

EISNERAMPER

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

FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018



HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of financial position as of December 31, 2019 and 2018	2
Statements of activities for the years ended December 31, 2019 and 2018	3
Statement of functional expenses for the year ended December 31, 2019	4
Statement of functional expenses for the year ended December 31, 2018	5
Statements of cash flows for the years ended December 31, 2019 and 2018	6
Notes to financial statements	7 - 19

INDEPENDENT AUDITORS' REPORT

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

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, 2019 and 2018, 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, 2019 and 2018, 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
May 5, 2020



HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 8,337,091	\$ 7,236,088
Pledges and contributions receivable, net	1,221,960	1,338,533
Investments	2,069,844	1,728,039
Prepaid expenses and deposits	167,544	152,770
Property and equipment, net	55,849	47,443
Website costs, net	61,469	8,181
	<u>\$ 11,913,757</u>	<u>\$ 10,511,054</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 101,723	\$ 116,344
Accrued compensation	265,315	185,723
Grants payable	1,088,162	1,447,523
Event revenue received in advance	71,174	14,578
Deferred rent obligation	118,993	116,711
Obligation under capital lease	8,536	13,250
	<u>1,653,903</u>	<u>1,894,129</u>
Total liabilities		
Commitments and contingencies (Notes I and J)		
Net assets:		
Without donor restrictions:		
Undesignated	2,838,422	1,372,640
Board-operating reserve	1,796,131	1,518,483
	<u>4,634,553</u>	<u>2,891,123</u>
Total net assets without donor restrictions		
With donor restrictions:		
Purpose restrictions	5,144,869	4,950,357
Time-restricted for future periods	230,432	525,445
Perpetual in nature	250,000	250,000
	<u>5,625,301</u>	<u>5,725,802</u>
Total net assets with donor restrictions		
	<u>10,259,854</u>	<u>8,616,925</u>
Total net assets		
	<u>\$ 11,913,757</u>	<u>\$ 10,511,054</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Public donations	\$ 3,536,305	\$ 673,032	\$ 4,209,337	\$ 1,501,758	\$ 2,152,446	\$ 3,654,204
Foundation grants and corporate contributions	1,031,331	1,537,438	2,568,769	944,789	1,393,080	2,337,869
Federated campaign	271,027	-	271,027	293,299	-	293,299
Special events (net of direct benefit to donors of \$618,196 and \$681,911 in 2019 and 2018, respectively)	4,158,871	-	4,158,871	4,332,708	-	4,332,708
Investment income, net	25,039	1,188	26,227	30,849	2,277	33,126
Donated services and materials	404,183	-	404,183	788,276	-	788,276
Other income	162,359	-	162,359	79,337	-	79,337
Total support and revenue before net assets released from restrictions	9,589,115	2,211,658	11,800,773	7,971,016	3,547,803	11,518,819
Net assets released from restrictions	2,312,159	(2,312,159)	-	2,623,182	(2,623,182)	-
Total support and revenue	11,901,274	(100,501)	11,800,773	10,594,198	924,621	11,518,819
Expenses:						
Program services:						
Research	1,753,479	-	1,753,479	2,641,145	-	2,641,145
Family services	2,976,990	-	2,976,990	2,530,727	-	2,530,727
Education	1,833,920	-	1,833,920	1,669,701	-	1,669,701
Community outreach	1,177,664	-	1,177,664	1,039,936	-	1,039,072
Total program services	7,742,053	-	7,742,053	7,881,509	-	7,881,509
Supporting services:						
Management and general	578,718	-	578,718	784,029	-	78,029
Fund-raising	1,837,073	-	1,837,073	1,307,380	-	1,307,380
Total supporting services	2,415,791	-	2,415,791	2,091,409	-	2,091,409
Total expenses	10,157,844	-	10,157,844	9,972,918	-	9,972,918
Change in net assets	1,743,430	(100,501)	1,642,929	621,280	924,621	1,545,901
Net assets, beginning of year	2,891,123	5,725,802	8,616,925	2,269,843	4,801,181	7,071,024
Net assets, end of year	\$ 4,634,553	\$ 5,625,301	\$ 10,259,854	\$ 2,891,123	\$ 5,725,802	\$ 8,616,925

See notes to financial statements

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses
Year Ended December 31, 2019
(with summarized financial information for 2018)

	Program Services					Supporting Services			Total	
	Research	Family Services	Education	Community Outreach	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2019	2018
Salaries and related expenses:										
Salaries	\$ 454,769	\$ 568,300	\$ 438,341	\$ 729,748	\$ 2,191,158	\$ 250,015	\$ 676,927	\$ 926,952	\$ 3,118,110	\$ 2,745,461
Payroll taxes and employee benefit	<u>126,518</u>	<u>158,103</u>	<u>121,949</u>	<u>203,020</u>	<u>609,590</u>	<u>69,732</u>	<u>188,328</u>	<u>258,060</u>	<u>867,650</u>	<u>862,849</u>
Total salaries and related expenses	581,287	726,403	560,290	932,768	2,800,748	319,747	865,265	1,185,012	3,985,760	3,608,310
Other expenses:										
Research grants and other awards	721,480	1,408,024	-	-	2,129,504	-	-	-	2,129,504	2,390,427
Office supplies	8,201	15,443	19,091	33,902	76,637	7,170	29,501	36,671	113,308	111,365
Telephone	8,765	29,666	8,036	23,758	70,225	8,664	12,746	21,410	91,635	85,537
Postage and shipping	1,554	5,131	19,546	11,739	37,970	1,223	129,851	131,074	169,044	142,642
Rent and occupancy charges	49,023	55,338	49,439	54,120	207,920	40,075	39,970	80,045	287,965	283,519
Printing and publications	19,018	35,839	102,750	21,687	179,294	379	94,473	94,852	274,146	268,315
Conferences, meetings and travel	108,201	149,276	373,025	33,611	664,113	9,557	45,135	54,692	718,805	553,169
Insurance	5,417	7,162	5,231	9,162	26,972	12,190	8,613	20,803	47,775	46,894
Prizes and gifts	13,957	15,885	495,727	3,921	529,490	122	295	417	529,907	366,167
Professional services	176,289	445,744	153,609	26,365	802,007	143,884	48,558	192,442	994,449	920,336
Equipment rental	2,928	3,054	5,944	2,869	14,795	3,229	2,633	5,862	20,657	26,142
Donated services and materials	50,566	12,506	3,753	9,925	76,750	-	327,433	327,433	404,183	788,276
Bad debt expense	-	-	-	-	-	18,443	-	18,443	18,443	5,835
Bank and credit card fees	-	-	9,047	163	9,210	2,537	163,024	165,561	174,771	161,280
Catering and venue costs	-	-	-	-	-	-	618,196	618,196	618,196	681,911
Other	<u>2,926</u>	<u>62,685</u>	<u>24,703</u>	<u>3,901</u>	<u>94,215</u>	<u>4,817</u>	<u>63,818</u>	<u>68,635</u>	<u>162,850</u>	<u>198,016</u>
Total expenses before depreciation and amortization	1,749,612	2,972,156	1,830,191	1,167,891	7,719,850	572,037	2,449,511	3,021,548	10,741,398	10,638,141
Depreciation and amortization	<u>3,867</u>	<u>4,834</u>	<u>3,729</u>	<u>9,773</u>	<u>22,203</u>	<u>6,681</u>	<u>5,758</u>	<u>12,439</u>	<u>34,642</u>	<u>16,688</u>
Subtotal expenses	1,753,479	2,976,990	1,833,920	1,177,664	7,742,053	578,718	2,455,269	3,033,987	10,776,040	10,654,829
Less: Direct benefits to donors	-	-	-	-	-	-	(618,196)	(618,196)	(618,196)	(681,911)
Total expenses per the statements of activities	<u>\$ 1,753,479</u>	<u>\$ 2,976,990</u>	<u>\$ 1,833,920</u>	<u>\$ 1,177,664</u>	<u>\$ 7,742,053</u>	<u>\$ 578,718</u>	<u>\$ 1,837,073</u>	<u>\$ 2,415,791</u>	<u>\$ 10,157,844</u>	<u>\$ 9,972,918</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses Year Ended December 31, 2018

	Program Services				Total Program Services	Supporting Services			Total
	Research	Family Services	Education	Community Outreach		Management and General	Fund- Raising	Total Supporting Services	
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
Payroll taxes and employee benefit	<u>118,868</u>	<u>149,537</u>	<u>163,768</u>	<u>199,570</u>	<u>631,743</u>	<u>90,901</u>	<u>140,205</u>	<u>231,106</u>	<u>862,849</u>
Total salaries and related expenses	497,133	625,397	684,915	834,645	2,642,090	379,852	586,368	966,220	3,608,310
Other expenses:									
Research grants and other awards	1,126,739	1,263,688	-	-	2,390,427	-	-	-	2,390,427
Office supplies	1,908	5,955	22,318	23,066	53,247	27,486	30,632	58,118	111,365
Telephone	6,772	19,402	6,708	20,387	53,269	15,070	17,198	32,268	85,537
Postage and shipping	6,087	10,233	35,567	22,928	74,815	16,638	51,189	67,827	142,642
Rent and occupancy charges	45,840	45,840	45,838	54,321	191,839	45,840	45,840	91,680	283,519
Printing and publications	27,907	6,057	120,508	13,918	168,390	19,312	80,613	99,925	268,315
Conferences, meetings and travel	69,404	40,278	349,054	3,854	462,590	37,093	53,486	90,579	553,169
Insurance	6,460	8,994	8,900	11,246	35,600	2,993	8,301	11,294	46,894
Prizes and gifts	-	-	218,790	228	219,018	137	147,012	147,149	366,167
Professional services	94,078	413,962	134,007	38,865	680,912	170,057	69,367	239,424	920,336
Equipment rental	2,995	3,035	3,825	2,995	12,850	11,503	1,789	13,292	26,142
Donated services and materials	744,092	-	2,733	3,840	750,665	37,611	-	37,611	788,276
Bad debt expense	-	-	-	-	-	5,835	-	5,835	5,835
Bank and credit card fees	123	-	6,699	-	6,822	18	154,440	154,458	161,280
Catering	-	-	-	-	-	-	681,911	681,911	681,911
Other	<u>7,771</u>	<u>85,303</u>	<u>27,010</u>	<u>3,548</u>	<u>123,632</u>	<u>13,664</u>	<u>60,720</u>	<u>74,384</u>	<u>198,016</u>
Total expenses before depreciation and amortization	2,637,309	2,528,144	1,666,872	1,033,841	7,866,166	783,109	1,988,866	2,771,975	10,638,141
Depreciation and amortization	<u>3,836</u>	<u>2,583</u>	<u>2,829</u>	<u>6,095</u>	<u>15,343</u>	<u>920</u>	<u>425</u>	<u>1,345</u>	<u>16,688</u>
Subtotal expenses	2,641,145	2,530,727	1,669,701	1,039,936	7,881,509	784,029	1,989,291	2,773,320	10,654,829
Less: Direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(681,911)</u>	<u>(681,911)</u>	<u>(681,911)</u>
Total expenses per the statements of activities	<u>\$ 2,641,145</u>	<u>\$ 2,530,727</u>	<u>\$ 1,669,701</u>	<u>\$ 1,039,936</u>	<u>\$ 7,881,509</u>	<u>\$ 784,029</u>	<u>\$ 1,307,380</u>	<u>\$ 2,091,409</u>	<u>\$ 9,972,918</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,642,929	\$ 1,545,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,642	16,688
Bad debt expense	18,443	5,835
Net realized and unrealized gains on investments	(337)	(759)
Donated securities	(75,142)	(43,566)
Proceeds from sales of donated securities	75,318	41,534
Changes in:		
Pledges and contributions receivable, net	98,130	294,884
Prepaid expenses and deposits	(14,774)	8,381
Accounts payable and accrued expenses	(14,621)	331
Accrued compensation	79,592	(84,532)
Grants payable	(359,361)	32,459
Event revenue received in advance	56,596	(72,879)
Deferred rent obligation	2,282	8,677
Net cash provided by operating activities	<u>1,543,697</u>	<u>1,752,954</u>
Cash flows from investing activities:		
Proceeds from sales of investments	450	426,811
Purchases of investments	(342,094)	(61,067)
Capitalized website costs	(67,929)	(9,964)
Purchases of property and equipment	(28,407)	(9,288)
Net cash (used in) provided by investing activities	<u>(437,980)</u>	<u>346,492</u>
Cash flows from financing activities:		
Payments made on capital lease obligations	(4,714)	(4,249)
Net cash used in financing activities	<u>(4,714)</u>	<u>(4,249)</u>
Net increase in cash and cash equivalents	1,101,003	2,095,197
Cash and cash equivalents, beginning of year	<u>7,236,088</u>	<u>5,140,891</u>
Cash and cash equivalents, end of year	\$ 8,337,091	\$ 7,236,088
Supplemental disclosures of cash flow information:		
Donated goods and services	\$ 404,183	\$ 788,276
Interest expense incurred under capital lease obligation	\$ 1,383	\$ 1,884
Unrelated business income taxes paid	\$ 10,000	\$ -

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

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 34 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 and cash equivalents are considered to be part of the Society's investment portfolio and are reported as investments in the statements of financial position.

[5] Investments:

The Society's investments in U.S. Treasury bills, 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 and 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, 2019 and 2018

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

[5] Investments: (continued)

Donated securities are recorded at their estimated fair values, or by their net asset values as determined by the Society's management on the date of donation. 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.

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 furniture 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, 2019 and 2018, 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, 2019 and 2018, capitalized website costs, were presented net of accumulated amortization of \$77,893 and \$9,964, respectively.

[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. As of December 31, 2019 and 2018, the accrued vacation obligation was approximately \$228,000 and \$174,000, 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 \$1,088,000 and \$1,448,000 at December 31, 2019 and 2018, 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, 2019 and 2018

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:

(i) *Net Assets Without Donor Restrictions:*

Net assets without donor restrictions represent those resources for which there are no restrictions by donors as to their use and are therefore available for current operations.

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 New York 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 restrictions and are reported in the statements of activities as "net assets released from restrictions."

[12] Revenue recognition:

(i) *Contributions:*

Contributions made 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. Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue as well 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 measureable. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

The Society has adopted Accounting Standards Update ("ASU") 2014-09 – *Revenue from Contracts with Customers (Topic 606)* (see Note A[16] (i)). Analysis of various provisions of this standard resulted in no significant changes in the way the Society recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the new standard.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

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

[12] Revenue recognition: (continued)

(i) Contributions: (continued)

The following table provides information about event revenue received in advance as follows:

	Year Ended December 31,	
	2019	2018
Event revenue received in advance, beginning of year	\$ 14,578	\$ 87,457
Revenue recognized that was included in event received in advance at beginning of year	(14,578)	(87,457)
Increase in event revenue received in advance due to cash received during the period	<u>71,174</u>	<u>14,578</u>
Event revenue received in advance, end of year	<u>\$ 71,174</u>	<u>\$ 14,578</u>

(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.

[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 2019 and 2018, donated goods and services were as follows:

	Year Ended December 31,	
	2019	2018
Legal services	\$ -	\$ 32,112
Donated space	3,840	3,840
Donated goods - auction items	<u>400,343</u>	<u>752,324</u>
	<u>\$ 404,183</u>	<u>\$ 788,276</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 activities. The statements of functional expenses present expenses by functional and natural classification. Accordingly, direct costs have been allocated among the program and supporting services based on the nature of each expense. Indirect costs have been allocated on the basis of time allocation with the exception of occupancy and insurance which are allocated by square footage.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

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

[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. 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.

Subsequent to December 31, 2019, the provision in the tax code requiring the Society to remit a tax attributable to transportation fringe benefits was repealed retroactively to December 31, 2017, therefore eliminating the Society's obligation for this tax. The Society will file for a claim of refund for any taxes paid subsequent to December 31, 2017 relating to transportation fringe benefits.

[16] Adoption of accounting principles:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. The new standard is effective for fiscal years beginning after December 15, 2018; accordingly, the Society's adoption of this pronouncement as of December 31, 2019 had no effect on the Society's total net assets or its changes in net assets for 2019 and 2018.

(ii) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made:*

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides a framework for evaluating whether grants should be accounted for as exchange transactions or as non-exchange transactions. For non-exchange transactions, the new guidance clarifies whether arrangements are conditional or unconditional. The standard is effective for years beginning after December 15, 2018 for entities receiving resources, and accordingly the Society will adopt this for December 31, 2019. The standard for entities providing resources is effective for years beginning after December 15, 2019 and management is in the process of assessing the impact of this ASU on the financial statements.

(iii) *Disclosure Requirements for Fair Value Measurement:*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in the Society's financial statements. The Society adopted this pronouncement as of December 31, 2019, which under U.S. GAAP is a change in accounting principle requiring retroactive application in the financial statements for all periods presented.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

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

[17] Upcoming accounting principle:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the statements of financial position. The ASU will be effective commencing January 1, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

[18] Reclassification:

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

[19] Subsequent events:

The Society evaluated subsequent events through May 5, 2020, 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:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Less than one year	\$ 772,983	\$1,003,148
One to five years	<u>498,950</u>	<u>360,375</u>
	1,271,933	1,363,523
Reduction of pledges due in excess of one year to present value between 2.4% and 4%	(25,695)	(19,155)
Less: allowance for doubtful collections	<u>(24,278)</u>	<u>(5,835)</u>
	<u>\$ 1,221,960</u>	<u>\$1,338,533</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE C - INVESTMENTS

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

	December 31,			
	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$1,803,784	\$1,803,784	\$1,614,767	\$1,614,767
U.S. Treasury bills	247,965	247,965	-	-
Certificates of deposit	-	-	99,753	99,753
Mutual funds	17,985	13,315	13,362	8,853
Government securities	110	110	157	157
	<u>\$2,069,844</u>	<u>\$2,065,174</u>	<u>\$1,728,039</u>	<u>\$1,723,530</u>

During each year, investment income consisted of the following:

	Year Ended December 31,	
	2019	2018
Interest and dividends	\$ 27,025	\$ 32,612
Investment management fees	(1,135)	(245)
Realized gains	176	2,666
Unrealized gains (losses)	161	(1,907)
	<u>\$ 26,227</u>	<u>\$ 33,126</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.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE C - INVESTMENTS (CONTINUED)

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,					
	2019			2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money market funds	\$ 1,803,784	\$ -	\$ 1,803,784	\$ 1,614,767	\$ -	\$ 1,614,767
U.S. Treasury bills	247,965	-	247,965	-	-	-
Certificates of deposit	-	-	-	-	99,753	99,753
Mutual funds	17,985	-	17,985	13,362	-	13,362
Government securities	-	110	110	-	157	157
	<u>\$ 2,069,734</u>	<u>\$ 110</u>	<u>\$ 2,069,844</u>	<u>\$ 1,628,129</u>	<u>\$ 99,910</u>	<u>\$ 1,728,039</u>

NOTE D - PROPERTY AND EQUIPMENT

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

	December 31,	
	2019	2018
Computers and equipment	\$ 403,025	\$ 376,369
Furniture and fixtures	17,085	17,085
Leasehold improvements	<u>65,856</u>	<u>64,105</u>
	485,966	457,559
Less: accumulated depreciation and amortization	<u>(430,117)</u>	<u>(410,116)</u>
	<u>\$ 55,849</u>	<u>\$ 47,443</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 2019 and 2018 were approximately \$115,000 and \$99,000, 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 2019 or 2018. The line of credit has been renewed through May 2020.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31,	
	2019	2018
Time-restricted for future periods:		
Campaign for Help and Hope	\$ 3,000	\$ 140,445
HD Cope	187,432	265,000
Topper - Fellowship	<u>40,000</u>	<u>120,000</u>
Total time-restricted for future periods	<u>230,432</u>	<u>525,445</u>
Purpose restrictions:		
Research	4,619,458	4,537,958
Family services	286,590	108,516
Education	140,847	206,364
Chapter development	<u>79,013</u>	<u>79,013</u>
Total purpose restrictions	<u>5,125,908</u>	<u>4,931,851</u>
Accumulated endowment income subject to appropriation by the Board of Trustees	<u>18,961</u>	<u>18,506</u>
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
	<u>\$ 5,625,301</u>	<u>\$ 5,725,802</u>

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

	Year Ended December 31,	
	2019	2018
Time-restricted:		
Campaign for Help & Hope	\$ 137,445	\$ 81,835
HD Cope	77,568	125,000
Topper - Fellowship	80,000	260,000
Center of Excellence	-	150,000
Purpose restricted:		
Research	1,475,472	1,222,056
Family services	221,916	150,138
Education	319,758	483,891
Chapter development	<u>-</u>	<u>150,262</u>
	<u>\$ 2,312,159</u>	<u>\$ 2,623,182</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

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.

[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, 2019		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 18,506	\$ 250,000	\$ 268,506
Investment earnings, net	<u>455</u>	<u>-</u>	<u>455</u>
Endowment net assets, end of year	<u>\$ 18,961</u>	<u>\$ 250,000</u>	<u>\$ 268,961</u>
	December 31, 2018		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 17,431	\$ 250,000	\$ 267,431
Investment earnings, net	<u>1,075</u>	<u>-</u>	<u>1,075</u>
Endowment net assets, end of year	<u>\$ 18,506</u>	<u>\$ 250,000</u>	<u>\$ 268,506</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, 2019 and 2018, 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.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

**Notes to Financial Statements
December 31, 2019 and 2018**

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[7] Spending policy and relationship to investment objectives:

The Board of Trustees of 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 Board of Trustees elected to suspend appropriation from its endowment earnings for both 2019 and 2018.

NOTE I - 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 2019 and 2018, respectively, with accumulated depreciation of \$11,211 and \$13,689, respectively. Depreciation expense related to the capitalized leased equipment amounted to \$4,563 during both 2019 and 2018.

In addition, the Society leases office space for its various offices under operating lease agreements that expire on September 30, 2025. As discussed in Note A[10], the aggregate minimum lease payments are being amortized using the straight-line method over the lease term. The cumulative difference between rent expense attributable to the Society and amounts paid by the Society amounted to \$118,993 and \$116,711 as of December 31, 2019 and 2018, respectively, and was reported as a deferred rent obligation in the accompanying statements of financial position.

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

<u>Year Ending December 31,</u>	<u>Leases</u>	
	<u>Capitalized</u>	<u>Operating</u>
2020	\$ 5,871	\$ 268,729
2021	3,424	275,448
2022	-	282,334
2023	-	289,392
2024	-	296,627
Thereafter	<u>-</u>	<u>227,094</u>
Total	9,295	<u>\$ 1,639,624</u>
Less: amount representing interest on lease payments	<u>759</u>	
Present value of minimum lease payments	<u>\$ 8,536</u>	

Rent expense for 2019 and 2018 was \$287,965 and \$283,519, respectively. There are no lease commitments for chapter offices, since these rental obligations are renewable on a month-to-month basis.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE J - CONTINGENCIES AND OTHER UNCERTAINTIES

(i) *Coronavirus (COVID-19):*

The extent of the impact of the Coronavirus ("COVID-19") outbreak on the operational and financial performance of the Society will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on the overall availability of contributions towards the Society's programs, all of which are highly uncertain and cannot be predicted. If contributions towards the Society's programs are impacted for an extended period, results of operations may be materially adversely affected.

(ii) *Legal:*

The Society is a defendant in a legal action arising from the normal course of operations. Although the final outcome of such actions cannot currently be determined, the Society's management believes that the eventual liability, if any, will be covered by insurance.

NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Society's financial assets available for general expenditure within one year of the statements of financial position dates, reduced by amounts not available for general use within one year due to donor-imposed restrictions and internal designations:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 8,337,091	\$ 7,236,088
Pledges and contributions receivable, net	1,221,960	1,338,533
Investments	<u>2,069,844</u>	<u>1,728,039</u>
Total financial assets available within one year	<u>11,628,895</u>	<u>10,302,660</u>
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with:		
Time-restricted for future periods	(230,432)	(525,445)
Purpose restrictions	(5,125,908)	(4,931,851)
Perpetual in nature	<u>(250,000)</u>	<u>(250,000)</u>
	(5,606,340)	(5,707,296)
Subject to appropriation:		
Accumulated endowment income subject to appropriation by the Board of Trustees	(18,961)	(18,506)
Amounts unavailable to management without Board approval:		
Board-operating reserve	<u>(1,796,131)</u>	<u>(1,518,483)</u>
Total amounts unavailable for general expenditure within one year	<u>(7,421,432)</u>	<u>(7,244,285)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,207,463</u>	<u>\$ 3,058,375</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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 could be accessed in case of additional unanticipated liquidity needs; however, the Society does not intend to use those funds for purposes other than those identified by the Board of Trustees.

NOTE L - 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.