	$ 72,961
Total investments	$ -	$ 72,961	$ -	$ 72,961

NOTE 5 – RETURN ON INVESTMENTS

Return on investments for 2018 consists of the following:

Realized gain	$ 686
Unrealized loss	(39)
Total return on investments, net	$ 647

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 totaling $6,527 are restricted for time or purpose and are to be used in the Society's program activities according to donor intent.

NOTE 7 – RECLASSIFICATION OF NET ASSETS

Net assets totaling $5,556 for 2018, were released from donor restrictions by incurring expenses satisfying the restricted purposes.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Society received $58,300 in stock in 2017 that was restricted for use in cardiac research. The Society sold the stock in 2018 and created the Revelle Pittman Research Fund to distribute the proceeds. During 2018, the entirety of the funding was granted to the Doernbecher Foundation at Oregon Health and Science University, where cardiac research is led by a member of the Society's Board of Directors. Several other research projects were considered by the Board of Directors when making the decision to award the funding, and the final decision was based on a determination of the most effective use of the funds, as well as aligned with the donor intent.

NOTE 9 – LEASE AGREEMENT

In December 2017, the Society entered into a two-year lease agreement to rent its administrative office space from an unrelated party under an operating lease agreement. Lease expense was $11,650 for 2018.

The future minimum lease payment under the operating lease as of December 31, 2018 is $11,550 for the year ending December 31, 2019.

NOTE 10 – CONCENTRATION OF CREDIT RISKS

The Society places its cash and cash equivalents within the financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times such cash and cash equivalents may be in excess of the FDIC insurance limits. As of December 31, 2018, the amount of exposed cash is $8,065. The Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

During the year, the Society entered into two contracts with two different conference center facilities for arrangements associated with the Society's annual conference, scheduled for June 2019 and July 2020, respectively. Both contracts have tiered cancellation liabilities. As of December 31, 2018, cancellation of the events would obligate the Society to a maximum liability in the amount of $50,467 ($41,703 for the 2019 conference and $8,764 for the 2020 conference).

NOTE 12 – SUBSEQUENT EVENTS

The Society has evaluated subsequent events through July 16, 2019, the date which the financial statements were available to be issued.