



**HUNTINGTON'S DISEASE SOCIETY
OF AMERICA, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Huntington's Disease Society of America, Inc.
New York, New York

We have audited the accompanying consolidated statement of financial position of the Huntington's Disease Society of America, Inc. (the "Society") as of September 30, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Society as of and for the year ended September 30, 2009 were audited by other auditors whose report dated March 31, 2010 expressed an unqualified opinion on those statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements enumerated above present fairly, in all material respects, the financial position of the Huntington's Disease Society of America, Inc. as of September 30, 2010, and the related statements of activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York
June 24, 2011

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Consolidated Statements of Financial Position

	September 30,	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,683,194	\$ 3,002,276
Investments, at fair value	717,976	806,979
Contributions receivable, net	1,375,452	1,072,882
Pledges receivable, net	33,691	166,320
Prepaid expenses and deposits	172,751	148,199
Cash surrender value of life insurance	116,018	110,838
Property and equipment, net	<u>27,098</u>	<u>18,077</u>
	<u>\$ 5,126,180</u>	<u>\$ 5,325,571</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 363,024	\$ 544,949
Accrued compensation	216,709	274,789
Research grants payable	1,905,000	2,507,500
Deferred rent	114,890	113,314
Deferred revenue	<u>224,559</u>	<u>115,478</u>
	<u>2,824,182</u>	<u>3,556,030</u>
Commitments (Note I)		
Net assets:		
Unrestricted:		
Undesignated	832,273	41,002
Board-designated	<u>443,603</u>	<u>443,603</u>
	1,275,876	484,605
Temporarily restricted	776,122	1,034,936
Permanently restricted	<u>250,000</u>	<u>250,000</u>
	<u>2,301,998</u>	<u>1,769,541</u>
	<u>\$ 5,126,180</u>	<u>\$ 5,325,571</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Consolidated Statement of Activities Year Ended September 30, 2010

(with summarized financial information for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Year Ended September 30,</u>	
				<u>2010</u>	<u>2009</u>
Support and revenue:					
Public donations	\$ 1,923,928	\$ 459,726		\$ 2,383,654	\$ 2,730,231
Foundation grants and corporate contributions	2,441,485	290,400		2,731,885	3,284,380
Federal campaign	233,299			233,299	299,787
Investment income	3,282	13,273		16,555	87,786
Sales of materials	23,418			23,418	49,772
Donated services	191,407			191,407	90,069
Other	<u>2,532</u>			<u>2,532</u>	<u>1,044</u>
Total support and revenue before restrictions	4,819,351	763,399		5,582,750	6,543,069
Net assets released from restrictions	<u>1,022,213</u>	<u>(1,022,213)</u>		<u>0</u>	<u>0</u>
Total support and revenue	<u>5,841,564</u>	<u>(258,814)</u>		<u>5,582,750</u>	<u>6,543,069</u>
Expenses:					
Program services:					
Research	569,877			569,877	2,017,682
Family services	2,142,322			2,142,322	2,124,771
Education	1,343,630			1,343,630	835,254
Chapter development	<u>1,629,341</u>			<u>1,629,341</u>	<u>1,650,770</u>
	<u>5,685,170</u>			<u>5,685,170</u>	<u>6,628,477</u>
Supporting services:					
Management and general	828,483			828,483	948,373
Fund-raising	<u>1,604,126</u>			<u>1,604,126</u>	<u>1,141,438</u>
	<u>2,432,609</u>			<u>2,432,609</u>	<u>2,089,811</u>
Total expenses	<u>8,117,779</u>			<u>8,117,779</u>	<u>8,718,288</u>
Change in net assets before non-operating income	<u>(2,276,215)</u>	<u>(258,814)</u>		<u>(2,535,029)</u>	<u>(2,175,219)</u>
Non-operating income:					
Special events:					
Gross receipts	3,754,438			3,754,438	4,061,129
Less: direct costs	<u>(686,952)</u>			<u>(686,952)</u>	<u>(1,642,800)</u>
Net income from special events	<u>3,067,486</u>			<u>3,067,486</u>	<u>2,418,329</u>
Change in net assets	791,271	(258,814)		532,457	243,110
Net assets - beginning of year	<u>484,605</u>	<u>1,034,936</u>	<u>\$ 250,000</u>	<u>1,769,541</u>	<u>1,526,431</u>
Net assets - September 30	<u>\$ 1,275,876</u>	<u>\$ 776,122</u>	<u>\$ 250,000</u>	<u>\$ 2,301,998</u>	<u>\$ 1,769,541</u>

See notes to financial statements

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Consolidated Statement of Activities Year Ended September 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Public donations	\$ 2,433,231	\$ 297,000		\$ 2,730,231
Foundation grants and corporate contributions	2,333,317	951,063		3,284,380
Federal campaign	299,787			299,787
Investment income	47,727	12,923	\$ 27,136	87,786
Sales of materials	49,772			49,772
Donated services	90,069			90,069
Other	<u>1,044</u>			<u>1,044</u>
Total support and revenue before restrictions	5,254,947	1,260,986	27,136	6,543,069
Net assets released from restrictions	<u>1,226,281</u>	<u>(1,186,383)</u>	<u>(39,898)</u>	<u>0</u>
Total support and revenue	<u>6,481,228</u>	<u>74,603</u>	<u>(12,762)</u>	<u>6,543,069</u>
Expenses:				
Program services:				
Research	2,017,682			2,017,682
Family services	2,124,771			2,124,771
Education	835,254			835,254
Chapter development	<u>1,650,770</u>			<u>1,650,770</u>
	<u>6,628,477</u>			<u>6,628,477</u>
Supporting services				
Management and general	948,373			948,373
Fund-raising	<u>1,141,438</u>			<u>1,141,438</u>
	<u>2,089,811</u>			<u>2,089,811</u>
Total expenses	<u>8,718,288</u>			<u>8,718,288</u>
Change in net assets before non-operating income	<u>(2,237,060)</u>	<u>74,603</u>	<u>(12,762)</u>	<u>(2,175,219)</u>
Non-operating income:				
Special events:				
Gross receipts	3,953,255	107,874		4,061,129
Less: direct costs	<u>(1,642,800)</u>			<u>(1,642,800)</u>
Net income from special events	<u>2,310,455</u>	<u>107,874</u>		<u>2,418,329</u>
Change in net assets	73,395	182,477	(12,762)	243,110
Net assets - beginning of year as restated (see Note A [17])	<u>411,210</u>	<u>852,459</u>	<u>262,762</u>	<u>1,526,431</u>
Net assets - September 30	<u>\$ 484,605</u>	<u>\$ 1,034,936</u>	<u>\$ 250,000</u>	<u>\$ 1,769,541</u>

See notes to financial statements

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Consolidated Statement of Functional Expenses Year Ended September 30, 2010

(with summarized financial information for 2009)

	Program Services					Supporting Services			Total Expenses	
	Research	Family Services	Education	Chapter Development	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2010	2009
Salaries and related expenses:										
Salaries	\$ 87,814	\$ 315,589	\$ 402,702	\$ 723,334	\$ 1,529,439	\$ 346,538	\$ 374,982	\$ 721,520	\$ 2,250,959	\$ 2,202,090
Payroll taxes and employee benefit	21,923	78,784	100,531	180,574	381,812	86,510	93,611	180,121	561,933	740,841
Total salaries and related expenses	109,737	394,373	503,233	903,908	1,911,251	433,048	468,593	901,641	2,812,892	2,942,931
Other expenses:										
Office supplies	5,447	9,790	21,346	42,350	78,933	43,224	11,095	54,319	133,252	112,833
Telephone	8,533	14,872	13,521	85,887	122,813	14,723	11,335	26,058	148,871	146,034
Postage and shipping	69	3,094	37,954	39,574	80,691	51,436	40,073	91,509	172,200	249,607
Rent and occupancy charges	27,929	29,528	27,928	91,333	176,718	31,615	27,928	59,543	236,261	239,284
Printing and publications		9,127	114,082	55,437	178,646	36,625	153,433	190,058	368,704	533,145
Conferences, meetings and travel	17,956	63,207	255,984	83,870	421,017	44,901	68,919	113,820	534,837	470,848
Insurance	1,361	5,080	6,239	11,725	24,405	5,369	6,393	11,762	36,167	36,088
Prizes, gifts and products sold		29,460	122,344	37,534	189,338	48,242	602,891	651,133	840,471	196,180
Professional services	48,227	446,551	170,900	161,428	827,106	42,408	82,430	124,838	951,944	864,501
Research grants and other awards	188,800	1,090,000			1,278,800				1,278,800	2,304,828
Equipment rental	6,937	6,822	30,088	12,562	56,409	10,306	7,793	18,099	74,508	54,430
Donated services and materials	149,925			24,100	174,025	17,382		17,382	191,407	90,069
Bad debt expense	4,923	17,694	22,578	40,554	85,749	19,428	21,024	40,452	126,201	205,267
Other	33	22,724	17,433	37,639	77,829	19,288	102,219	121,507	199,336	254,133
Total expenses before depreciation and amortization	569,877	2,142,322	1,343,630	1,627,901	5,683,730	817,995	1,604,126	2,422,121	8,105,851	8,700,178
Depreciation and amortization				1,440	1,440	10,488		10,488	11,928	18,110
	<u>\$ 569,877</u>	<u>\$ 2,142,322</u>	<u>\$ 1,343,630</u>	<u>\$ 1,629,341</u>	<u>\$ 5,685,170</u>	<u>\$ 828,483</u>	<u>\$ 1,604,126</u>	<u>\$ 2,432,609</u>	<u>\$ 8,117,779</u>	<u>\$ 8,718,288</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Consolidated Statement of Functional Expenses Year Ended September 30, 2009

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Research	Family Services	Education	Chapter Development		Management and General	Fund- Raising	Total Supporting Services	
Salaries and related expenses:									
Salaries	\$ 302,276	\$ 395,341	\$ 92,075	\$ 676,605	\$ 1,466,297	\$ 354,527	\$ 381,266	\$ 735,793	\$ 2,202,090
Payroll taxes and employee benefit	101,793	133,134	29,482	223,091	487,500	118,510	134,831	253,341	740,841
Total salaries and related expenses	404,069	528,475	121,557	899,696	1,953,797	473,037	516,097	989,134	2,942,931
Other expenses:									
Office supplies	7,655	17,041	14,904	31,890	71,490	26,848	14,495	41,343	112,833
Telephone	7,723	13,912	9,316	82,051	113,002	13,560	19,472	33,032	146,034
Postage and shipping	1,430	8,933	62,743	48,035	121,141	70,429	58,037	128,466	249,607
Rent and occupancy charges	26,752	26,752	26,794	105,475	185,773	26,759	26,752	53,511	239,284
Printing and publications	12,400	5,956	390,555	39,921	448,832	64,299	20,014	84,313	533,145
Conferences, meetings and travel	106,807	81,095	31,636	146,572	366,110	66,304	38,434	104,738	470,848
Insurance	1,398	4,894	6,293	11,617	24,202	5,593	6,293	11,886	36,088
Prizes, gifts and products sold	166	342	6,725	15,615	22,848	9,591	163,741	173,332	196,180
Professional services	48,281	384,288	98,194	164,142	694,905	61,067	108,529	169,596	864,501
Research grants and other awards	1,295,166	1,009,662			2,304,828				2,304,828
Equipment rental	7,286	7,286	7,285	15,125	36,982	8,899	8,549	17,448	54,430
Donated services and materials	90,069				90,069				90,069
Bad debt expense	8,211	28,737	36,948	61,580	135,476	32,843	36,948	69,791	205,267
Other	269	7,398	22,304	24,960	54,931	75,125	124,077	199,202	254,133
Total expenses before depreciation and amortization	2,017,682	2,124,771	835,254	1,646,679	6,624,386	934,354	1,141,438	2,075,792	8,700,178
Depreciation and amortization				4,091	4,091	14,019		14,019	18,110
	<u>\$ 2,017,682</u>	<u>\$ 2,124,771</u>	<u>\$ 835,254</u>	<u>\$ 1,650,770</u>	<u>\$ 6,628,477</u>	<u>\$ 948,373</u>	<u>\$ 1,141,438</u>	<u>\$ 2,089,811</u>	<u>\$ 8,718,288</u>

See notes to financial statements

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Consolidated Statements of Cash Flows

	<u>Year Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 532,457	\$ 243,110
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	11,928	18,110
Provisions for bad debts	126,201	205,267
Realized gains on investments	(3,243)	0
Unrealized (gains) losses on investments	10,456	(21,762)
Donated investments	(258,407)	(152,745)
Changes in:		
Contributions receivable, net	(302,570)	(721,828)
Pledges receivable, net	6,428	521,823
Other receivables and prepaid expenses	(24,552)	(8,812)
Cash surrender value of life insurance	(5,180)	(6,806)
Increase (decrease in):		
Accounts payable and accrued expenses	(181,925)	23,288
Accrued salaries and related liabilities	(58,080)	79,161
Research grants payable	(602,500)	90,000
Accrued lease commitment	1,576	1,906
Deferred revenue	109,081	32,957
Net cash (used in) provided by operating activities	<u>(638,330)</u>	<u>303,669</u>
Cash flows from investing activities:		
Purchases of property and equipment	(20,949)	(2,610)
Purchases of investments	626,029	(320,573)
Proceeds from sales of investments	(285,832)	481,551
Net cash provided by investing activities	<u>319,248</u>	<u>158,368</u>
Net change in cash and cash equivalents	(319,082)	462,037
Cash and cash equivalents - October 1	<u>3,002,276</u>	<u>2,540,239</u>
Cash and cash equivalents - September 30	<u>\$ 2,683,194</u>	<u>\$ 3,002,276</u>
Supplemental disclosure of cash flow information:		
Donated goods and services	\$ 191,407	\$ 90,069

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Consolidated Financial Statements September 30, 2010 and 2009

NOTE A - THE SOCIETY AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Society:

The accompanying consolidated financial statements present the financial position, change in net assets, and cash flows of the Huntington's Disease Society of America, Inc. incorporated in New York in 1986, and its wholly-owned supporting organizations, HDSA Research Initiatives, Inc. and HDSA Care Centers Initiatives, Inc., both incorporated in New York in 2004 (together, the "Society"), as of and for the fiscal years ended September 30, 2010 and 2009. All material intercompany accounts and transactions have been eliminated in consolidation.

The Society of is a national, voluntary health organization dedicated to improving the lives of people with Huntington's disease and their families. Currently, the Society has 29 chapters throughout the United States. Each chapter, staffed entirely by volunteers, (i) holds educational events and runs support groups for local families with Huntington's Disease; (ii) raises funds through events (walk-a-thons, dinners, golf tournaments, and other activities) that are used to support the Society's programs of research, care and education; and (iii) strives to build greater awareness of HD in the general public through outreach to local press and civic groups.

The Society is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying consolidated financial statements of the Society have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit entities.

[3] Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services using reasonable ratios determined by management.

[4] Use of estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingencies. Actual results may differ from those estimates.

[5] Cash equivalents:

For financial statement purposes, the Society considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for those held as part of the investment portfolio.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Consolidated Financial Statements September 30, 2010 and 2009

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Net assets:

The net assets of the Society and the changes therein are classified and reported as follows:

a) Unrestricted:

Unrestricted net assets represent those resources available for current operations, with no donor restrictions. Pursuant to a resolution of the Society's Board of Trustees, the Society established a board designation for part of the unrestricted net assets and it can be spent at the discretion of the Board.

b) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Management of Institutional Funds Act ("NYPMIFA") and/or have been restricted by donors. Net assets releases from restrictions represent the satisfaction of the restricted purposes and/or an explicit appropriation action by the Board of Trustees.

c) Permanently restricted:

Permanently restricted net assets represent those resources restricted by donors from use by the Society except to generate additional income, which may or may not be directed to specific use by the donor.

[7] Property and equipment:

Property and equipment are recorded at their original costs and are depreciated over their estimated useful lives, which range from 3 to 10 years, using the straight-line method utilizing a half-year convention. Leasehold improvements are amortized using the straight-line method over the terms of the underlying leases, which may be less than the estimated useful lives of the improvements.

[8] Investments:

Investments in debt and equity securities are reported at their readily determinable fair values at fiscal year-end. Mutual funds consist primarily of equity and fixed-income funds and are reported at their fair values, as determined by the related investment manager or advisor. Realized gains and losses on assets sold, and unrealized appreciation or depreciation on investments held, are reported in the accompanying consolidated statements of activities. Net investment income, and the realized and unrealized gains and losses on investments, are reported as unrestricted unless specifically restricted by donors. Donated securities are recorded at their fair values at the dates of donation.

[9] Research grants payable:

Grants are recognized as an obligation at the time of approval. Grants approved but unpaid as of year-end are reported as liabilities in the accompanying consolidated statements of financial position. The research grant payable obligation for fiscal-years 2010 and 2009 was \$1,905,000 and 2,507,500, respectively, and will be paid in the upcoming year.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Consolidated Financial Statements September 30, 2010 and 2009

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Deferred rent:

Rent expense is recognized using the straight-line method over the terms of the lease. The difference between rent expense incurred and the rental amounts paid, which is attributed to scheduled rent increases, is reported as a "deferred rent" obligation in the accompanying consolidated statements of financial position.

[11] Contributions and grants

Contributions and grants, including unconditional promises to give to the Society, are recognized as revenue in the period received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

[12] Fair-value measurements:

The Society reports a fair-value measurement of all applicable assets and liabilities.

[13] Income taxes:

The Society adopted the provision of Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 740-10-05 relating to the accounting and reporting for uncertainty in income taxes. Because of the Society's general tax-exempt status, the adoption of ASC 740-10-05 has not had, and is not expected to have, a material impact on the Society's consolidated financial statements.

[14] Donated goods and services:

For recognition of donated services in the Society's consolidated financial statements, such services must (a) create or enhance non-financial assets or (b) require specialized skills and be performed by individuals possessing those skills and which would otherwise be purchased by the Society. Donated good and services are recorded as support at their estimated fair value at the dates of donation and are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated goods and services are reported as both contributions and offsetting expenses in the accompanying consolidated statements of activities.

[15] Accrued vacation obligation:

Based on their tenure, the Society's employees are entitled to be paid for unused vacation time if they leave the organization. Accordingly, at each fiscal year-end, the Society recognizes a liability for the obligation that would be incurred if all employees with such unused vacation were to leave. At September 30, 2010 and 2009, this accrued vacation obligation was \$116,701 and \$120,244, respectively.

[16] Subsequent events:

The Society considers all accounting treatments, and the related disclosures in the current fiscal-year's consolidated financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

[17] Restatement of prior year:

Effective October 1, 2008, the Society reclassified \$302,200 of net assets, which had been previously reported as permanently restricted, to the temporarily restricted category, to better reflect donor intent.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Consolidated Financial Statements September 30, 2010 and 2009

NOTE B - INVESTMENTS

At each fiscal year-end, the costs and fair values of investments were as follows:

	September 30,			
	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 710,998	\$ 709,593	\$ 792,000	\$ 801,613
Common stock	2,455	2,385		
Mutual funds	5,906	5,998	5,906	5,366
	<u>\$ 719,359</u>	<u>\$ 717,976</u>	<u>\$ 797,906</u>	<u>\$ 806,979</u>

For each fiscal year, net investment income consisted of the following:

	Year Ended September 30,	
	2010	2009
Interest and dividends	\$ 23,768	\$ 66,024
Realized gains	3,243	
Unrealized gains (losses)	<u>(10,456)</u>	<u>21,762</u>
Total investment income	<u>\$ 16,555</u>	<u>\$ 87,786</u>

ASC 820-10-05 establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date. The types of investments and other assets included in Level 1 are exchange-traded equity securities, money-market funds, and fixed-income securities.
- Level 2: Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include bond funds and debt instruments that are redeemable at or near the balance sheet date.
- Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability.

All of the Society's investments are classified within Level 1.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Consolidated Financial Statements September 30, 2010 and 2009

NOTE C - PLEDGES AND CONTRIBUTIONS RECEIVABLE

The Society has recorded as pledges receivable those amounts that have been promised to the Society as of September 30, but that have not yet been collected as of that date. At each fiscal year-end, the pledges receivable were estimated to be due as follows:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
One year or less	\$ 20,000	\$ 33,551
One to five years	<u>15,000</u>	<u>140,150</u>
	35,000	173,701
Less present value adjustment, at a discount rate of 4%	<u>(1,309)</u>	<u>(7,381)</u>
	<u>\$ 33,691</u>	<u>\$ 166,320</u>

As of September 30, 2010 and 2009, HDSA's contribution receivables are reported as \$1,375,452 and \$1,072,882, respectively. Based on prior experience with donors, management expects all receivables to be fully collectible. Accordingly, no allowance for doubtful amounts has been provided.

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
Computers and equipment	\$ 206,529	\$ 187,130
Furniture and fixtures	17,085	17,085
Chapter property and equipment	52,667	51,117
Leasehold improvements	<u>30,489</u>	<u>30,489</u>
	306,770	285,821
Less accumulated depreciation and amortization	<u>(279,672)</u>	<u>(267,744)</u>
	<u>\$ 27,098</u>	<u>\$ 18,077</u>

NOTE E - EMPLOYEE-BENEFIT PLAN

The Society maintains a 403(b) defined-contribution employee-benefit plan for all eligible employees. The Society contributes a 5% match of an eligible employee's salary to the plan. The Society's contribution for fiscal-years 2010 and 2009 was \$69,724 and \$52,782, respectively.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

For fiscal-years 2010 and 2009, temporarily restricted net assets consisted of \$776,122 and \$1,034,936, respectively, and were restricted to fund research and education programs. During each fiscal year, net assets released from restrictions resulted from satisfying donor restrictions to fund research and education of \$1,022,213 and \$1,226,281, respectively.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Consolidated Financial Statements September 30, 2010 and 2009

NOTE G - ENDOWMENT

[1] The endowment:

At September 30, 2010, the Society's endowment consisted solely of a permanently restricted, individual fund in the amount of \$250,000, established by one donor for the purpose of funding medical research in the field of Huntington's disease.

[2] Interpretation of relevant law:

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") became law in September 2010. The Board of Trustees will adhere to NYPMIFA's new requirements relating to the Society's spending rate and permanent endowment funds.

[3] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA may require the Society to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2010 and 2009.

[4] Return objectives and risk parameters:

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets and assuming a moderate level of investment risk.

[5] Strategies employed for achieving objectives:

The Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds;
- the purposes of the Society and the donor-restricted endowment funds;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- other resources of the Society; and
- the investment policy of the Society.

[6] Spending policy and relation to the spending policy:

The Society evaluates its funding requirements on an annual basis and, accordingly, draws from its endowment appreciation on an as-needed basis. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Consolidated Financial Statements September 30, 2010 and 2009

NOTE H - CONCENTRATION OF CREDIT RISK

The Society maintains its cash and cash equivalents in bank accounts in amounts which, at times, may exceed federally insured limits. However, management believes that the Society does not face a significant risk of loss on these accounts.

NOTE I - COMMITMENTS AND CONTINGENCIES

The Society leases office space for its National Office in New York City under operating lease agreements expiring through June 30, 2015. The future minimum annual rental on the leases described above are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2011	\$ 167,923
2012	179,588
2013	189,411
2014	194,146
2015	<u>148,412</u>
	<u>\$ 879,480</u>

Rent expense for fiscal-years 2010 and 2009 was \$236,261 and \$239,284, respectively. There are no lease commitments for chapter offices, since these leases are on a month-to-month basis.

NOTE J - DONATED SERVICES AND MATERIALS

The fair value of contributed goods and services, which included legal services, rent expense and donated merchandise for fiscal-years 2010 and 2009 was \$191,407 and \$90,069, respectively.

NOTE K - LIFE INSURANCE

The Society is the beneficiary of a life insurance policy on a donor. The annual premium for this policy, which is partially offset by the annual increases in its cash surrender value was \$116,018 for fiscal-year 2010.