

EISNERAMPER

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

FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019



HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

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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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of 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, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
April 22, 2021



HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 9,339,030	\$ 8,337,091
Pledges and contributions receivable, net	1,133,748	1,221,960
Investments	2,310,097	2,069,844
Prepaid expenses and deposits	154,406	167,544
Property and equipment, net	35,148	55,849
Website costs, net	<u>39,529</u>	<u>61,469</u>
	<u>\$ 13,011,958</u>	<u>\$ 11,913,757</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 214,836	\$ 101,723
Accrued compensation	294,228	265,315
Grants payable, net	1,283,055	1,088,162
Event revenue received in advance	17,800	71,174
Paycheck Protection Program loan payable	634,692	-
Deferred rent obligation	114,721	118,993
Obligation under capital lease	<u>3,734</u>	<u>8,536</u>
Total liabilities	<u>2,563,066</u>	<u>1,653,903</u>
Commitments, contingency and other uncertainty (Note J)		
Net assets:		
Without donor restrictions:		
Undesignated	4,114,838	2,838,422
Board-operating reserve	<u>1,805,969</u>	<u>1,796,131</u>
Total net assets without donor restrictions	<u>5,920,807</u>	<u>4,634,553</u>
With donor restrictions:		
Purpose restrictions	4,178,135	5,144,869
Time-restricted for future periods	99,950	230,432
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
Total net assets with donor restrictions	<u>4,528,085</u>	<u>5,625,301</u>
Total net assets	<u>10,448,892</u>	<u>10,259,854</u>
	<u>\$ 13,011,958</u>	<u>\$ 11,913,757</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Public donations	\$ 2,831,646	\$ 284,606	\$ 3,116,252	\$ 3,536,305	\$ 673,032	\$ 4,209,337
Foundation grants and corporate contributions	1,666,589	1,448,863	3,115,452	1,031,331	1,537,438	2,568,769
Federated campaign	246,913	-	246,913	271,027	-	271,027
Special events (net of direct benefits to donors of \$212,622 and \$618,196 in 2020 and 2019, respectively)	2,254,487	-	2,254,487	4,158,871	-	4,158,871
Investment (losses) earnings, net	21,999	(95)	21,904	25,039	1,188	26,227
Donated services and materials	132,439	-	132,439	404,183	-	404,183
Other income	83,178	-	83,178	162,359	-	162,359
Total support and revenue before net assets released from restrictions	7,237,251	1,733,374	8,970,625	9,589,115	2,211,658	11,800,773
Net assets released from restrictions	2,830,590	(2,830,590)	-	2,312,159	(2,312,159)	-
Total support and revenue	10,067,841	(1,097,216)	8,970,625	11,901,274	(100,501)	11,800,773
Expenses:						
Program services:						
Research	2,102,371	-	2,102,371	1,753,479	-	1,753,479
Family services	3,083,605	-	3,083,605	2,976,990	-	2,976,990
Education	761,119	-	761,119	1,833,920	-	1,833,920
Community outreach	1,023,900	-	1,023,900	1,177,664	-	1,177,664
Total program services	6,970,995	-	6,970,995	7,742,053	-	7,742,053
Supporting services:						
Management and general	592,598	-	592,598	578,718	-	578,718
Fund-raising	1,217,994	-	1,217,994	1,837,073	-	1,837,073
Total supporting services	1,810,592	-	1,810,592	2,415,791	-	2,415,791
Total expenses	8,781,587	-	8,781,587	10,157,844	-	10,157,844
Change in net assets	1,286,254	(1,097,216)	189,038	1,743,430	(100,501)	1,642,929
Net assets, beginning of year	4,634,553	5,625,301	10,259,854	2,891,123	5,725,802	8,616,925
Net assets, end of year	<u>\$ 5,920,807</u>	<u>\$ 4,528,085</u>	<u>\$ 10,448,892</u>	<u>\$ 4,634,553</u>	<u>\$ 5,625,301</u>	<u>\$ 10,259,854</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses

Year Ended December 31, 2020

(with summarized financial information for 2019)

	Program Services				Supporting Services			Total		
	Research	Family Services	Education	Community Outreach	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2020	2019
Salaries and related expenses:										
Salaries	\$ 554,317	\$ 585,019	\$ 377,885	\$ 687,501	\$ 2,204,722	\$ 275,527	\$ 571,030	\$ 846,557	\$ 3,051,279	\$ 3,118,110
Payroll taxes and employee benefits	165,899	175,089	113,096	205,760	659,844	82,462	170,902	253,364	913,208	867,650
Total salaries and related expenses	720,216	760,108	490,981	893,261	2,864,566	357,989	741,932	1,099,921	3,964,487	3,985,760
Other expenses:										
Research grants and other awards	1,103,059	1,509,809	-	-	2,612,868	-	-	-	2,612,868	2,129,504
Office supplies	18,122	26,440	13,749	25,221	83,532	17,739	20,310	38,049	121,581	113,308
Telephone	12,362	39,643	4,227	15,677	71,909	3,848	15,411	19,259	91,168	91,635
Postage and shipping	390	3,864	3,707	5,939	13,900	1,973	71,384	73,357	87,257	169,044
Rent and occupancy charges	67,987	98,034	23,525	38,252	227,798	18,780	46,085	64,865	292,663	287,965
Printing and publications	6,058	24,702	58,108	6,294	95,162	227	56,365	56,592	151,754	274,146
Conferences, meetings and travel	11,242	19,625	12,168	9,219	52,254	806	4,139	4,945	57,199	718,805
Insurance	9,465	14,435	3,324	4,995	32,219	10,940	6,074	17,014	49,233	47,775
Prizes and gifts	-	574	14,847	674	16,095	340	21,092	21,432	37,527	529,907
Professional services	136,235	549,639	114,416	7,990	808,280	94,153	25,678	119,831	928,111	994,449
Equipment rental	4,422	6,375	1,529	2,132	14,458	1,221	2,837	4,058	18,516	20,657
Donated services and materials	-	1,933	-	4,209	6,142	31,708	94,589	126,297	132,439	404,183
Bad debt expense	-	-	-	-	-	43,500	-	43,500	43,500	18,443
Bank and credit card fees	1,176	5,923	7,988	750	15,837	3,453	49,653	53,106	68,943	174,771
Catering and venue costs	-	-	-	-	-	-	212,622	212,622	212,622	618,196
Other	1,323	6,658	8,981	843	17,805	3,072	55,827	58,899	76,704	162,850
Total expenses before depreciation and amortization	2,092,057	3,067,762	757,550	1,015,456	6,932,825	589,749	1,423,998	2,013,747	8,946,572	10,741,398
Depreciation and amortization	10,314	15,843	3,569	8,444	38,170	2,849	6,618	9,467	47,637	34,642
Subtotal expenses	2,102,371	3,083,605	761,119	1,023,900	6,970,995	592,598	1,430,616	2,023,214	8,994,209	10,776,040
Less: Direct benefits to donors	-	-	-	-	-	-	(212,622)	(212,622)	(212,622)	(618,196)
Total expenses per the statements of activities	\$ 2,102,371	\$ 3,083,605	\$ 761,119	\$ 1,023,900	\$ 6,970,995	\$ 592,598	\$ 1,217,994	\$ 1,810,592	\$ 8,781,587	\$10,157,844

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses Year Ended December 31, 2019

	Program Services				Supporting Services			Total	
	Research	Family Services	Education	Community Outreach	Total Program Services	Management and General	Fund-Raising		Total Supporting Services
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
Payroll taxes and employee benefits	<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>
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
Other expenses:									
Research grants and other awards	721,480	1,408,024	-	-	2,129,504	-	-	-	2,129,504
Office supplies	8,201	15,443	19,091	33,902	76,637	7,170	29,501	36,671	113,308
Telephone	8,765	29,666	8,036	23,758	70,225	8,664	12,746	21,410	91,635
Postage and shipping	1,554	5,131	19,546	11,739	37,970	1,223	129,851	131,074	169,044
Rent and occupancy charges	49,023	55,338	49,439	54,120	207,920	40,075	39,970	80,045	287,965
Printing and publications	19,018	35,839	102,750	21,687	179,294	379	94,473	94,852	274,146
Conferences, meetings and travel	108,201	149,276	373,025	33,611	664,113	9,557	45,135	54,692	718,805
Insurance	5,417	7,162	5,231	9,162	26,972	12,190	8,613	20,803	47,775
Prizes and gifts	13,957	15,885	495,727	3,921	529,490	122	295	417	529,907
Professional services	176,289	445,744	153,609	26,365	802,007	143,884	48,558	192,442	994,449
Equipment rental	2,928	3,054	5,944	2,869	14,795	3,229	2,633	5,862	20,657
Donated services and materials	50,566	12,506	3,753	9,925	76,750	-	327,433	327,433	404,183
Bad debt expense	-	-	-	-	-	18,443	-	18,443	18,443
Bank and credit card fees	-	-	9,047	163	9,210	2,537	163,024	165,561	174,771
Catering	-	-	-	-	-	-	618,196	618,196	618,196
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>
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
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>
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
Less: Direct benefits to donors	-	-	-	-	-	-	(618,196)	(618,196)	(618,196)
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>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 189,038	\$ 1,642,929
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,637	34,642
Bad debt expense	43,500	18,443
Net realized and unrealized losses (gains) on investments	29	(337)
Donated securities	(222,699)	(75,142)
Proceeds from sales of donated securities	222,699	75,318
Changes in:		
Pledges and contributions receivable, net	44,712	98,130
Prepaid expenses and deposits	13,138	(14,774)
Accounts payable and accrued expenses	113,113	(14,621)
Accrued compensation	28,913	79,592
Grants payable, net	194,893	(359,361)
Event revenue received in advance	(53,374)	56,596
Deferred rent obligation	(4,272)	2,282
Net cash provided by operating activities	<u>617,327</u>	<u>1,543,697</u>
Cash flows from investing activities:		
Proceeds from sales of investments	450	450
Purchases of investments	(240,732)	(342,094)
Capitalized website costs	(4,996)	(67,929)
Purchases of property and equipment	-	(28,407)
Net cash used in investing activities	<u>(245,278)</u>	<u>(437,980)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	634,692	-
Payments made on capital lease obligations	(4,802)	(4,714)
Net cash provided by (used in) financing activities	<u>629,890</u>	<u>(4,714)</u>
Net increase in cash and cash equivalents	1,001,939	1,101,003
Cash and cash equivalents, beginning of year	<u>8,337,091</u>	<u>7,236,088</u>
Cash and cash equivalents, end of year	<u>\$ 9,339,030</u>	<u>\$ 8,337,091</u>
Supplemental disclosures of cash flow information:		
Donated goods and services	\$ 132,439	\$ 404,183
Interest expense incurred under capital lease obligation	\$ 735	\$ 1,383
Unrelated business income taxes paid	\$ -	\$ 10,000

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

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 35 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. During 2020, the Society liquidated its government securities.

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, 2020 and 2019

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 dates 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, 2020 and 2019, 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, 2020 and 2019, capitalized website costs, were presented net of accumulated amortization of \$104,829 and \$77,893, 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, 2020 and 2019, the accrued vacation obligation was approximately \$235,000 and \$228,000, 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 progress from the grantee that coincides with the satisfactory progression of the project.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

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] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security ("CARES") Act. The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During 2020, the Society applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Society has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470 *Debt*. The Society is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA; however, no assurance can be provided that the Society will be eligible for forgiveness, in whole, or in part (see Note M).

[12] 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 a specific period 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."

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

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

[13] Contributions, grants and special events:

Contributions and grants made to the Society are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions and grants are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions and grants 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 assesses the collectability of its receivables and provides for an allowance for anticipated losses, if any, when necessary. 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.

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

	Year Ended December 31,	
	2020	2019
Event revenue received in advance, beginning of year	\$ 71,174	\$ 14,578
Revenue recognized that was included in event received in advance at beginning of year	(71,174)	(14,578)
Increase in event revenue received in advance due to cash received during the period	<u>17,800</u>	<u>71,174</u>
Event revenue received in advance, end of year	<u>\$ 17,800</u>	<u>\$ 71,174</u>

[14] Donated goods and services:

For recognition of donated services in the Society's financial statements, such services must: (i) require a specialized skill, (ii) be provided by individuals possessing these skills, and (iii) typically need to be acquired if not provided by donation. Donated services are recorded as support at their estimated fair values at the dates of donation and are reported as support without donor restriction. Donated services are reported as both contributions and offsetting expenses in the statements of activities.

During each year, donated goods and services were as follows:

	Year Ended December 31,	
	2020	2019
Legal services	\$ 31,708	\$ -
Donated space	3,840	3,840
Donated goods - auction items	<u>96,891</u>	<u>400,343</u>
	<u>\$ 132,439</u>	<u>\$ 404,183</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

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

[15] 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 natural classification and function. Accordingly, direct costs have been functionalized within the program and supporting services, based on the nature of each expense. Indirect costs have been allocated based on the ratio of direct costs to total costs.

[16] Income tax uncertainties:

The Society follows the provisions of the FASB's 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] Adoption of accounting principle:

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 985). 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 guidance clarifies whether arrangements are conditional or unconditional. The resource recipient portion of the ASU was effective for fiscal-years beginning after December 15, 2018 and the resource provider portion of the ASU is effective for fiscal-years beginning after December 15, 2019. ASU 2018-08 should be applied on a modified prospective basis. Accordingly, the Society adopted the portion of the ASU for resource recipients as of December 31, 2019. The Society adopted the resource provider portion of this ASU as of December 31, 2020, and this accounting guidance did not have a material effect on the Society's financial statements.

[18] Upcoming accounting pronouncements:

In February 2016, the FASB issued its lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize on the statements of financial position for all leases (with terms of more than 12 months) at the commencement date, the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This ASU is required to be adopted on a modified retrospective basis. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not-for-profit organizations for fiscal years beginning after December 15, 2021. The Society is currently evaluating the effect that this guidance will have on the financial statements and related disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation and techniques and inputs used to arrive at a fair value measure, if it is a market in

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

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

[18] Upcoming accounting pronouncements: (continued)

which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation and techniques and inputs used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements and related note disclosures.

[19] Subsequent events:

The Society evaluated subsequent events through April 22, 2021, the date on which the financial statements were available to be issued.

NOTE B - PLEDGES AND CONTRIBUTIONS RECEIVABLES

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

	December 31,	
	2020	2019
Less than one year	\$ 1,008,644	\$ 772,983
One to five years	<u>177,000</u>	<u>498,950</u>
	1,185,644	1,271,933
Reduction of pledges due in excess of one year to present value at a discount rate ranging from 2.4% and 4%	(8,396)	(25,695)
Less: allowance for doubtful collections	<u>(43,500)</u>	<u>(24,278)</u>
	<u>\$ 1,133,748</u>	<u>\$ 1,221,960</u>

NOTE C - INVESTMENTS

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

	December 31,			
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$2,033,158	\$2,033,158	\$1,803,784	\$1,803,784
U.S. Treasury bills	250,002	250,002	247,965	247,965
Mutual funds	26,937	23,361	17,985	13,315
Government securities	-	-	110	110
	<u>\$2,310,097</u>	<u>\$2,306,521</u>	<u>\$2,069,844</u>	<u>\$2,065,174</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

NOTE C - INVESTMENTS (CONTINUED)

During each year, investment income consisted of the following:

	Year Ended December 31,	
	2020	2019
Interest and dividends	\$ 23,526	\$ 27,025
Investment management fees	(1,593)	(1,135)
Realized gains	1,065	176
Unrealized (losses) gains	(1,094)	161
	<u>\$ 21,904</u>	<u>\$ 26,227</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.

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,					
	2020			2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money market funds	\$ 2,033,158	\$ -	\$ 2,033,158	\$ 1,803,784	\$ -	\$ 1,803,784
U.S. Treasury bills	250,002	-	250,002	247,965	-	247,965
Mutual funds	26,937	-	26,937	17,985	-	17,985
Government securities	-	-	-	-	110	110
	<u>\$ 2,310,097</u>	<u>\$ -</u>	<u>\$ 2,310,097</u>	<u>\$ 2,069,734</u>	<u>\$ 110</u>	<u>\$ 2,069,844</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 403,025	\$ 403,025
Furniture and fixtures	17,085	17,085
Leasehold improvements	<u>65,856</u>	<u>65,856</u>
	485,966	485,966
Less: accumulated depreciation and amortization	<u>(450,818)</u>	<u>(430,117)</u>
	<u>\$ 35,148</u>	<u>\$ 55,849</u>

NOTE E - GRANTS PAYABLE

At each year-end, grants payable are due to be paid as follows:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
One year or less	\$ 879,133	\$ 848,162
One to five years	<u>425,000</u>	<u>240,000</u>
	1,304,133	1,088,162
Reduction of grants due in excess of one year to present value, at a discount rate of 2%	<u>(21,078)</u>	-
	<u>\$ 1,283,055</u>	<u>\$ 1,088,162</u>

NOTE F - 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 2020 and 2019 were approximately \$126,000 and \$115,000, respectively.

NOTE G - 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 2020 or 2019. The line of credit has been renewed through May 2021.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31,	
	2020	2019
Time-restricted for future periods:		
Campaign for Help and Hope	\$ -	\$ 3,000
HD Cope	99,950	187,432
Topper - Fellowship	-	40,000
Total time-restricted for future periods	<u>99,950</u>	<u>230,432</u>
Purpose restrictions:		
Research	3,341,778	4,619,458
Family services	594,823	286,590
Education	143,654	140,847
Chapter development	79,014	79,013
Total purpose restrictions	<u>4,159,269</u>	<u>5,125,908</u>
Accumulated endowment income subject to appropriation by the Board of Trustees	<u>18,866</u>	<u>18,961</u>
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
	<u>\$ 4,528,085</u>	<u>\$ 5,625,301</u>

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

	Year Ended December 31,	
	2020	2019
Time-restricted:		
Campaign for Help and Hope	\$ 3,000	\$ 137,445
HD Cope	87,482	77,568
Topper - Fellowship	68,000	80,000
Purpose restricted:		
Research	2,040,286	1,475,472
Family services	537,430	221,916
Education	94,392	319,758
	<u>\$ 2,830,590</u>	<u>\$ 2,312,159</u>

NOTE I - 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. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2020 and 2019

NOTE I - 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, 2020		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 18,961	\$ 250,000	\$ 268,961
Investment losses, net	<u>(95)</u>	<u>-</u>	<u>(95)</u>
Endowment net assets, end of year	<u>\$ 18,866</u>	<u>\$ 250,000</u>	<u>\$ 268,866</u>

	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>

[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 gift, or the amount required to be maintained under state law, referred to as underwater endowment. Under the terms of NYPMIFA, the Society has no responsibility to restore such decreases in value. At December 31, 2020 and 2019, there are no deficiencies of this nature.

[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, 2020 and 2019**

NOTE I - 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 2020 and 2019.

NOTE J - COMMITMENTS, CONTINGENCY, AND OTHER UNCERTAINTY

[1] 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 2020 and 2019, respectively, with accumulated depreciation of \$15,774 and \$11,211, respectively. Depreciation expense related to the capitalized leased equipment amounted to \$4,563 during both 2020 and 2019.

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 \$114,721 and \$118,993 as of December 31, 2020 and 2019, 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>
2021	\$ 4,493	\$ 284,688
2022	-	287,014
2023	-	289,392
2024	-	296,627
2025	-	<u>227,094</u>
Total	4,493	<u>\$ 1,384,815</u>
Less: amount representing interest on lease payments	<u>(759)</u>	
Present value of minimum lease payments	<u>\$ 3,734</u>	

Rent expense for 2020 and 2019 was \$292,661 and \$287,965, 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, 2020 and 2019

NOTE J - COMMITMENTS, CONTINGENCY, AND OTHER UNCERTAINTY (CONTINUED)

[2] Other uncertainty:

The extent of the impact of the COVID-19 outbreak on the Society's programming, operational and financial performance is uncertain and will depend on the continued future developments of the outbreak and external restrictions imposed. The potential impact brought by, and the duration of, the COVID-19 pandemic is difficult to assess or predict and may have an adverse impact on the Society's operations.

[3] Litigation:

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 - CREDIT RISK

The Society maintains its cash balances in high-credit-quality financial institutions in amounts which, at times, may be in excess of federally insured limits. The Society has not experienced any losses in such accounts during 2020 or 2019, and management believes that the Society is not exposed to any significant risk of loss due to the failure of these financial institutions.

NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Society's financial assets available for general expenditure (including scheduled grant payments) 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 or internal designations:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,339,030	\$ 8,337,091
Pledges and contributions receivable, net	1,133,748	1,221,960
Investments	<u>2,310,097</u>	<u>2,069,844</u>
Total financial assets available within one year	<u>12,782,875</u>	<u>11,628,895</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors:		
Time-restricted for future periods	(99,950)	(230,432)
Purpose restrictions	(4,159,269)	(5,125,908)
Perpetual in nature	<u>(250,000)</u>	<u>(250,000)</u>
	(4,509,219)	(5,606,340)
Subject to appropriation:		
Accumulated endowment income subject to appropriation by the Board of Trustees	<u>(18,866)</u>	<u>(18,961)</u>
Amounts unavailable to management without Board approval:		
Board-operating reserve	<u>(1,805,969)</u>	<u>(1,796,131)</u>
Total amounts unavailable for general expenditure within one year	<u>(6,334,054)</u>	<u>(7,421,432)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,448,821</u>	<u>\$ 4,207,463</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

**Notes to Financial Statements
December 31, 2020 and 2019**

NOTE L - 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 M - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 1, 2020, the Society received \$634,692 in funds from JP Morgan Chase Bank and these proceeds are reported as a PPP loan payable on the statements of financial position as of December 31, 2020. Neither principal nor interest is due for a ten-month deferral period from the last day of the Society's covered period, which is October 15, 2021. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principle of the loan that is not forgiven under the PPP loan program at the end of the ten-month deferral period will convert to a term loan with an interest rate of 0.98% payable in equal installments of principle and interest over the next twenty-four months, beginning in February 2021. The loan matures on May 1, 2022. The Society is in the process of applying for forgiveness.

Until determination of forgiveness, the scheduled future principle maturities as of December 31, 2020 are as follows:

<u>December 31,</u>	<u>Amount</u>
2022	\$ 634,692
Total	<u>\$ 634,692</u>