



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

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Huntington's Disease Society of America, Inc. (the "Society"), which are comprised of the statements of financial position as of December 31, 2015 and 2014, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Society's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' judgments, 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 auditors consider internal control relevant to the Society'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 Society'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 the Huntington's Disease Society of America, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



New York, New York
April 13, 2016

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Financial Position

	December 31,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 4,537,268	\$ 3,617,512
Investments	425,792	264,773
Pledges and contributions receivable, net	1,115,008	1,145,369
Other receivables		214,806
Prepaid expenses and deposits	144,645	113,203
Property and equipment, net	<u>45,608</u>	<u>36,595</u>
	<u>\$ 6,268,321</u>	<u>\$ 5,392,258</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 220,345	\$ 89,542
Accrued compensation	249,235	188,935
Grants payable	540,161	1,237,883
Deferred rent obligation	72,116	18,894
Obligation under capital lease	2,626	9,773
Deferred revenue	<u>34,010</u>	<u>39,867</u>
Total liabilities	<u>1,118,493</u>	<u>1,584,894</u>
Commitments (Note I)		
Net assets:		
Unrestricted:		
Undesignated	204,517	161,190
Board-operating reserve	<u>686,827</u>	<u>511,664</u>
	891,344	672,854
Temporarily restricted	4,008,484	2,884,510
Permanently restricted	<u>250,000</u>	<u>250,000</u>
Total net assets	<u>5,149,828</u>	<u>3,807,364</u>
	<u>\$ 6,268,321</u>	<u>\$ 5,392,258</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Activities

Year Ended December 31, 2015

(with summarized financial information for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
Support and revenue:					
Public donations	\$ 753,413	\$ 2,060,191		\$ 2,813,604	\$ 3,104,819
Foundation grants and corporate contributions	1,219,268	727,350		1,946,618	1,253,962
Federal campaign	289,481			289,481	280,164
Investment income	6,332	1,283		7,615	5,173
Life insurance proceeds					85,535
Donated services and materials	539,033			539,033	412,872
Other	22,913			22,913	28,756
	<u>2,830,440</u>	<u>2,788,824</u>		<u>5,619,264</u>	<u>5,171,281</u>
Total support and revenue before net assets released from restrictions					
Net assets released from restrictions	<u>1,664,850</u>	<u>(1,664,850)</u>		<u>0</u>	<u>0</u>
Total support and revenue	<u>4,495,290</u>	<u>1,123,974</u>		<u>5,619,264</u>	<u>5,171,281</u>
Expenses:					
Program services:					
Research	1,727,027			1,727,027	1,643,133
Family services	1,949,944			1,949,944	2,079,052
Education	1,553,769			1,553,769	1,239,835
Chapter development	1,014,896			1,014,896	936,040
	<u>6,245,636</u>			<u>6,245,636</u>	<u>5,898,060</u>
Supporting services:					
Management and general	913,562			913,562	929,721
Fund-raising	1,148,113			1,148,113	957,100
	<u>2,061,675</u>			<u>2,061,675</u>	<u>1,886,821</u>
Total expenses	<u>8,307,311</u>			<u>8,307,311</u>	<u>7,784,881</u>
Change in net assets before non-operating income	<u>(3,812,021)</u>	<u>1,123,974</u>		<u>(2,688,047)</u>	<u>(2,613,600)</u>
Non-operating income:					
Special events:					
Gross receipts	4,628,905			4,628,905	4,481,670
Less: direct costs	(598,394)			(598,394)	(678,584)
Net income from special events	<u>4,030,511</u>			<u>4,030,511</u>	<u>3,803,086</u>
Increase in net assets	218,490	1,123,974		1,342,464	1,189,486
Net assets, beginning of year (as restated see Note A[18])	<u>672,854</u>	<u>2,884,510</u>	<u>\$ 250,000</u>	<u>3,807,364</u>	<u>2,617,878</u>
Net assets, end of year	\$ 891,344	\$ 4,008,484	\$ 250,000	\$ 5,149,828	\$ 3,807,364

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Activities Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Public donations	\$ 1,308,061	\$ 1,796,758		\$ 3,104,819
Foundation grants and corporate contributions	861,462	392,500		1,253,962
Federal campaign	280,164			280,164
Investment income	1,684	3,489		5,173
Life insurance proceeds	85,535			85,535
Donated services and materials	412,872			412,872
Other	<u>28,756</u>			<u>28,756</u>
Total support and revenue before net assets released from restrictions	2,978,534	2,192,747		5,171,281
Net assets released from restrictions	<u>1,621,620</u>	<u>(1,621,620)</u>		<u>0</u>
Total support and revenue	<u>4,600,154</u>	<u>571,127</u>		<u>5,171,281</u>
Expenses:				
Program services:				
Research	1,643,133			1,643,133
Family services	2,079,052			2,079,052
Education	1,239,835			1,239,835
Chapter development	<u>936,040</u>			<u>936,040</u>
	<u>5,898,060</u>			<u>5,898,060</u>
Supporting services:				
Management and general	929,721			929,721
Fund-raising	<u>957,100</u>			<u>957,100</u>
	<u>1,886,821</u>			<u>1,886,821</u>
Total expenses	<u>7,784,881</u>			<u>7,784,881</u>
Change in net assets before non-operating income	<u>(3,184,727)</u>	<u>571,127</u>		<u>(2,613,600)</u>
Non-operating income:				
Special events:				
Gross receipts	4,481,670			4,481,670
Less: direct costs	<u>(678,584)</u>			<u>(678,584)</u>
Net income from special events	<u>3,803,086</u>			<u>3,803,086</u>
Increase in net assets	618,359	571,127		1,189,486
Net assets, beginning of year (as restated see Note A[18])	<u>54,495</u>	<u>2,313,383</u>	<u>\$ 250,000</u>	<u>2,617,878</u>
Net assets, end of year	<u>\$ 672,854</u>	<u>\$ 2,884,510</u>	<u>\$ 250,000</u>	<u>\$ 3,807,364</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses
 Year Ended December 31, 2015
 (with summarized financial information for 2014)

	Program Services					Supporting Services			Total	
	Research	Family Services	Education	Chapter Development	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2015	2014
Salaries and related expenses:										
Salaries	\$ 272,054	\$ 433,334	\$ 472,417	\$ 588,682	\$ 1,766,487	\$ 260,675	\$ 412,577	\$ 673,252	\$ 2,439,739	\$ 2,074,764
Payroll taxes and employee benefit	<u>83,971</u>	<u>133,751</u>	<u>145,814</u>	<u>181,700</u>	<u>545,236</u>	<u>80,458</u>	<u>127,344</u>	<u>207,802</u>	<u>753,038</u>	<u>617,369</u>
Total salaries and related expenses	356,025	567,085	618,231	770,382	2,311,723	341,133	539,921	881,054	3,192,777	2,692,133
Other expenses:										
Office supplies	3,060	4,769	19,729	17,814	45,372	34,811	23,384	58,195	103,567	143,811
Telephone	7,802	16,310	8,247	37,308	69,667	25,343	7,882	33,225	102,892	120,085
Postage and shipping	773	3,376	22,063	25,485	51,697	46,449	33,091	79,540	131,237	138,531
Rent and occupancy charges	37,124	37,125	37,124	52,614	163,987	37,181	37,051	74,232	238,219	206,346
Printing and publications	110	3,375	99,016	32,171	134,672	102,969	58,370	161,339	296,011	220,537
Conferences, meetings and travel	7,127	36,683	324,197	12,250	380,257	33,807	31,148	64,955	445,212	398,850
Insurance	4,750	7,632	8,249	10,896	31,527	4,552	7,204	11,756	43,283	51,016
Prizes and gifts		393	254,858	1,247	256,498	7,859	210,138	217,997	474,495	375,322
Professional services	79,477	448,962	141,563	34,386	704,388	62,372	33,733	96,105	800,493	911,899
Research grants and other awards	832,450	814,814			1,647,264				1,647,264	1,841,259
Equipment rental	3,229	3,229	3,663	6,774	16,895	4,435	3,206	7,641	24,536	26,868
Donated services and materials	391,285				391,285	147,747		147,747	539,032	412,872
Other	<u>356</u>	<u>683</u>	<u>10,824</u>	<u>6,010</u>	<u>17,873</u>	<u>61,592</u>	<u>157,741</u>	<u>219,333</u>	<u>237,206</u>	<u>211,410</u>
Total expenses before depreciation and amortization	1,723,568	1,944,436	1,547,764	1,007,337	6,223,105	910,250	1,142,869	2,053,119	8,276,224	7,750,939
Depreciation and amortization	<u>3,458</u>	<u>5,508</u>	<u>6,005</u>	<u>7,559</u>	<u>22,530</u>	<u>3,313</u>	<u>5,244</u>	<u>8,557</u>	<u>31,087</u>	<u>33,942</u>
	<u>\$ 1,727,026</u>	<u>\$ 1,949,944</u>	<u>\$ 1,553,769</u>	<u>\$ 1,014,896</u>	<u>\$ 6,245,635</u>	<u>\$ 913,563</u>	<u>\$ 1,148,113</u>	<u>\$ 2,061,676</u>	<u>\$ 8,307,311</u>	<u>\$ 7,784,881</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses Year Ended December 31, 2014

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total 2014
	Research	Family Services	Education	Chapter Development		Management and General	Fund- Raising		
Salaries and related expenses:									
Salaries	\$ 308,850	\$ 357,699	\$ 366,984	\$ 505,911	\$ 1,539,444	\$ 223,232	\$ 312,088	\$ 535,320	\$ 2,074,764
Payroll taxes and employee benefit	<u>91,902</u>	<u>106,437</u>	<u>109,200</u>	<u>150,540</u>	<u>458,079</u>	<u>66,425</u>	<u>92,865</u>	<u>159,290</u>	<u>617,369</u>
Total salaries and related expenses	400,752	464,136	476,184	656,451	1,997,523	289,657	404,953	694,610	2,692,133
Other expenses:									
Office supplies	30,058	4,454	15,968	27,607	78,087	44,944	20,780	65,724	143,811
Telephone	9,824	17,807	9,813	46,491	83,935	26,951	9,199	36,150	120,085
Postage and shipping	3,110	10,351	25,432	22,708	61,601	29,121	47,809	76,930	138,531
Rent and occupancy charges	29,693	29,693	27,721	56,091	143,198	33,266	29,882	63,148	206,346
Printing and publications	2,873	5,966	63,447	24,089	96,375	59,685	64,477	124,162	220,537
Conferences, meetings and travel	21,827	57,264	251,271	14,007	344,369	36,198	18,283	54,481	398,850
Insurance	7,365	8,569	8,751	12,666	37,351	5,323	8,342	13,665	51,016
Prizes and gifts		6,812	197,831	2,466	207,109	211	168,002	168,213	375,322
Professional services	47,559	463,965	139,113	38,302	688,939	193,420	29,540	222,960	911,899
Research grants and other awards	832,083	994,176		15,000	1,841,259				1,841,259
Equipment rental	3,219	3,674	5,528	6,139	18,560	5,089	3,219	8,308	26,868
Donated services and materials	240,427	1,920			242,347	170,525		170,525	412,872
Other	<u>9,337</u>	<u>4,467</u>	<u>12,827</u>	<u>5,512</u>	<u>32,143</u>	<u>31,712</u>	<u>147,555</u>	<u>179,267</u>	<u>211,410</u>
Total expenses before depreciation and amortization	1,638,127	2,073,254	1,233,886	927,529	5,872,796	926,102	952,041	1,878,143	7,750,939
Depreciation and amortization	<u>5,006</u>	<u>5,798</u>	<u>5,949</u>	<u>8,511</u>	<u>25,264</u>	<u>3,619</u>	<u>5,059</u>	<u>8,678</u>	<u>33,942</u>
	\$ 1,643,133	\$ 2,079,052	\$ 1,239,835	\$ 936,040	\$ 5,898,060	\$ 929,721	\$ 957,100	\$ 1,886,821	\$ 7,784,881

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 1,342,464	\$ 1,189,486
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,087	33,942
Net realized and unrealized gains on investments	(174)	(2,579)
Donated securities	(31,816)	(27,099)
Proceeds from sales of donated securities	31,274	26,567
Changes in:		
Pledges and contributions receivable	30,361	(446,361)
Other receivables	214,806	(214,806)
Prepaid expenses and deposits	(31,442)	7,299
Cash surrender value of life insurance		129,271
Accounts payable and accrued expenses	130,803	(91,024)
Accrued compensation	60,300	13,556
Grants payable	(697,722)	(309,487)
Deferred rent obligation	53,222	(34,376)
Deferred revenue	(5,857)	28,922
Net cash provided by operating activities	<u>1,127,306</u>	<u>303,311</u>
Cash flows from investing activities:		
Purchases of property and equipment	(40,100)	(20,809)
Purchases of investments	(736,547)	(247,611)
Proceeds from sales of investments	<u>576,244</u>	<u>549,229</u>
Net cash (used in) provided by investing activities	<u>(200,403)</u>	<u>280,809</u>
Cash flows from financing activities:		
Payments made on capital lease obligations	<u>(7,147)</u>	<u>(6,169)</u>
Net increase in cash and cash equivalents	919,756	577,951
Cash and cash equivalents, beginning of year	<u>3,617,512</u>	<u>3,039,561</u>
Cash and cash equivalents, end of year	<u>\$ 4,537,268</u>	<u>\$ 3,617,512</u>
Supplemental disclosure of cash flow information:		
Donated goods and services	<u>\$ 539,033</u>	<u>\$ 412,872</u>
Interest expense incurred under capital lease obligation	<u>\$ 1,141</u>	<u>\$ 1,953</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] The Society:

The Huntington's Disease Society of America, Inc. (the "Society") was incorporated in New York in 1986. The Society is a national, voluntary health organization dedicated to improving the lives of people with Huntington's disease ("HD") and their families. Currently, the Society has 33 chapters throughout the United States. Each chapter, staffed entirely by volunteers, (i) holds educational events, coordinates social workers, and runs support groups for local families with HD; (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 pursuant to 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 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 organizations.

[3] Use of estimates:

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

[4] Cash and cash equivalents:

For financial-reporting purposes, the Society considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Cash equivalents considered to be part of the Society's investment portfolio are reported as investments in the accompanying statements of financial position.

[5] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statements of financial position, with realized and unrealized gains and losses included in the accompanying statements of activities. The Society's mutual funds, consisting of bond and equity funds, are also reported at their fair values, as determined by management with the assistance of the related investment manager or advisor.

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their fair estimated values at the date of donation. The Society's policy is to sell donated securities immediately, and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sales are included as operating activities.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

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

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or if contributed, at their fair values at the dates of donation. The Society capitalizes items of property and equipment that have a cost of \$1,000 or more and a useful life greater than one year. Depreciation is provided using the straight-line method over five to ten years, the estimated useful lives of the related assets. Likewise, leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2015 and 2014, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Accrued vacation:

Accrued vacation is included as a liability in the accompanying financial statements and represents the Society's obligation for the cost of the unused employee vacation time payable in the event of employee departures; the obligation is recalculated every year. At December 31, 2015 and 2014, the accrued vacation obligation was approximately \$142,000 and \$111,000 respectively, and is reported as part of accrued compensation in the accompanying statements of financial position.

[8] Grants payable:

Grants are recognized as an obligation to the Society at the time they are approved. Grants approved, but unpaid, were approximately \$540,000 and \$1,238,000 at December 31, 2015 and 2014, respectively, and are reported as liabilities in the accompanying statements of financial position. Grants are generally paid within one year of approval.

[9] Deferred rent obligation:

Total rent expense under the lease agreement is amortized, using the straight-line method, over the term 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 statement of financial position.

[10] Deferred revenue:

Special event revenues, other than contributions, applicable to a current year are recognized as revenue in the year a special event takes place. Special event revenue received for a future year's event is deferred and recognized when the event takes place.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

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

[11] Net assets:

(i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations. The Board of Trustees has designated a portion of unrestricted net assets to be spent at the discretion of the Board.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") and the use of which has been restricted by donors or state law for specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Trustees, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statement of activities as "net assets released from restrictions."

(iii) *Permanently restricted:*

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the accompanying statements of activities, pending appropriation by the Board of Trustees.

[12] Revenue recognition:

(i) *Contributions:*

Contributions to the Society are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met. The Society records bequest income at the time it has an established right to a bequest and the proceeds are measurable. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

(ii) *Grant revenue:*

Grant revenue is recognized based on the terms of the grant, and is available for unrestricted use unless the donor or grantor restricts the use thereof, either on a temporary or permanent basis.

[13] Donated goods and services:

For recognition of donated goods and services in the Society's financial statements, such goods or services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill, and (ii) be provided by individuals possessing these skills. Donated goods and services are recorded as support at their estimated fair values at the dates of donation and are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Donated goods and services are reported as both contributions and offsetting expenses in the accompanying statement of activities.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

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

[13] Donated goods and services: (continued)

For the years 2015 and 2014, the donated goods and services were as follows:

	Year Ended December 31,	
	2015	2014
Legal services	\$ 147,747	\$ 170,525
Donated space	3,840	39,840
Donated goods	<u>387,446</u>	<u>202,507</u>
	<u>\$ 539,033</u>	<u>\$ 412,872</u>

[14] Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities and functional expenses. Accordingly, certain costs have been allocated by management, among the program, management and general and fund-raising areas, using appropriate measurement methodologies.

[15] Measure of operations:

The Society includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Special event revenue and expenses are recognized as non-operating activities.

[16] Income tax uncertainties:

The Society is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Society's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Society's financial statements.

[17] Reclassifications:

Certain information included in the prior-year's financial statements has been reclassified to conform to the current-year's presentation.

[18] Restatement of net assets:

Management, acting on behalf of, and with the authority of, the Board of Trustees has resolved to restate the financial statements relating to the releases of temporarily restricted net assets. Management and the Trustees have performed appropriate due diligence and have determined that the appropriate resolution is to restate the beginning of year 2014 net assets to reflect the appropriate balances of temporarily restricted net assets. The effect of these changes resulted in an increase to unrestricted net assets of \$709,877 and a decrease in temporarily restricted net assets of the same amount.

[19] Subsequent events:

The Society considers the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after December 31, 2015 through April 13, 2016, the date the financial statements were available to be issued.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Certificates of deposit	\$ 413,317	\$ 413,317	\$ 250,274	\$ 250,274
Mutual funds	12,108	7,359	14,499	7,971
Government securities	367	367		
	<u>\$ 425,792</u>	<u>\$ 421,043</u>	<u>\$ 264,773</u>	<u>\$ 258,245</u>

During each year, net investment income consisted of the following:

	Year Ended December 31,	
	2015	2014
	Interest and dividends	\$ 7,441
Realized gains (losses)	1,953	(532)
Unrealized (losses) gains	<u>(1,779)</u>	<u>3,111</u>
	<u>\$ 7,615</u>	<u>\$ 5,173</u>

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, 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 those investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments, in active markets, or (ii) quoted prices for similar investments, 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 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For 2015 and 2014, there were no transfers among the fair-value hierarchy levels.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - INVESTMENTS (CONTINUED)

The following table summarizes the fair values of the Society's assets at each year-end, in accordance with the ASC Topic 820 valuation levels:

	December 31,					
	2015			2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Certificates of deposit		\$ 413,317	\$ 413,317		\$ 250,274	\$ 250,274
Mutual funds	\$ 12,108		12,108	\$ 14,499		14,499
Government securities		367	367			
	<u>\$ 12,108</u>	<u>\$ 413,684</u>	<u>\$ 425,792</u>	<u>\$ 14,499</u>	<u>\$ 250,274</u>	<u>\$ 264,773</u>

NOTE C - RECEIVABLES

[1] Pledges and contributions receivable:

At each year-end, pledges and contributions receivable were estimated to be due as follows:

	December 31,	
	2015	2014
Less than one year	\$ 568,470	\$ 877,421
One to five years	<u>609,838</u>	<u>301,157</u>
	1,178,308	1,178,578
Less discount to present value, at a rate of 4%	<u>(63,300)</u>	<u>(33,209)</u>
	<u>\$ 1,115,008</u>	<u>\$ 1,145,369</u>

Based on its prior experience with donors, management expects all receivables to be fully collected, and accordingly, no provision for allowance for doubtful accounts has been established.

[2] Other receivables:

At year-end, other receivables consisted of amounts due to the Society for exchange-type transactions. All amounts are due within one year. Based on management's past experience, these receivables are expected to be fully collected.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Computers and equipment	\$ 270,751	\$ 264,267
Furniture and fixtures	17,085	17,085
Chapter property and equipment	52,667	52,667
Leasehold improvements	<u>64,105</u>	<u>30,489</u>
	404,608	364,508
Less accumulated depreciation and amortization	<u>(359,000)</u>	<u>(327,913)</u>
	<u>\$ 45,608</u>	<u>\$ 36,595</u>

NOTE E - EMPLOYEE-BENEFIT PLAN

The Society maintains a defined-contribution employee-benefit plan, established under Section 403(b) of the Internal Revenue Code. The plan covers all eligible employees. The Society contributes a portion of an eligible employee's salary to the plan. The Society's contributions for 2015 and 2014 were approximately \$104,000 and \$81,000, respectively.

In previous years, the Society did not remit the required contribution for certain otherwise eligible employees. Accordingly, as of December 31, 2015, the Society owes \$7,807 to former participants in the plan and this is reflected in accrued compensation in the accompanying statements of financial position. Management has repeatedly notified these participants and is dependent upon the participant's response for distribution of the funds.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets consisted of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Research	\$ 2,522,587	\$ 1,565,708
Family services	168,830	166,695
Education	538,379	471,211
Chapter development	412,332	178,629
Time-restricted	<u>334,475</u>	<u>471,801</u>
	3,976,603	2,854,044
Accumulated endowment income reserved for appropriation	<u>31,881</u>	<u>30,466</u>
	<u>\$ 4,008,484</u>	<u>\$ 2,844,510</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets that are time-restricted represent multi-year, unrestricted gifts that are subject to designation as temporarily restricted in accordance with the Society's accounting policy as previously discussed in Note A[11].

During each year, net assets released from restrictions consisted of the following:

	Year Ended December 31,	
	2015	2014
Research	\$ 1,004,795	\$ 1,054,117
Family services		92,541
Education	350,453	461,607
Chapter development	147,276	13,355
Time-restricted	<u>162,326</u>	
	<u>\$ 1,664,850</u>	<u>\$ 1,621,620</u>

NOTE G - PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2015 and 2014, net assets of \$250,000 were permanently restricted, with investments earnings to be used to support medical research in the field of Huntington's disease.

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

The Society's endowment consists of one donor-restricted fund, established by the donor for the purpose of funding medical research in the field of Huntington's disease.

[2] Interpretation of relevant law:

NYPMIFA is applicable to all of the Society's institutional funds, including its donor-restricted fund. The Board of Trustees adheres to NYPMIFA's requirements.

[3] Changes in endowment net assets, during each year:

	December 31, 2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 30,466	\$ 250,000	\$ 280,466
Investment income	<u>1,415</u>		<u>1,415</u>
Endowment net assets, end of year	<u>\$ 31,881</u>	<u>\$ 250,000</u>	<u>\$ 281,881</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Changes in endowment net assets, during each year: (continued)

	December 31, 2014		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 28,372	\$ 250,000	\$ 278,372
Investment income	<u>2,094</u>	<u> </u>	<u>2,094</u>
Endowment net assets, end of year	<u>\$ 30,466</u>	<u>\$ 250,000</u>	<u>\$ 280,466</u>

Temporarily restricted endowment represents that portion of allocated investment income, derived from permanently restricted endowment assets, that has not been appropriated by the Board of Trustees for expenditure.

[4] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. At December 31, 2015 and 2014, there were no deficiencies of this nature. Under the terms of NYPMIFA, the Society has no responsibility to restore such a decrease in value.

[5] 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.

[6] Strategies employed for achieving objectives:

To satisfy its long-term, rate-of-return objectives, the Society relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

[7] 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 Financial Statements December 31, 2015 and 2014

NOTE I - COMMITMENTS

[1] Leases:

The Society leases a portion of its equipment under a capital lease expiring in April 2016. The equipment was recorded at its fair value and is being depreciated over its estimated useful life. Depreciation expense associated with the assets is included in the accompanying statements of functional expenses. Capitalized leased equipment amounted to \$28,925 for 2015 and 2014, with accumulated depreciation of \$26,445 and \$21,280, respectively. Depreciation expense related to the capitalized leased equipment amounted to \$5,165 in each of the years 2015 and 2014.

In addition, the Society leases office space for its various offices under an operating lease agreement that expired on June 30, 2015. During 2015, the Society renewed the office space for an additional ten years through September 30, 2025.

The future minimum annual rental on the leases is as follows:

Year Ending December 31,	Leases	
	Capitalized	Operating
2016	\$ 2,708	\$ 243,456
2017		249,542
2018		255,781
2019		262,175
2020		268,729
Thereafter		<u>1,370,894</u>
	<u>2,708</u>	<u>\$2,650,577</u>
Less amount representing interest on lease payments	<u>82</u>	
Present value of minimum lease payments	<u>\$ 2,626</u>	

Rent expense for 2015 and 2014 was \$238,219 and \$206,346, respectively. There are no lease commitments for chapter offices, since these leases are on a month-to-month basis.

[2] Line of credit:

The Society has a bank line of credit in the amount of \$500,000, which is collateralized by the general assets of the Society. The interest rate is based on LIBOR plus 4.51% and the line expired in November 2015. Subsequent to year-end, the Society renewed the line of credit with a new maturity date of February 17, 2017, and a new interest rate of LIBOR plus 3.00%. There were no drawdowns during either 2015 or 2014.

[3] Other contracts:

In the normal course of business, the Society enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE J - LIFE INSURANCE

The Society was the beneficiary of a life insurance policy on a donor. During 2014, the donor passed away, and the policy's proceeds of approximately \$215,000 were received by the Society during 2015.

NOTE K - CREDIT RISK

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the Society does not face a significant risk of loss on these accounts that would arise due to the failure of these institutions.