

EISNERAMPER

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

EISNERAMPER
LLP



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 comprise of the statements of financial position as of December 31, 2018 and 2017, and 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.

Auditor's 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 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 the Huntington's Disease Society of America, Inc. as of December 31, 2018 and 2017, 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.



EISNERAMPER LLP
New York, New York
April 30, 2019



HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Financial Position

	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 8,850,855	\$ 6,755,658
Pledges and contributions receivable, net	1,338,533	1,639,252
Investments	113,272	476,225
Prepaid expenses and deposits	152,770	161,151
Property and equipment, net	47,443	53,060
Website costs, net	<u>8,181</u>	
	<u>\$ 10,511,054</u>	<u>\$ 9,085,346</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 116,344	\$ 116,013
Accrued compensation	185,723	270,255
Grants payable	1,447,523	1,415,064
Deferred rent obligation	116,711	108,034
Event revenue received in advance	14,578	87,457
Obligation under capital lease	<u>13,250</u>	<u>17,499</u>
Total liabilities	<u>1,894,129</u>	<u>2,014,322</u>
Commitments (Note J)		
Net assets:		
Without donor restrictions:		
Undesignated	1,372,640	991,626
Board-operating reserve	<u>1,518,483</u>	<u>1,278,217</u>
	2,891,123	2,269,843
With donor restrictions:		
Purpose restrictions	4,950,357	3,573,900
Time-restricted for future periods	525,445	977,281
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
	<u>5,725,802</u>	<u>4,801,181</u>
Total net assets	<u>8,616,925</u>	<u>7,071,024</u>
	<u>\$ 10,511,054</u>	<u>\$ 9,085,346</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Activities

Year Ended December 31, 2018

(with summarized financial information for 2017)

	Without	With	Total	
	Donor Restrictions	Donor Restrictions	2018	2017
Support and revenue:				
Public donations	\$ 1,501,758	\$ 2,152,446	\$ 3,654,204	\$ 3,071,181
Foundation grants and corporate contributions	944,789	1,393,080	2,337,869	2,941,556
Federated campaign	293,299		293,299	359,352
Special events (net of direct benefit to donors of \$681,911 and \$562,549 in 2018 and 2017, respectively)	4,332,708		4,332,708	4,066,187
Investment income, net	30,849	2,277	33,126	15,472
Donated services and materials	788,276		788,276	278,979
Other income	79,337		79,337	79,833
	<u>7,971,016</u>	<u>3,547,803</u>	<u>11,518,819</u>	<u>10,812,560</u>
Total support and revenue before net assets released from restrictions				
Net assets released from restrictions	<u>2,623,182</u>	<u>(2,623,182)</u>	<u>0</u>	<u>0</u>
	<u>10,594,198</u>	<u>924,621</u>	<u>11,518,819</u>	<u>10,812,560</u>
Expenses:				
Program services:				
Research	2,628,066		2,628,066	1,738,768
Family services	2,525,584		2,525,584	2,762,400
Education	1,605,661		1,605,661	1,670,796
Chapter development	1,033,072		1,033,072	1,000,281
	<u>7,792,383</u>		<u>7,792,383</u>	<u>7,172,245</u>
Supporting services:				
Management and general	954,268		954,268	1,107,145
Fund-raising	1,226,267		1,226,267	1,187,521
	<u>2,180,535</u>		<u>2,180,535</u>	<u>2,294,666</u>
Total expenses	<u>9,972,918</u>		<u>9,972,918</u>	<u>9,466,911</u>
Increase in net assets	621,280	924,621	1,545,901	1,345,649
Net assets, beginning of year	<u>2,269,843</u>	<u>4,801,181</u>	<u>7,071,024</u>	<u>5,725,375</u>
Net assets, end of year	\$ 2,891,123	\$ 5,725,802	\$ 8,616,925	\$ 7,071,024

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Activities Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Public donations	\$ 1,465,094	\$ 1,606,087	\$ 3,071,181
Foundation grants and corporate contributions	2,201,556	740,000	2,941,556
Federated campaign	359,352		359,352
Special events (net of direct benefit to donor of \$562,549)	4,066,187		4,066,187
Investment income, net	11,876	3,596	15,472
Donated services and materials	278,979		278,979
Other income	<u>79,833</u>		<u>79,833</u>
Total support and revenue before net assets released from restrictions	8,462,877	2,349,683	10,812,560
Net assets released from restrictions	<u>1,294,322</u>	<u>(1,294,322)</u>	<u>0</u>
Total support and revenue	<u>9,757,199</u>	<u>1,055,361</u>	<u>10,812,560</u>
Expenses:			
Program services:			
Research	1,738,768		1,738,768
Family services	2,762,400		2,762,400
Education	1,670,796		1,670,796
Chapter development	<u>1,000,281</u>		<u>1,000,281</u>
	<u>7,172,245</u>		<u>7,172,245</u>
Supporting services:			
Management and general	1,107,145		1,107,145
Fund-raising	<u>1,187,521</u>		<u>1,187,521</u>
	<u>2,294,666</u>		<u>2,294,666</u>
Total expenses	<u>9,466,911</u>		<u>9,466,911</u>
Increase in net assets	290,288	1,055,361	1,345,649
Net assets, beginning of year	<u>1,979,555</u>	<u>3,745,820</u>	<u>5,725,375</u>
Net assets, end of year	<u>\$ 2,269,843</u>	<u>\$ 4,801,181</u>	<u>\$ 7,071,024</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses
Year Ended December 31, 2018
(with summarized financial information for 2017)

	Program Services					Supporting Services				Total	
	Research	Family Services	Education	Chapter Development	Total Program Services	Management and General	Fund-Raising	Direct Benefit to Donors	Total Supporting Services	2018	2017
Salaries and related expenses:											
Salaries	\$ 378,265	\$ 475,860	\$ 521,147	\$ 635,075	\$ 2,010,347	\$ 288,951	\$ 446,163		\$ 735,114	\$ 2,745,461	\$ 2,546,227
Payroll taxes and employee benefit	<u>114,780</u>	<u>144,394</u>	<u>158,136</u>	<u>192,706</u>	<u>610,016</u>	<u>117,451</u>	<u>135,382</u>		<u>252,833</u>	<u>862,849</u>	<u>805,025</u>
Total salaries and related Expenses	493,045	620,254	679,283	827,781	2,620,363	406,402	581,545		987,947	3,608,310	3,351,252
Other expenses:											
Research grants and other awards	1,126,739	1,263,688			2,390,427					2,390,427	2,114,624
Office supplies	1,908	5,955	22,318	23,066	53,247	38,059	20,059		58,118	111,365	103,802
Telephone	6,772	19,402	6,708	20,387	53,269	24,514	7,754		32,268	85,537	89,776
Postage and shipping	6,087	10,233	31,959	22,928	71,207	28,546	42,889		71,435	142,642	122,298
Rent and occupancy charges	45,840	45,840	45,838	54,321	191,839	45,840	45,840		91,680	283,519	284,712
Printing and publications	27,507	6,057	66,160	13,918	113,642	80,392	74,281		154,673	268,315	237,841
Conferences, meetings and travel	68,313	40,278	348,602	3,854	461,047	65,763	26,359		92,122	553,169	679,490
Insurance	6,460	8,994	8,900	11,246	35,600	2,993	8,301		11,294	46,894	45,103
Prizes and gifts			218,790	228	219,018	137	147,012		147,149	366,167	650,841
Professional services	94,078	413,962	134,007	38,865	680,912	171,057	68,367		239,424	920,336	1,057,553
Equipment rental	2,995	3,035	3,825	2,995	12,850	11,503	1,789		13,292	26,142	26,378
Donated services and materials	744,092		2,733	3,840	750,665	37,611			37,611	788,276	278,979
Bad debt expense						5,835			5,835	5,835	80,000
Bank and credit card fees	123		6,699		6,822	6,952	147,506		154,458	161,280	169,418
Other special fundraising event expenses								\$ 681,911	681,911	681,911	562,549
Other	<u>271</u>	<u>85,303</u>	<u>27,010</u>	<u>3,548</u>	<u>116,132</u>	<u>28,664</u>	<u>53,220</u>		<u>81,884</u>	<u>198,016</u>	<u>162,049</u>
Total expenses before depreciation and amortization	2,624,230	2,523,001	1,602,832	1,026,977	7,777,040	954,268	1,224,922	681,911	2,861,101	10,638,141	10,016,665
Depreciation and amortization	<u>3,836</u>	<u>2,583</u>	<u>2,829</u>	<u>6,095</u>	<u>15,343</u>		<u>1,345</u>		<u>1,345</u>	<u>16,688</u>	<u>12,795</u>
	2,628,066	2,525,584	1,605,661	1,033,072	7,792,383	954,268	1,226,267	681,911	2,862,446	10,654,829	10,029,460
Less: direct benefit to donors								(681,911)	(681,911)	(681,911)	(562,549)
	<u>\$ 2,628,066</u>	<u>\$ 2,525,584</u>	<u>\$ 1,605,661</u>	<u>\$ 1,033,072</u>	<u>\$ 7,792,383</u>	<u>\$ 954,268</u>	<u>\$ 1,226,267</u>	<u>\$ 0</u>	<u>\$ 2,180,535</u>	<u>\$ 9,972,918</u>	<u>\$ 9,466,911</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses Year Ended December 31, 2017

	Program Services					Supporting Services			Total	
	Research	Family Services	Education	Chapter Development	Total Program Services	Management and General	Fund-Raising	Direct Benefit to Donors	Total Supporting Services	2017
Salaries and related expenses:										
Salaries	\$ 306,643	\$ 442,253	\$ 474,384	\$ 635,786	\$ 1,859,066	\$ 272,054	\$ 415,107		\$ 687,161	\$ 2,546,227
Payroll taxes and employee benefit	<u>92,979</u>	<u>134,098</u>	<u>143,841</u>	<u>192,781</u>	<u>563,699</u>	<u>115,459</u>	<u>125,867</u>		<u>241,326</u>	<u>805,025</u>
Total salaries and related expenses	399,622	576,351	618,225	828,567	2,422,765	387,513	540,974		928,487	3,351,252
Other expenses:										
Research grants and other awards	974,988	1,139,636			2,114,624					2,114,624
Office supplies	1,626	5,957	17,188	16,799	41,570	36,936	25,296		62,232	103,802
Telephone	7,142	18,686	7,192	24,469	57,489	21,080	11,207		32,287	89,776
Postage and shipping		2,131	11,145	11,904	25,180	47,640	49,478		97,118	122,298
Rent and occupancy charges	45,105	45,105	45,105	59,189	194,504	45,103	45,105		90,208	284,712
Printing and publications	8,193	16,468	63,323	13,010	100,994	44,215	92,632		136,847	237,841
Conferences, meetings and travel	2,972	203,959	385,931	3,182	596,044	64,647	18,799		83,446	679,490
Insurance	5,167	8,798	7,994	11,315	33,274	4,584	7,245		11,829	45,103
Prizes and gifts		101,505	357,351		458,856	3,626	188,359		191,985	650,841
Professional services	113,697	587,636	129,946	19,572	850,851	187,626	19,076		206,702	1,057,553
Equipment rental	2,636	5,560	4,984	4,324	17,504	6,238	2,636		8,874	26,378
Donated services and materials	175,764			3,840	179,604	99,375			99,375	278,979
Bad debt expense						80,000			80,000	80,000
Bank and credit card fees	124	321	5,780	290	6,515	19,978	142,925		162,903	169,418
Other special fundraising event expenses								\$ 562,549	562,549	562,549
Other	<u>341</u>	<u>48,281</u>	<u>14,480</u>	<u>935</u>	<u>64,037</u>	<u>56,106</u>	<u>41,906</u>		<u>98,012</u>	<u>162,049</u>
Total expenses before depreciation and amortization	1,737,377	2,760,394	1,668,644	997,396	7,163,811	1,104,667	1,185,638	562,549	2,852,854	10,016,665
Depreciation and amortization	<u>1,391</u>	<u>2,006</u>	<u>2,152</u>	<u>2,885</u>	<u>8,434</u>	<u>2,478</u>	<u>1,883</u>		<u>4,361</u>	<u>12,795</u>
Less: Direct benefit to donors	1,738,768	2,762,400	1,670,796	1,000,281	7,172,245	1,107,145	1,187,521	562,549	2,857,215	10,029,460
								<u>(562,549)</u>	<u>(562,549)</u>	<u>(562,549)</u>
Total expenses	<u>\$ 1,738,768</u>	<u>\$ 2,762,400</u>	<u>\$ 1,670,796</u>	<u>\$ 1,000,281</u>	<u>\$ 7,172,245</u>	<u>\$ 1,107,145</u>	<u>\$ 1,187,521</u>	<u>\$ 0</u>	<u>\$ 2,294,666</u>	<u>\$ 9,466,911</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 1,545,901	\$ 1,345,649
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,688	12,795
Bad debt expense	5,835	80,000
Net realized and unrealized gains on investments	(759)	(4,069)
Donated securities	(43,566)	(71,892)
Proceeds from sales of donated securities	41,534	56,885
Changes in:		
Pledges and contributions receivable, net	294,884	(814,019)
Prepaid expenses and deposits	8,381	(15,121)
Accounts payable and accrued expenses	331	(4,383)
Accrued compensation	(84,532)	13,236
Grants payable	32,459	382,697
Deferred rent obligation	8,677	14,916
Event revenue received in advance	(72,879)	56,203
Net cash provided by operating activities	<u>1,752,954</u>	<u>1,052,897</u>
Cash flows from investing activities:		
Proceeds from sales of investments	426,811	72,566
Purchases of investments	(61,067)	(33,557)
Capitalized website costs	(9,964)	
Purchases of property and equipment	(9,288)	(15,108)
Net cash provided by investing activities	<u>346,492</u>	<u>23,901</u>
Cash flows from financing activities:		
Payments made on capital lease obligations	(4,249)	(3,832)
Net cash used in financing activities	<u>(4,249)</u>	<u>(3,832)</u>
Net increase in cash and cash equivalents	2,095,197	1,072,966
Cash and cash equivalents, beginning of year	<u>6,755,658</u>	<u>5,682,692</u>
Cash and cash equivalents, end of year	<u>\$ 8,850,855</u>	<u>\$ 6,755,658</u>
Supplemental disclosures of cash flow information:		
Donated goods and services	\$ 788,276	\$ 278,979
Interest expense incurred under capital lease obligation	\$ 1,884	\$ 2,091

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

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 and welfare organization dedicated to improving the lives of people with Huntington's Disease ("HD") and their families. Currently, the Society has 36 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 (the "Code") and from state and local taxes under comparable laws.

[2] Basis of accounting:

The 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 ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

[4] Cash and cash equivalents:

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 statements of financial position.

[5] Investments:

The Society's investments in equity securities, equity and fixed-income mutual funds, and government securities are reported at their fair values in the statements of financial position based on quoted market prices. Cash equivalents held as part of the Society's investment portfolio are also included in the balances reported as investments.

The Society's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restriction unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

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

[5] Investments: (continued)

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

Investment expenses include the service fees and costs of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Society's various investment managers in each year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or if contributed, at their estimated fair values at the dates of donation, less accumulated depreciation and amortization. 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, whereas minor costs of repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over five to ten years, the estimated useful lives of computers and equipment and furnitures and fixtures. 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, 2018 and 2017, respectively, and, in the opinion of management, there were no impairments. However, 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] Website costs:

Website costs related to data consulting services, site configuration and infrastructure, and conceptual design are capitalized. Costs relating to operating and content are expensed as incurred. The Society capitalizes website costs that have a cost of \$1,000 or more and useful life greater than one year. Capitalized costs are amortized over a three-year expected life using the straight-line method. At December 31, 2018, capitalized website costs, were presented net of accumulated amortization of \$9,964.

[8] Accrued vacation:

Accrued vacation represents the Society's obligation for the cost of unused employee vacation time that would be payable in the event that all employees left the Society; the obligation is recalculated every year. As of December 31, 2018 and 2017, the accrued vacation obligation was approximately \$174,000 and \$139,000, respectively, and was reported as part of accrued compensation in the accompanying statements of financial position.

[9] Grants payable:

Grants are recognized as an obligation to the Society at the time they are approved. Grants are generally paid within one year of approval or in the case of multi-year grants, payments are made based on the scheduled milestones that coincide with the satisfactory progression of the project. Grants approved, but unpaid, were approximately \$1,448,000 and \$1,415,000 at December 31, 2018 and 2017, respectively, and are reported as liabilities in the accompanying statements of financial position.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

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

[10] Deferred rent obligation:

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

[11] Net assets:

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

(i) *Net Assets Without Donor Restrictions:*

The Society has a designated portion of net assets to function as a reserve to be spent at the discretion of the Board.

(ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or the passage of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the State of New York's Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors. 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, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statements of activities as "net assets released from restrictions."

[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 reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. A portion of the gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue whereas the other portion serves as the payment of the direct cost of the benefit received by the attendee at the event. Special-event income is reported net of the direct benefit to donors. 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. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Society's management or necessary events have taken place. 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 based on the terms of each individual grant, and is considered to be without donor restrictions, unless the grantor restricts the grant to be perpetual in nature, for a specific purpose, and/or restricted for future periods.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

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

[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 statements of activities.

During 2018 and 2017, donated goods and services were as follows:

	Year Ended December 31,	
	2018	2017
Legal services	\$ 32,112	\$ 99,375
Donated space	3,840	3,840
Donated goods - auction items	<u>752,324</u>	<u>175,764</u>
	<u>\$ 788,276</u>	<u>\$ 278,979</u>

[14] Functional allocation of expenses:

The costs of providing the Society's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, direct costs have been functionalized within the program or supporting services based on the nature of the expense. Indirect costs have been allocated on the basis of time and space allocations among employees.

[15] Income tax uncertainties:

The Society follows 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. For the Society, these provisions could be applicable to the incurrence of unrelated business income tax ("UBIT") on the transit and qualified parking fringe benefits. Because of the Society's general tax-exempt status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Society's financial statements.

[16] Adoption of accounting principle:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, and (iv) liquidity and the availability of resources. ASU 2016-14 was effective for annual reporting periods issued for years beginning after December 31, 2017. Accordingly, the Society was required to adopt ASU 2016-14 for its year-ended December 31, 2018, which under U.S. GAAP was a change in accounting principle requiring retroactive application in the financial statements of certain areas, whereas certain other areas were adopted on a prospective basis. Although the Society's adoption of ASU 2016-14 had no effect on the Society's total net assets or its changes in net assets for 2018 and 2017, certain reclassifications were required. Accordingly, the Society changed its presentation of its net asset classes and expanded certain footnote disclosures.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

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

[17] Subsequent events:

The Society evaluated subsequent events through April 30, 2019, the date on which the financial statements were available to be issued.

NOTE B - RECEIVABLES

[1] Pledges and contributions receivable:

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

	December 31,	
	<u>2018</u>	<u>2017</u>
Less than one year	\$ 1,003,148	\$1,400,891
One to five years	<u>360,375</u>	<u>351,135</u>
	1,363,523	1,752,026
Reduction of pledges due in excess of one year to present value at 4%	(19,155)	(32,774)
Less: allowance for doubtful accounts	<u>(5,835)</u>	<u>(80,000)</u>
	<u>\$ 1,338,533</u>	<u>\$1,639,252</u>

NOTE C - INVESTMENTS

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

	December 31,			
	2018		2017	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Certificates of deposit	\$ 99,753	\$ 99,753	\$ 444,666	\$ 444,666
Mutual funds	13,362	8,853	16,372	9,340
Equity securities			14,972	15,588
Government securities	<u>157</u>	<u>157</u>	<u>215</u>	<u>215</u>
	<u>\$ 113,272</u>	<u>\$ 108,763</u>	<u>\$ 476,225</u>	<u>\$ 469,809</u>

At December 31, 2018 and 2017, concentrations of the Society's investment in excess of 10% of the fair values of its portfolio included approximately 88% and 93%, respectively, invested in certificates of deposits.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

NOTE C - INVESTMENTS (CONTINUED)

During each year, investment income consisted of the following:

	Year Ended December 31,	
	2018	2017
Interest and dividends	\$ 32,367	\$ 11,403
Realized gains	2,666	3,700
Unrealized (losses) gains	<u>(1,907)</u>	<u>369</u>
	<u>\$ 33,126</u>	<u>\$ 15,472</u>

ASC Topic 820, *Fair Value Measurements*, 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 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 identical or 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: (i) there is little, if any, market activity for the investments; or (ii) 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. During 2018 and 2017, there were no transfers between the fair-value hierarchy levels.

The following tables summarize the fair values of the Society's investments at each year-end, in accordance with the ASC Topic 820 fair-value levels:

	December 31,					
	2018			2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Certificates of deposit		\$ 99,753	\$ 99,753		\$ 444,666	\$ 444,666
Mutual funds	\$ 13,362		13,362	\$ 16,372		16,372
Equity securities				14,972		14,972
Government securities		157	157		215	215
	<u>\$ 13,362</u>	<u>\$ 99,910</u>	<u>\$ 113,272</u>	<u>\$ 31,344</u>	<u>\$ 444,881</u>	<u>\$ 476,225</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Computers and equipment	\$ 366,482	\$ 357,194
Furniture and fixtures	26,972	26,972
Leasehold improvements	<u>64,105</u>	<u>64,105</u>
	457,559	448,271
Less: accumulated depreciation and amortization	<u>(410,116)</u>	<u>(395,211)</u>
	<u>\$ 47,443</u>	<u>\$ 53,060</u>

NOTE E - EMPLOYEE-BENEFIT PLAN

The Society maintains a defined-contribution employee-benefit plan, established under Section 403(b) of the 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 2018 and 2017 were approximately \$99,000 and \$107,000, respectively.

NOTE F - BANK 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 3.00%. There were no draw downs on this line of credit during 2018 or 2017. The line of credit has been renewed through May 2019.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions consisted of the following:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Time-restricted:		
Campaign for Help and Hope	\$ 140,445	\$ 222,281
HD Cope	265,000	375,000
Topper - Fellowship	120,000	380,000
Purpose restricted:		
Research	4,537,958	2,796,297
Family services	108,516	104,970
Education	206,364	425,927
Chapter development	<u>79,013</u>	<u>229,275</u>
	5,457,296	4,533,750
Subject to appropriation:		
Accumulated endowment earnings	<u>18,506</u>	<u>17,431</u>
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
	<u>\$ 5,725,802</u>	<u>\$ 4,801,181</u>

During each year, net assets released from restrictions resulted from satisfying the following donor restrictions:

	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Time-restricted:		
Campaign for Help & Hope	\$ 81,835	\$ 25,040
HD Cope	125,000	
Topper - Fellowship	260,000	100,000
Center of Excellence	150,000	
Leadership Council		25,000
Purpose restricted:		
Research	1,222,056	481,332
Family services	150,138	143,100
Education	483,891	396,809
Chapter development	<u>150,262</u>	<u>123,041</u>
	<u>\$ 2,623,182</u>	<u>\$ 1,294,322</u>

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENT

[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.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[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 with donor restrictions, during each year:

	December 31, 2018		
	<u>Earnings</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 17,431	\$ 250,000	\$ 267,431
Investment earnings, net	<u>1,075</u>		<u>1,075</u>
Endowment net assets, end of year	<u>\$ 18,506</u>	<u>\$ 250,000</u>	<u>\$ 268,506</u>

	December 31, 2017		
	<u>Earnings</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 14,877	\$ 250,000	\$ 264,877
Investment earnings, net	<u>2,554</u>		<u>2,554</u>
Endowment net assets, end of year	<u>\$ 17,431</u>	<u>\$ 250,000</u>	<u>\$ 267,431</u>

[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, 2018 and 2017, 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 relationship to investment objectives:

The Society evaluates its funding requirements on an annual basis and, accordingly, draws from its endowment appreciation on an as-needed and prudent 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 returns. In accordance with its policy, the Society elected to suspend appropriation from its endowment earnings for both 2018 and 2017.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2018 because of contractual or donor-imposed restrictions or internal designations.

The Society's financial assets available for general use within one year of the statements of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 8,850,855
Pledges and contributions receivable, net	1,338,533
Investments	<u>113,272</u>
Total financial assets available within one year	<u>10,302,660</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Restricted by donors:	
Perpetual in nature	(250,000)
Purpose restrictions	(5,070,357)
Time restrictions	<u>(405,445)</u>
Amounts unavailable to management without Board approval:	
Board-operating reserve	(1,518,483)
Total amounts unavailable for general expenditure within one year	<u>(7,244,285)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,058,375</u>

Liquidity policy:

The Society's policy is to structure its financial assets to be available for its general expenditures, liabilities and other obligations as they come due. The Society also has a committed line of credit to help manage unanticipated liquidity needs, if needed. Additionally, the Society has Board designated net assets without donor restrictions that while the Society doesn't intend to spend for purposes other than those identified, the amounts could be used.

NOTE J - LEASES

The Society has a capital lease agreement. The equipment was recorded at its fair value and is being depreciated over its estimated useful life. Depreciation expense associated with the asset is included in the accompanying statements of functional expenses. Capitalized leased equipment included as part of property and equipment on the accompanying statements of financial position amounted to \$22,814 for 2018 and 2017, respectively, with accumulated depreciation of \$13,689 and \$9,126, respectively. Depreciation expense related to the capitalized leased equipment amounted to \$4,563 during both 2018 and 2017.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2018 and 2017

NOTE J - LEASES (CONTINUED)

In addition, the Society leases office space for its various offices under an operating lease agreement that expires on September 30, 2025.

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

Year Ending December 31,	Leases	
	Capitalized	Operating
2019	\$ 5,871	\$ 262,175
2020	5,871	268,729
2021	3,424	275,448
2022		282,334
2023		289,392
Thereafter		<u>523,721</u>
	15,166	<u>\$ 1,901,799</u>
Less: amount representing interest on lease payments	<u>1,916</u>	
Present value of minimum lease payments	<u>\$ 13,250</u>	

Rent expense for 2018 and 2017 was \$283,519 and \$284,712, respectively. There are no lease commitments for chapter offices, since these rental obligations are renewable on a month-to-month basis.

NOTE K - CREDIT RISK

The Society maintains its cash and cash-equivalent accounts in amounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts, and management believes that the Society is not exposed to any significant risk of loss due to the failure of these financial institutions.