Muscular Dystrophy Association, Inc.

Financial Statements
As of and for the Year Ended December 31, 2017
(With Comparative Information for December 31, 2016)

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Independent Auditor's Report

Board of Directors
Muscular Dystrophy Association, Inc.

We have audited the accompanying financial statements of Muscular Dystrophy Association, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses 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.

Auditor's 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muscular Dystrophy Association, Inc. as of December 31, 2017, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the financial statements of Muscular Dystrophy Association, Inc. as of and for the year ended December 31, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

Phoenix, Arizona
June 21, 2018

Financial Statements

Muscular Dystrophy Association, Inc.

Statement of Financial Position
(With Comparative Totals as of December 31, 2016)

December 31,		**2017**		2016
Assets				
Cash and cash equivalents	**$**	**19,034,996**	$	18,072,103
Contributions receivable		**2,341,921**		1,719,984
Investments		**69,833,621**		68,572,568
Prepaid expenses and other assets		**1,916,899**		1,927,974
Beneficial interest in charitable remainder trusts		**555,863**		1,001,049
Fixed assets, net		**555,932**		639,060
Total assets	**$**	**94,239,232**	$	91,932,738
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**5,713,039**	$	6,162,142
Research and training grants payable		**9,674,969**		9,061,097
Line of credit		**10,000,000**		13,500,000
Pension and postretirement plan obligations		**52,682,356**		55,279,908
Total liabilities		**78,070,364**		84,003,147
Commitments and contingencies (Notes 8 & 12)				
Net Assets				
Unrestricted		**10,090,586**		3,423,467
Temporarily restricted		**5,160,724**		3,902,429
Permanently restricted		**917,558**		603,695
Total net assets		**16,168,868**		7,929,591
Total liabilities and net assets	**$**	**94,239,232**	$	91,932,738

See accompanying notes to financial statements.

Muscular Dystrophy Association, Inc.

Statement of Activities
(With Comparative Totals for the Year Ended December 31, 2016)

	2017				
December 31,	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**	2016 Total
Revenue					
Public support					
Received directly:					
Special events	**$ 97,745,452**	**$ -**	**$ -**	**$ 97,745,452**	$ 105,518,860
Less fund-raising direct benefit costs	**(8,297,777)**	**-**	**-**	**(8,297,777)**	(9,182,515)
Special events, net	**89,447,675**	**-**	**-**	**89,447,675**	96,336,345
Contributions	**20,524,880**	**2,686,383**	**(31,076)**	**23,180,187**	19,910,084
Total received directly	**109,972,555**	**2,686,383**	**(31,076)**	**112,627,862**	116,246,429
Received indirectly – combined federal campaign and combined health appeals	**479,536**	**-**	**-**	**479,536**	412,763
Total revenue from the public	**110,452,091**	**2,686,383**	**(31,076)**	**113,107,398**	116,659,192
Investment income and other revenue	**9,919,247**	**-**	**344,939**	**10,264,186**	5,875,334
Revenue from government awards	**490,406**	**-**	**-**	**490,406**	455,382
Total revenue	**120,861,744**	**2,686,383**	**313,863**	**123,861,990**	122,989,908
Net assets released from restrictions (Note 9)	**1,428,088**	**(1,428,088)**	**-**	**-**	-
Total revenue and support	**122,289,832**	**1,258,295**	**313,863**	**123,861,990**	122,989,908
Expenses					
Program services:					
Patient and community services	**48,615,507**	**-**	**-**	**48,615,507**	54,809,533
Research	**18,275,689**	**-**	**-**	**18,275,689**	15,992,994
Professional public health education	**14,307,318**	**-**	**-**	**14,307,318**	15,274,561
Total program services	**81,198,514**	**-**	**-**	**81,198,514**	86,077,088
Supporting services:					
Fundraising	**16,591,367**	**-**	**-**	**16,591,367**	18,760,448
Management and general	**14,293,689**	**-**	**-**	**14,293,689**	13,243,769
Total supporting services	**30,885,056**	**-**	**-**	**30,885,056**	32,004,217
Total expenses	**112,083,570**	**-**	**-**	**112,083,570**	118,081,305
Increase in net assets from operations	**10,206,262**	**1,258,295**	**313,863**	**11,778,420**	4,908,603
Changes in unrecognized benefit plan costs	**(3,539,143)**	**-**	**-**	**(3,539,143)**	(5,398,775)
Change in net assets	**6,667,119**	**1,258,295**	**313,863**	**8,239,277**	(490,172)
Net assets, beginning of year	**3,423,467**	**3,902,429**	**603,695**	**7,929,591**	8,419,763
Net assets, end of year	**$ 10,090,586**	**$ 5,160,724**	**$ 917,558**	**$ 16,168,868**	$ 7,929,591

See accompanying notes to financial statements.

Muscular Dystrophy Association, Inc.

Statement of Cash Flows
(With Comparative Totals for the Year Ended December 31, 2016)

Years ended December 31,	**2017**	2016
Cash flows from operating activities		
Changes in net assets	**$ 8,239,277**	$ (490,172)
Adjustments to net cash and cash equivalents provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on investments	**(7,333,745)**	(2,982,119)
Depreciation	**278,568**	359,512
Provision for doubtful accounts	**-**	(38,000)
Changes in recognized benefit plan costs	**(6,136,695)**	(4,654,777)
Changes in unrecognized benefit plan costs	**3,539,143**	5,398,775
Changes in operating assets and liabilities:		
Contributions receivable	**(621,937)**	184,904
Prepaid expenses and other assets	**11,074**	632,053
Beneficial interest in charitable remainder trusts	**445,186**	161,272
Accounts payable and accrued expenses	**(449,103)**	858,755
Research and training grants payable	**613,873**	(2,425,814)
Net cash used in operating activities	**(1,414,359)**	(2,995,611)
Cash flows from investing activities		
Proceeds from sale of investments	**29,396,969**	13,742,034
Purchases of investments	**(23,669,215)**	(15,139,036)
Acquisition of fixed assets	**(195,440)**	(129,161)
Net cash provided by (used in) investing activities	**5,532,314**	(1,526,163)
Cash flows from financing activities		
Principal payment on line of credit	**(3,500,000)**	(1,000,000)
Permanently restricted investment income (loss)	**344,938**	29,912
Net cash used in financing activities	**(3,155,062)**	(970,088)
Net increase (decrease) in cash and cash equivalents	**962,893**	(5,491,862)
Cash and cash equivalents, beginning of year	**18,072,103**	23,563,965
Cash and cash equivalents, end of year	**$ 19,034,996**	$ 18,072,103
Supplemental disclosures for cash flow information:		
Interest paid	**$ 327,298**	$ 310,917

See accompanying notes to financial statements.

Muscular Dystrophy Association, Inc.

Statement of Functional Expenses
(With Comparative Totals for the Year Ended December 31, 2016)

December 31,		Patient and Community Services		Research		Professional and Public Health Education		Fundraising		Management and General		2017 Total		2016 Total
Research and training grants	$		$	15,342,041	$		$		$		$	15,342,041	$	13,133,180
Disbursements made on behalf of individuals		11,107,459										11,107,459		13,412,398
Salaries		23,927,829		1,571,500		7,687,308		4,856,781		6,065,880		44,109,298		43,929,657
Payroll taxes		1,986,611		122,488		626,029		363,871		398,790		3,497,789		3,514,595
Employee benefits		4,324,285		265,769		1,553,658		963,117		1,885,213		8,992,042		9,402,460
Occupancy		3,405,334		168,315		1,235,225		412,714		593,535		5,815,123		6,636,086
Telephone		916,822		50,764		312,931		265,589		211,237		1,757,343		1,868,538
Travel, lodging, conferences, and meetings		1,675,439		529,382		337,156		358,921		242,444		3,143,342		3,777,989
Office supplies and equipment		311,083		16,659		105,357		79,646		801,486		1,314,231		1,461,972
Printing, visual aids, etc.		133,221		3,450		725,031		1,601,641		318,167		2,781,510		2,788,180
Postage and shipping		129,691		4,950		408,300		1,642,454		497,927		2,683,322		2,886,679
Contract services and professional fees		478,474		189,427		1,135,225		5,703,668		1,484,536		8,991,330		12,468,528
Miscellaneous		81,436		2,642		123,495		328,105		1,734,494		2,270,172		2,441,531
Depreciation		137,823		8,302		57,603		14,860		59,980		278,568		359,512
Total functional expenses	$	48,615,507	$	18,275,689	$	14,307,318	$	16,591,367	$	14,293,689	$	112,083,570	$	118,081,305

See accompanying notes to financial statements.

1. Organization

Muscular Dystrophy Association, Inc. (the "Association") is a not-for-profit national voluntary health agency supporting worldwide research at hundreds of universities and hospitals to find effective treatments and cures for neuromuscular diseases. Through more than 150 Association-supported, hospital-affiliated care centers and its field offices nationwide, the Association offers comprehensive medical services, education, and support to patients and their families. The Association produces and distributes educational information about neuromuscular diseases in the form of publications and seminars for the medical and scientific community and the general public. The Association receives the vast majority of its revenue from individual contributors.

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Association has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction by donors.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements include the accounts of the Association. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Significant estimates used in preparation of these financial statements include the valuation of investment gains and losses, the functional allocation of expenses, fair value measurements associated with investments and charitable trusts, and the assumptions used in calculating the pension and post retirement plan obligations.

Cash and Cash Equivalents

The Association considers all highly liquid short-term investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Beneficial Interest in Charitable Trusts

The Association is the beneficiary under various irrevocable charitable remainder trusts for which it does not act as the trustee. The income is recognized when the Association has an irrevocable right to the gift and the proceeds are measurable, and is included in contributions within the accompanying statement of activities. These consist primarily of irrevocable gifts to the Association through wills and bequests for which the cash has not yet been received. Beneficial interest in charitable remainder trusts is reported at the market value of the investments of the trust, as reported by the trustees, and adjusted based on the estimated life expectancy of the donor.

The allowance for uncollectible accounts is estimated by management based upon historical experience and factors relating to specific gifts to reduce the beneficial interest in charitable remainder trusts balance to net realizable value. Management determined an allowance for doubtful accounts of $0 to be necessary for beneficial interest in charitable remainder trusts at December 31, 2017 and 2016.

Contributions Receivable

Certain unrelated organizations conduct fundraising programs on behalf of the Association, whereby they collect donations from their patrons and remit the proceeds to the Association. The Association records the amounts collected on behalf of the Association prior to year-end but not yet remitted to the Association until the subsequent period as contributions receivable.

Investments

Marketable debt and equity securities are recorded at fair value, as determined by quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in investment income (loss) and other revenue in the accompanying statement of activities.

Fixed Assets

Fixed assets are stated at cost at the date of purchase or estimated fair value at date of donation. Depreciation is recorded over the estimated useful lives of the related assets on a straight-line basis.

The estimated useful lives for each asset group are as follows:

	Years
Leasehold improvements (shorter of term or useful life)	5-6
Furniture and equipment	3-7

At the time depreciable property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Research and Training Grants Payable

The Association makes research and training grants each year to physicians and scientists in the United States and abroad who are seeking the causes of, and cures or effective treatments for, the neuromuscular disorders covered by the Association's programs. These grants generally extend over a period of one to three years. The Association records the initial year's liability and corresponding expense for these grants after they have been recommended for approval by the Association's scientific or medical advisory committees and approved by the Board of Directors. Funding of the remaining committed future amounts of grants is contingent upon satisfactory scientific and/or medical review and the availability of funds (see Note 12).

Contributions

All contributions are considered to be available for the program or supporting services of the Association unless explicitly restricted by the donor. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Temporarily restricted donations received and expended in the same year are classified as unrestricted gifts. If a donor requests that the restriction be removed from a permanently stipulated restriction, permanently restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Contributed Services

A substantial number of volunteers from the business community; organized labor; civic, fraternal and youth organizations; and the public at large have contributed their services to support the Association's research, patient and community services, and professional and public health education programs, as well as its fundraising and administrative activities. The value of these contributed services does not meet the criteria for recognition and accordingly, is not recognized in these financial statements.

Donated Collection Items

The Association does not capitalize donated works of art or recognize them as revenues or gains. Donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; and are protected, kept unencumbered, cared for, and preserved.

Net Assets

Unrestricted net assets are available to be expended for program and supporting services. Temporarily restricted net assets consist of contributions limited to use in research and patient services in specific areas of the United States. Permanently restricted net assets consists of contributions whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Association. Many of the restrictions stipulate that resources can be maintained permanently but permit the Association to expend the income generated in accordance with the provisions of the respective agreement. Certain permanently restricted net assets require investment income to be added (deducted) from the surplus (losses) in accordance with specific provisions of the agreements.

Concentrations of Credit Risk

Cash and cash equivalents are maintained at financial institutions and at times, balances may exceed federally insured limits. At December 31, 2017 and 2016, the Association had approximately $19,352,817 and $19,003,197, respectively, in excess of federally insured limits. The Association has never experienced any losses related to these balances.

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash investments and contributions receivable. The Association's cash deposits are with accredited financial institutions, and cash equivalents are primarily in liquid money market funds.

Concentrations of credit risk with respect to contributions receivables are limited due to the Association's policy of not recording contributions receivable until they have an irrevocable right. While management uses the best information available in making its determination, the ultimate recovery of recorded contributions receivable is also dependent upon future economic and other conditions that may be beyond management's control.

Income Taxes

The Association is a nonprofit organization and is exempt from taxation under IRC Section 501(c)(3) and New York Codes, Rules and Regulations (NCRR20 §1-3.4(b)(6)).

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Association in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Association's returns for years ended December 31, 2017, 2016, 2015 and 2014, are open for examination by federal and state taxing authorities, which generally is for three years after they are filed.

Functional Allocation of Expenses

Costs of providing the Association's programs and other activities have been presented in the accompanying statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services based on direct expenses.

Fair Value of Financial Instruments

The Association's financial instruments consist of cash and cash equivalents, contributions receivable, investments and accounts payable. The fair values of cash and cash equivalents, contributions receivable, charitable remainder trusts, and accounts payable and accrued expenses approximate their respective carrying values because of the short maturity of those instruments. The fair value of the Association's investments is estimated based on the market values of the financial instruments with similar terms.

Litigation

In the normal course of business, the Association is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any pending claims will not materially affect the operation or the financial position of the Association.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. With respect to the accompanying statement of activities, the prior-year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance in US GAAP on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. The new standard is effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements with certain practical expedients available. The Association is in the process of evaluating the impact of adoption on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. The new standard is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Association is in the process of evaluating the impact of adoption on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customer*s (Topic 606), which establishes a comprehensive revenue recognition standard for virtually all industries under US GAAP, including those that previously followed industry-specific guidance. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date for non-public entities to annual periods beginning after December 15, 2018. Entities may adopt using a retrospective approach (with certain optional practical expedients) or a cumulative effect approach.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (reporting Revenue Gross versus Net)*. ASU 2016-08 clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. As defined in ASU 2016-08, a specified good or service is "a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer." Therefore, for contracts involving more than one specified good or service, the Company may be the principal in one or more specified goods or services and the agent for others.

In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. The amendments in this standard affect the guidance in ASU 2014-09 by clarifying two aspects: identifying performance obligations and the licensing implementation guidance.

In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients*. The amendments in this standard affect the guidance in ASU 2014-09 by clarifying certain specific aspects of ASU 2014-09, including assessment of collectability, treatment of sales taxes and contract modifications, and providing certain technical corrections. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, or cash flows.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which changes how employers that sponsor defined benefit pension or other postretirement benefit plans present the net periodic benefit cost in the statement of activities. The new standard requires entities to report the service cost component in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented in the accompanying statement of activities separately from the service cost component outside of the subtotal of the increase in net assets from operations. The new standard is effective for annual periods beginning after December 15, 2018. Early adoption is permitted as of the beginning of an annual period. The Association is in the process of evaluating the impact of adoption on its financial statements.

Subsequent Events

Management has evaluated subsequent events for the Association through June 21, 2018, the date the financial statements were available to be issued.

3. Investments

Investments at December 31 consist of:

		2017		2016
U.S. treasury notes	**$**	**4,376,374**	$	3,345,531
Corporate debt		**3,137,940**		4,520,718
Mortgage backed, asset backed and other		**2,182,285**		2,529,370
Common equities securities		**4,238,776**		19,152,369
Mutual funds		**55,898,246**		39,024,580
	$	**69,833,621**	$	68,572,568

The following summarizes the composition of investment income and other revenue included in the accompanying statement of activities for the year ended December 31:

	2017	2016
Interest and dividends	$ 1,918,927	$ 1,673,834
Net realized and unrealized gains (losses)	6,988,806	2,982,119
Other	1,356,453	1,219,381
	$ 10,264,186	$ 5,875,334

4. Fixed Assets

Fixed assets at December 31 consist of:

	2017	2016
Leasehold improvements	$ 17,247	$ 17,247
Furniture and equipment	6,879,954	6,687,023
	6,897,201	6,704,270
Accumulated depreciation	(6,341,269)	(6,065,210)
	$ 555,932	$ 639,060

Depreciation amounted to $278,568 and $359,512 for the years ended December 31, 2017 and 2016, respectively.

5. Fair Value Measurements

The Association accounts for fair value measurements under Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures." ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Association's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by U.S. GAAP. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's classification is based on the lowest level input that is significant to its measurement.

Level 1 - Pricing is based on observable inputs, such as quoted prices in active markets. Financial assets in Level 1 include U.S. Government securities, listed equities, and mutual funds.

Level 2 - Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets in this category include primarily corporate bonds, mortgage-backed securities, and asset-backed securities.

Level 3 - Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are, therefore, determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparable, third-party appraisals, discounted cash flow models, and fund manager estimates.

Assets measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

a) *Market approach* - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b) *Cost approach* - Amount that would be required to replace the service capacity of an asset (replacement cost).

c) *Income approach* - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option pricing, and excess earnings models).

The following table discloses assets carried at fair value at December 31, 2017, by the level of observable input and the valuation techniques employed:

December 31, 2017		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique (a,b,c)
Fixed Income:					
U.S. treasury notes	$ 4,376,374	$ 4,376,374	$ -	$ -	a
Corporate debt	3,137,940	-	3,137,940	-	a,c
Mortgage backed, asset backed, and other	2,182,285	-	2,182,285	-	a,c
Common stock:				-	
Common equity securities	4,238,776	4,238,776	-	-	a,c
Mutual funds	55,898,246	55,898,246	-	-	a
Subtotal	69,833,621	64,513,396	5,320,225	-	
Beneficial interest in charitable remainder trusts	555,863	-	-	555,863	a
Total	$ 70,389,484	$ 64,513,396	$ 5,320,225	$ 555,863	

The following table discloses assets carried at fair value at December 31, 2016, by the level of observable input and the valuation techniques employed:

December 31, 2016		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique (a,b,c)
Fixed Income:					
U.S. treasury notes	$ 3,345,531	$ 3,345,531	$ -	$ -	a
Corporate debt	4,520,718	-	4,520,718	-	a, c
Mortgage backed, asset backed, and other	2,529,370	-	2,529,370	-	a, c
Common stock:					
Common equity securities	19,152,369	19,152,369	-	-	a, c
Mutual funds	39,024,580	39,024,580	-	-	a
Subtotal	68,572,568	61,522,480	7,050,088	-	
Beneficial interest in charitable remainder trusts	1,001,049	-	-	1,001,049	a
Total	$ 69,573,617	$ 61,522,480	$ 7,050,088	$ 1,001,049	

6. Allocation of Joint Costs

Costs incurred for informational materials and activities that include fundraising appeals are allocated to program and supporting services based upon the content of the materials or activities, the audience to whom the materials or activities are addressed, and the reasons for distributing the materials or conducting the activities. For the year ended December 31, 2017, the Association incurred joint costs of $3,154,925 for informational materials and activities that included fundraising appeals, of which $452,907 was allocated to professional and public health education; $766,296 to management and general; and $1,935,722 to fundraising. For the year ended December 31, 2016, the Association incurred joint costs of $3,248,082 for informational materials and activities that included fundraising appeals, of which $373,245 was allocated to professional and public health education; $943,748 to management and general; and $1,931,089 to fundraising.

7. Employee Benefit Plans

The Association has a noncontributory defined benefit retirement plan covering all employees hired prior to April 1, 2006, and who have been employed by the Association for more than one year. Pension costs are generally funded at the amount recommended by the Association's actuaries. Benefits to retirees are based on a percentage of their annual compensation for each year of service prior to retirement. As of December 31, 2010, the Association froze benefit accruals in the retirement plan to fully vested participants.

On April 1, 2006, the Muscular Dystrophy Association, Inc. Savings Plan ("Savings Plan"), a 403(b) Employee Retirement Income Security Act of 1974 qualifying plan, was established. Eligibility to participate in the Savings Plan is immediate and 100% of the value of the pretax matching contributions is vested immediately.

Effective December 31, 2012, the Association established a non-qualified deferred compensation plan pursuant to the provisions of Section 457(b) and 457(f) of the IRC of 1986, an executive deferred compensation plan. This plan was terminated in March 2017. As of December 31, 2017, and 2016, the liability related to this plan was $0 and $269,567, respectively, and is included within pension and postretirement plan obligations within the accompanying statement of financial position.

Life insurance coverage is continued during retirement at an amount equal to the lesser of $25,000 or the retiree's annual salary. Upon reaching the age of 70, this benefit is reduced by 50% to a maximum of $12,500. Postretirement benefits are funded as incurred. Subsequent to December 31, 2016, the Association terminated the retiree life insurance program for postretirement benefits effective June 30, 2017, such that effective July 1, 2017, the Association will no longer provide life insurance coverage to former employees.

The following table sets forth the plan's change in the benefit obligation at December 31 as follows:

	2017		2016	
	Pension Benefit	**Postretirement Benefits**	Pension Benefit	Postretirement Benefits
Benefit obligation at beginning of year	**$ 144,916,989**	**$ -**	$ 140,623,709	$ 1,765,244
Service cost	**-**	**-**	-	3,554
Interest cost	**5,014,477**	**-**	4,996,382	63,538
Actuarial loss (gain)	**12,036,393**	**-**	6,695,472	11,458
Benefits paid	**(7,351,318)**	**-**	(7,398,574)	(6,949)
Benefit obligation at end of year	**$ 154,616,541**	**$ -**	$ 144,916,989	$ 1,836,845

The pension benefit actuarial loss for the year ended December 31, 2017, is due to longer life expectancies in mortality assumptions and a lower discount rate.

The aggregated amount recognized in net periodic pension expense during the years ended December 31, 2017 and 2016, amounted to $262,336 and $428,493, respectively. The components of the net periodic benefit expense are as follows:

	2017		2016	
	Pension Benefit	**Postretirement Benefits**	Pension Benefit	Postretirement Benefits
Service cost – benefits earned during the period	**$ -**	**$ -**	$ -	$ 3,554
Interest cost on projected benefit obligations	**5,014,477**	**-**	4,996,382	63,538
Expected return on plan assets	**(7,191,070)**	**-**	(6,824,798)	-
Amortization of prior service cost	**-**	**-**	-	-
Amortization of net loss	**2,438,929**	**-**	2,189,817	-
Net periodic pension expense	**$ 262,336**	**$ -**	$ 361,401	$ 67,092

Assumptions used to determine the funded status for the years ended December 31, 2017 and 2016, were as follows:

	2017		2016	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
Discount rate	**3.67%**	**N/A**	4.21%	4.22%

Assumptions used to determine net periodic benefit cost for the years ended December 31, 2017 and 2016, were as follows:

	2017		2016	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
Discount rate	**4.21%**	**N/A**	4.49%	4.50%
Expected return on assets	**7.50%**	**N/A**	7.50%	0%

During 2017, the Association elected to use the "spot rate" methodology to determine the interest cost components of net periodic benefit cost. Under this method, the Association selects a yield curve, not a discount rate for measuring benefits obligations.

The following sets forth the funded status at December 31, 2017 and 2016:

	2017		2016	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
Plan assets at fair value, primarily invested in stocks and bonds	**$ 101,933,551**	**$ -**	$ 91,743,493	$ -
Projected benefit obligation	**(154,616,541)**	**-**	(144,916,989)	(1,836,845)
Funded status recognized in the statement of financial position	**$ (52,682,990)**	**$ -**	$ (53,173,496)	$ (1,836,845)

For the year ended December 31, 2017, pension and postretirement benefits paid were $7,351,318 and $3,475 respectively, and pension and postretirement contributions were $6,085,767 and $3,475, respectively. For the year ended December 31, 2016, pension and postretirement benefits paid were $7,398,574 and $6,949, respectively, and pension and postretirement contributions were $5,143,071 and $6,949, respectively. The expected employer contribution for the 2018 plan year for pension and postretirement benefits is $3,600,000 and $0, respectively.

The following future benefits are expected to be paid:

Years ending December 31,	Pension Benefits
2018	$ 7,557,283
2019	7,550,548
2020	7,451,611
2021	7,421,003
2022	7,367,100
Thereafter	$ 38,647,709

The expected long-term rate of return on assets assumption is 7.50%; this assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and the historical rates of return for each individual asset class.

The investment objective is to achieve long-term capital appreciation with preservation of capital. The Association's investment guidelines call for an equity maximum of 50% of the portfolio. Investments in global asset allocation are permitted but are not to exceed 20% of the portfolio. The non-equity segment of the portfolio may be invested in high yield fixed income to lower Portfolio risk and not to exceed 45% of the total fund.

The fair values of the pension plan assets, by the level of observable input and based on the market approach (see Note 5), as of December 31, 2017, are as follows:

December 31, 2017		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest bearing cash equivalents	$ 3,874,326	$ 3,874,326	$ -	$ -
Common stock:				
Industrial, materials, and energy	1,518,204	1,518,204	-	-
Consumer discretionary and staples	941,282	941,282	-	-
Healthcare	390,263	390,263	-	-
Financial	1,012,066	1,012,066	-	-
Technology and communications	985,111	985,111	-	-
REIT	703,385	703,385	-	-
Mutual funds – international	28,774,516	28,774,516	-	-
Mutual funds	30,881,023	30,881,023	-	-
Fixed income				
U.S. treasury notes	7,338,267	7,338,267	-	-
Corporate debt	5,148,012	-	5,148,012	-
Mortgage backed, asset backed	2,048,311	-	2,048,311	-
Mutual funds - international	4,505,386	4,505,386	-	-
Mutual funds	13,813,399	13,813,399	-	-
Total	$ 101,933,551	$ 94,737,228	$ 7,196,323	$ -

The fair values of the pension plan assets, by the level of observable input and based on the market approach (see Note 5), as of December 31, 2016, are as follows:

December 31, 2016		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest bearing cash equivalents	$ 2,237,665	$ 2,237,665	$ -	$ -
Common stock:				
Industrial, materials, and energy	1,308,975	1,308,975	-	-
Consumer discretionary and staples	1,003,461	1,003,461	-	-
Healthcare	522,338	522,338	-	-
Financial	859,771	859,771	-	-
Technology and communications	811,897	811,897	-	-
REIT	354,078	354,078	-	-
Mutual funds – international	23,029,565	23,029,565	-	-
Mutual funds	28,998,317	28,998,317	-	-
Fixed income				
U.S. treasury notes	5,027,984	5,027,984	-	-
Corporate debt	6,734,524	-	6,734,524	-
Mortgage backed, asset backed	2,825,472	-	2,825,472	-
Mutual funds - international	4,870,173	4,870,173	-	-
Mutual funds	13,159,273	13,159,273	-	-
Total	$ 91,743,493	$ 82,183,497	$ 9,559,996	$ -

Because the retiree health insurance premium is subsidized at a fixed rate, health care cost trends have no effect on the Association's liability; thus, sensitivity analysis of those trends is not applicable.

8. Lease Commitments

The Association has various non-cancellable operating leases for office space for its field offices in various cities nationwide. Certain leases have escalation clauses that have been recorded on a straight-line basis over the respective lease terms, resulting in a deferred lease credit of $142,698 and $92,255 at December 31, 2017 and 2016, respectively. Rent expense was approximately $4,758,427 and $5,353,827 for the years ended December 31, 2017 and 2016, respectively.

The future minimum annual rental commitments under all such operating leases for the years ended December 31 is as follows:

Years ending December 31,	
2018	$ 4,355,699
2019	2,758,267
2020	1,503,350
2021	670,692
2022	119,868

9. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31:

		2017		2016
Beneficial interest in charitable remainder trusts	$	555,863	$	1,001,049
Program expenses		4,604,861		2,901,380
Total	$	5,160,724	$	3,902,429

Net assets of $1,428,088 and $2,030,179 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the year ended December 31, 2017 and 2016, respectively.

10. Permanently Restricted Net Assets

Permanently restricted net assets were available for the following purposes at December 31:

		2017		2016
Research	$	57,790	$	57,757
Support the mission		68,783		68,783
Duchenne research		790,985		477,155
Total	$	917,558	$	603,695

11. Endowment Net Assets

The Association's endowment consists of one individual fund established for the advancement of research, programs and services for those with muscular dystrophy.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The endowment is held and managed by Wells Fargo.

Endowment funds consist of the following permanently restricted net assets of $790,985 and $477,155 at December 31, 2017 and 2016, respectively.

The Board of Directors of the Association has interpreted the enacted version of the Uniform Prudent Management of Institutional funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Association and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The investment policies of the Association.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2017 and 2016.

The Association has adopted investment and spending policies for endowment funds that:

- Protect the invested assets;
- Preserve spending capacity of the fund income;
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundation; and
- Comply with applicable laws.

The endowment funds are invested in a “Balanced Pool” portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined net classes.

Per the donors’ designation, the Association is to disburse approximately 85% of year-end net earnings annually, based upon endowment earned interest, dividends, realized and unrealized gains and the remaining 15% returns to principal; this is known as the endowment fund’s “growth” feature and is permanently restricted. As of December 31, 2017 and 2016, the Association has classified $207,170 and $122,080, respectively, as permanently restricted due to donor restrictions.

Endowment net assets composition by type of fund and change in endowment net assets as of and for the years ended December 31:

	Temporary Restricted	Permanently Restricted	Total
Endowment Net Assets, December 31, 2015	$ -	$ 357,197	$ 357,197
Investment Return:			
Current endowments received	-	90,075	90,075
Net depreciation (realized and unrealized)	-	29,883	29,883
Appropriation of endowments assets for expenditure	-	-	-
Endowment Net Assets, December 31, 2016	-	477,155	477,155
Investment Return:			
Current endowments received	-	259,816	259,816
Net appreciation (realized and unrealized)	-	54,014	54,014
Appropriation of endowments assets for expenditure	-	-	-
Endowment Net Assets, December 31, 2017	**$ -**	**$ 790,985**	**$ 790,985**

12. Contingency for Research and Training Grants

At December 31, 2017, the Association is contingently committed to providing research and training grants of $11,870,689 including $7,581,490 in the year ending December 31, 2018, and $4,289,199 in the year ending December 31, 2019. These amounts are in addition to the $9,674,969 in research and training grants payable at December 31, 2017.

13. Letter of Credit

The Association has an outstanding letter of credit from JPMorgan Chase Bank as of December 31, 2017, that secures the 8 remaining annual payments of $40,000 to an award recipient. There have been no draws on such letter of credit since it was obtained in 2006.

14. Line of Credit

The Association has a revolving line of credit with a financial institution, secured by securities, in the original amount of $14,500,000, bearing interest at 2.49%. The Association and the financial institution agreed to reduce the outstanding principal balance under the line of credit by certain amounts as outlined below. At December 31, 2017 and 2016, $10,000,000 and $13,500,000 was outstanding and $311,844 and $294,167 of interest expense was incurred, respectively.

Payments required were as follows:

Years ending December 31,		
2018	$	2,500,000
2019		2,500,000
2020		2,500,000
2021		2,500,000
Total	$	10,000,000

15. Charitable Gift Annuities

Gift annuities require an annuity to be paid to the donor or the donor's beneficiary over the beneficiary's lifetime. The annuity payments are funded by the donated assets, with the remainder becoming a gift to the Association. The actuarially determined liability is recorded based on the terms of the gift, and the difference between the present value of the estimated liability and the fair value of the gift is recognized as revenue at the time of the gift. At December 31, 2017 and 2016, the gift annuity balance is $1,366,959 and $1,467,323, respectively, and is included within investments within the accompanying statement of financial position. The actuarially determined liability is $681,944 and $819,442, respectively, and is included in accounts payable and accrued expenses within the accompanying statement of financial position. The Association utilizes the Internal Revenue Service 2000 Mortality Table and market-based interest rates for the development of the liabilities. The Association maintains assets sufficient to meet the annuity requirements stipulated by the various state laws.