

EISNERAMPER

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

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020



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, 2021 and 2020	3
Statements of activities for the years ended December 31, 2021 and 2020	4
Statement of functional expenses for the year ended December 31, 2021 (with summarized financial information for 2020)	5
Statement of functional expenses for the year ended December 31, 2020	6
Statements of cash flows for the years ended December 31, 2021 and 2020	7
Notes to financial statements	8

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Huntington's Disease Society of America, Inc. (the "Society"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Huntington's Disease Society of America, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



"EisnerAmper" is the brand name under which EisnerAmper LLP and Eisner Advisory Group LLC provide professional services.

EisnerAmper LLP and Eisner Advisory Group LLC are independently owned firms that practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. EisnerAmper LLP is a licensed CPA firm that provides attest services, and Eisner Advisory Group LLC and its subsidiary entities provide tax and business consulting services. Eisner Advisory Group LLC and its subsidiary entities are not licensed CPA firms.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
June 1, 2022



HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Financial Position

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 11,228,810	\$ 9,339,030
Pledges and contributions receivable, net	2,598,770	1,133,748
Investments	2,503,034	2,310,097
Prepaid expenses and deposits	193,969	154,406
Property and equipment, net	28,993	35,148
Website costs, net	18,343	39,529
	<u>\$ 16,571,919</u>	<u>\$ 13,011,958</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 120,126	\$ 214,836
Accrued compensation	263,269	294,228
Grants payable, net	1,364,174	1,283,055
Event revenue received in advance	61,177	17,800
Paycheck Protection Program loan payable	-	634,692
Deferred rent obligation	103,731	114,721
Obligation under capital lease	-	3,734
	<u>1,912,477</u>	<u>2,563,066</u>
Total liabilities		
Commitments, contingency and other uncertainty (Note K)		
Net Assets:		
Without donor restrictions:		
Undesignated	9,010,574	4,114,838
Board-operating reserve	1,808,203	1,805,969
	<u>10,818,777</u>	<u>5,920,807</u>
Total net assets without donor restrictions		
With donor restrictions:		
Purpose restrictions	1,235,715	4,178,135
Time-restricted for future periods	2,354,950	99,950
Perpetual in nature	250,000	250,000
	<u>3,840,665</u>	<u>4,528,085</u>
Total net assets with donor restrictions		
	<u>14,659,442</u>	<u>10,448,892</u>
Total net assets		
	<u>\$ 16,571,919</u>	<u>\$ 13,011,958</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Public donations	\$ 5,694,685	\$ 401,298	\$ 6,095,983	\$ 2,831,646	\$ 284,606	\$ 3,116,252
Foundation grants and corporate contributions	1,202,762	1,128,066	2,330,828	1,666,589	1,448,863	3,115,452
Federated campaign	244,545	-	244,545	246,913	-	246,913
Special events (net of direct benefits to donors of \$360,708 and \$212,622 in 2021 and 2020, respectively)	3,361,360	-	3,361,360	2,254,487	-	2,254,487
Investment earnings (losses), net	9,782	(121)	9,661	21,999	(95)	21,904
Donated services and materials	173,753	-	173,753	132,439	-	132,439
Gain on Paycheck Protection Program loan forgiveness	634,692	-	634,692	-	-	-
Other income	87,656	-	87,656	83,178	-	83,178
Total support and revenue before net assets released from restrictions	11,409,235	1,529,243	12,938,478	7,237,251	1,733,374	8,970,625
Net assets released from restrictions	2,216,663	(2,216,663)	-	2,830,590	(2,830,590)	-
Total support and revenue	13,625,898	(687,420)	12,938,478	10,067,841	(1,097,216)	8,970,625
Expenses:						
Program services:						
Research	2,052,914	-	2,052,914	2,102,371	-	2,102,371
Family services	3,005,423	-	3,005,423	3,083,605	-	3,083,605
Education	704,513	-	704,513	761,119	-	761,119
Community outreach	972,726	-	972,726	1,023,900	-	1,023,900
Total program services	6,735,576	-	6,735,576	6,970,995	-	6,970,995
Supporting services:						
Management and general	570,858	-	570,858	592,598	-	592,598
Fund-raising	1,421,494	-	1,421,494	1,217,994	-	1,217,994
Total supporting services	1,992,352	-	1,992,352	1,810,592	-	1,810,592
Total expenses	8,727,928	-	8,727,928	8,781,587	-	8,781,587
Change in net assets	4,897,970	(687,420)	4,210,550	1,286,254	(1,097,216)	189,038
Net assets, beginning of year	5,920,807	4,528,085	10,448,892	4,634,553	5,625,301	10,259,854
Net assets, end of year	\$ 10,818,777	\$ 3,840,665	\$ 14,659,442	\$ 5,920,807	\$ 4,528,085	\$ 10,448,892

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses
Year Ended December 31, 2021
(with summarized financial information for 2020)

	Program Services				Supporting Services			Total		
	Research	Family Services	Education	Community Outreach	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2021	2020
Salaries and related expenses:										
Salaries	\$ 422,796	\$ 559,517	\$ 349,625	\$ 573,915	\$ 1,905,853	\$ 227,757	\$ 620,491	\$ 848,248	\$ 2,754,101	\$ 3,051,279
Payroll taxes and employee benefits	137,624	191,870	110,832	181,425	621,751	72,477	199,541	272,018	893,769	913,208
Total salaries and related expenses	560,420	751,387	460,457	755,340	2,527,604	300,234	820,032	1,120,266	3,647,870	3,964,487
Other expenses:										
Research grants and other awards	1,297,929	1,554,532	-	-	2,852,461	-	-	-	2,852,461	2,612,868
Office supplies	27,008	48,908	15,992	22,678	114,586	14,583	24,382	38,965	153,551	121,581
Telephone	13,981	24,168	5,415	12,808	56,372	3,606	12,196	15,802	72,174	91,168
Postage and shipping	68	1,162	1,695	6,275	9,200	1,209	77,989	79,198	88,398	87,257
Rent and occupancy charges	63,497	92,935	21,630	36,413	214,475	16,970	56,483	73,453	287,928	292,663
Printing and publications	6,119	20,261	20,975	5,879	53,234	503	94,128	94,631	147,865	151,754
Conferences, meetings and travel	451	5,243	8,781	55	14,530	32	12,472	12,504	27,034	57,199
Insurance	11,366	17,039	3,872	5,814	38,091	3,038	10,943	13,981	52,072	49,233
Prizes and gifts	-	1,298	-	106,082	107,380	-	11,510	11,510	118,890	37,527
Professional services	57,347	457,742	138,109	3,934	657,132	199,031	20,724	219,755	876,887	928,111
Equipment rental	4,196	6,142	1,490	1,999	13,827	1,122	3,733	4,855	18,682	18,516
Donated services and materials	-	-	-	3,840	3,840	-	169,913	169,913	173,753	132,439
Bad debt expense	-	-	-	-	-	19,500	-	19,500	19,500	43,500
Bank and credit card fees	1,561	7,862	10,603	995	21,021	4,583	65,906	70,489	91,510	68,943
Catering and venue costs	-	-	-	-	-	-	360,708	360,708	360,708	212,622
Other	64	3,708	12,460	3,955	20,187	4,067	33,160	37,227	57,414	76,704
Total expenses before depreciation and amortization	2,044,007	2,992,387	701,479	966,067	6,703,940	568,478	1,774,279	2,342,757	9,046,697	8,946,572
Depreciation and amortization	8,907	13,036	3,034	6,659	31,636	2,380	7,923	10,303	41,939	47,637
Subtotal expenses	2,052,914	3,005,423	704,513	972,726	6,735,576	570,858	1,782,202	2,353,060	9,088,636	8,994,209
Less: Direct benefits to donors	-	-	-	-	-	-	(360,708)	(360,708)	(360,708)	(212,622)
Total expenses per the statements of activities	\$ 2,052,914	\$ 3,005,423	\$ 704,513	\$ 972,726	\$ 6,735,576	\$ 570,858	\$ 1,421,494	\$ 1,992,352	\$ 8,727,928	\$ 8,781,587

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses Year Ended December 31, 2020

	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	\$ 554,317	\$ 585,019	\$ 377,885	\$ 687,501	\$ 2,204,722	\$ 275,527	\$ 571,030	\$ 846,557	\$ 3,051,279
Payroll taxes and employee benefits	<u>165,899</u>	<u>175,089</u>	<u>113,096</u>	<u>205,760</u>	<u>659,844</u>	<u>82,462</u>	<u>170,902</u>	<u>253,364</u>	<u>913,208</u>
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
Other expenses:									
Research grants and other awards	1,103,059	1,509,809	-	-	2,612,868	-	-	-	2,612,868
Office supplies	18,122	26,440	13,749	25,221	83,532	17,739	20,310	38,049	121,581
Telephone	12,362	39,643	4,227	15,677	71,909	3,848	15,411	19,259	91,168
Postage and shipping	390	3,864	3,707	5,939	13,900	1,973	71,384	73,357	87,257
Rent and occupancy charges	67,987	98,034	23,525	38,252	227,798	18,780	46,085	64,865	292,663
Printing and publications	6,058	24,702	58,108	6,294	95,162	227	56,365	56,592	151,754
Conferences, meetings and travel	11,242	19,625	12,168	9,219	52,254	806	4,139	4,945	57,199
Insurance	9,465	14,435	3,324	4,995	32,219	10,940	6,074	17,014	49,233
Prizes and gifts	-	574	14,847	674	16,095	340	21,092	21,432	37,527
Professional services	136,235	549,639	114,416	7,990	808,280	94,153	25,678	119,831	928,111
Equipment rental	4,422	6,375	1,529	2,132	14,458	1,221	2,837	4,058	18,516
Donated services and materials	-	1,933	-	4,209	6,142	31,708	94,589	126,297	132,439
Bad debt expense	-	-	-	-	-	43,500	-	43,500	43,500
Bank and credit card fees	1,176	5,923	7,988	750	15,837	3,453	49,653	53,106	68,943
Catering	-	-	-	-	-	-	212,622	212,622	212,622
Other	<u>1,323</u>	<u>6,658</u>	<u>8,981</u>	<u>843</u>	<u>17,805</u>	<u>3,072</u>	<u>55,827</u>	<u>58,899</u>	<u>76,704</u>
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
Depreciation and amortization	<u>10,314</u>	<u>15,843</u>	<u>3,569</u>	<u>8,444</u>	<u>38,170</u>	<u>2,849</u>	<u>6,618</u>	<u>9,467</u>	<u>47,637</u>
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
Less: Direct benefits to donors	-	-	-	-	-	-	<u>(212,622)</u>	<u>(212,622)</u>	<u>(212,622)</u>
Total expenses per the statements of activities	<u>\$ 2,102,371</u>	<u>\$ 3,083,605</u>	<u>\$ 761,119</u>	<u>\$ 1,023,900</u>	<u>\$ 6,970,995</u>	<u>\$ 592,598</u>	<u>\$ 1,217,994</u>	<u>\$ 1,810,592</u>	<u>\$ 8,781,587</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,210,550	\$ 189,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,939	47,637
Bad debt expense	19,500	43,500
Net realized and unrealized (gains) losses on investments	(5,034)	29
Donated securities	(179,234)	(222,699)
Proceeds from sales of donated securities	179,234	222,699
Gain on Paycheck Protection Program loan forgiveness	(634,692)	-
Changes in:		
Pledges and contributions receivable, net	(1,484,522)	44,712
Prepaid expenses and deposits	(39,563)	13,138
Accounts payable and accrued expenses	(94,710)	113,113
Accrued compensation	(30,959)	28,913
Grants payable, net	81,119	194,893
Event revenue received in advance	43,377	(53,374)
Deferred rent obligation	(10,990)	(4,272)
Net cash provided by operating activities	<u>2,096,015</u>	<u>617,327</u>
Cash flows from investing activities:		
Proceeds from sales of investments	1,287	450
Purchases of investments	(189,190)	(240,732)
Capitalized website costs	(5,580)	(4,996)
Purchases of property and equipment	(9,018)	-
Net cash used in investing activities	<u>(202,501)</u>	<u>(245,278)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	634,692
Payments made on capital lease obligations	(3,734)	(4,802)
Net cash (used in) provided by financing activities	<u>(3,734)</u>	<u>629,890</u>
Net increase in cash and cash equivalents	1,889,780	1,001,939
Cash and cash equivalents, beginning of year	<u>9,339,030</u>	<u>8,337,091</u>
Cash and cash equivalents, end of year	\$ <u>11,228,810</u>	\$ <u>9,339,030</u>
Supplemental disclosures of cash flow information:		
Donated goods and services	<u>\$ 173,753</u>	<u>\$ 132,439</u>
Interest expense incurred under capital lease obligation	<u>\$ 236</u>	<u>\$ 735</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

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, and equity and fixed-income mutual funds 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, 2021 and 2020

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. 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. There were no triggering events occurring to property and equipment requiring management to test for, or adjust for, impairment losses during 2021 or 2020. 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 \$1,500 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, 2021 and 2020, capitalized website costs were presented net of accumulated amortization of \$70,126 and \$43,360, 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, 2021 and 2020, the accrued vacation obligation was approximately \$204,000 and \$235,000, respectively, and was reported as part of accrued compensation in the accompanying statements of financial position.

[9] Grants payable:

Unconditional 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. Multi-year grants payable are reported at their present values, using an appropriate interest rate.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

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"), provided 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 could elect to treat the funds as a loan or as a conditional contribution. For the year ended December 31, 2020, the Society elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. During the year ended December 31, 2021, the Society applied for and received forgiveness of its loan from the bank and the SBA in the amount of \$634,692 (see Note N). Accordingly, this forgiven amount is reflected as a gain on PPP loan forgiveness on the statements of activities as of December 31, 2021.

[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 designated a 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, 2021 and 2020

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

[13] Revenue recognition:

(i) *Contributions, grants and bequests:*

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 measurable. 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.

(ii) *Special events:*

Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue, as well as the payment of the direct costs of the benefits received by the attendee at the event. Special event income is reported net of the direct benefits 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.

[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 goods and services are recorded as support at their estimated fair values at the dates of donation and are reported as without donor restrictions unless the donor has restricted the donated assets for a specific purpose. Donated goods and services are reported as both contributions and expenses in the accompanying statements of activities.

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

	Year Ended December 31,	
	2021	2020
Legal services	\$ -	\$ 31,708
Donated space	3,840	3,840
Donated goods - auction items	<u>169,913</u>	<u>96,891</u>
	<u>\$ 173,753</u>	<u>\$ 132,439</u>

[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 on the basis of time allocation with the exception of rent, insurance, depreciation, which are allocated based on square footage.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

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

[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] Upcoming accounting pronouncements:

(i) Leases:

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), as amended, which supersedes the current leasing guidance and upon adoption, will require lessees to recognize right-of-use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard is effective for the Society for the annual period beginning after December 15, 2021. Upon the adoption of the guidance, operating leases are capitalized on the statements of financial position at the present value of lease payments. The statements of financial position amount recorded for existing leases at the date of adoption of ASU 2016-02 will be calculated using the applicable incremental borrowing rate, or a risk free rate as an alternative to the incremental borrowing rate, at the date of adoption. The impact on the Society's financial statements is currently being evaluated. Information about the Society's current operating lease is provided in Note K[1].

(ii) Contributed Nonfinancial Assets:

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; and (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.

[18] Subsequent events:

The Society evaluated subsequent events through June 1, 2022, the date on which the financial statements were available to be issued.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - PLEDGES AND CONTRIBUTIONS RECEIVABLES

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

	December 31,	
	2021	2020
Less than one year	\$ 2,618,270	\$ 1,008,644
One to five years	-	177,000
	<u>2,618,270</u>	1,185,644
Reduction of pledges due in excess of one year to present value at a discount rate ranging from 2.4% and 4%	-	(8,396)
Less: allowance for doubtful collections	<u>(19,500)</u>	<u>(43,500)</u>
	<u>\$ 2,598,770</u>	<u>\$ 1,133,748</u>

NOTE C - INVESTMENTS

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

	December 31,			
	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 2,219,817	\$ 2,219,817	\$ 2,033,158	\$ 2,033,158
U.S. Treasury bills	250,027	250,027	250,002	250,002
Mutual funds	<u>33,190</u>	<u>25,468</u>	<u>26,937</u>	<u>23,361</u>
	<u>\$ 2,503,034</u>	<u>\$ 2,495,312</u>	<u>\$ 2,310,097</u>	<u>\$ 2,306,521</u>

During each year, investment income consisted of the following:

	Year Ended December 31,	
	2021	2020
Interest and dividends	\$ 7,215	\$ 23,526
Investment management fees	(2,588)	(1,593)
Realized gains	888	1,065
Unrealized gains (losses)	<u>4,146</u>	<u>(1,094)</u>
	<u>\$ 9,661</u>	<u>\$ 21,904</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:

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE C - INVESTMENTS (CONTINUED)

- 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,			
	2021		2020	
	Level 1	Total	Level 1	Total
Money market funds	\$ 2,219,817	\$ 2,219,817	\$ 2,033,158	\$ 2,033,158
U.S. Treasury bills	250,027	250,027	250,002	250,002
Mutual funds	33,190	33,190	26,937	26,937
	<u>\$ 2,503,034</u>	<u>\$ 2,503,034</u>	<u>\$ 2,310,097</u>	<u>\$ 2,310,097</u>

NOTE D - PROPERTY AND EQUIPMENT

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

	December 31,	
	2021	2020
Computers and equipment	\$ 412,043	\$ 403,025
Furniture and fixtures	17,085	17,085
Leasehold improvements	65,856	65,856
	494,984	485,966
Less: accumulated depreciation and amortization	<u>(465,991)</u>	<u>(450,818)</u>
	<u>\$ 28,993</u>	<u>\$ 35,148</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE E - GRANTS PAYABLE

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

	December 31,	
	2021	2020
One year or less	\$ 937,550	\$ 879,133
One to five years	<u>444,400</u>	<u>425,000</u>
	1,381,950	1,304,133
Reduction of grants due in excess of one year to present value, at a discount rate of 2.4% - 4%	<u>(17,776)</u>	<u>(21,078)</u>
	<u>\$ 1,364,174</u>	<u>\$ 1,283,055</u>

NOTE F - EVENT REVENUE RECEIVED IN ADVANCE

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

	Year Ended December 31,	
	2021	2020
Event revenue received in advance, beginning of year	\$ 17,800	\$ 71,174
Revenue recognized that was included in event received in advance at beginning of year	(17,800)	(71,174)
Increase in event revenue received in advance due to cash received during the period	<u>61,177</u>	<u>17,800</u>
Event revenue received in advance, end of year	<u>\$ 61,177</u>	<u>\$ 17,800</u>

There were no other significant contract liabilities or assets at December 31, 2021, or as of December 31, 2020.

NOTE G - 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 2021 and 2020 were approximately \$125,000 and \$126,000, respectively.

NOTE H - 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 2021 or 2020. The line of credit has been renewed through May 2022.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Time-restricted for future periods:		
HD Cope	\$ 99,950	\$ 99,950
Topper - fellowship	<u>255,000</u>	<u>-</u>
Total time-restricted for future periods	<u>354,950</u>	<u>99,950</u>
Purpose restrictions:		
Research	2,896,301	3,341,778
Family services	61,752	594,823
Education	153,704	143,654
Chapter development	<u>105,213</u>	<u>79,014</u>
Total purpose restrictions	<u>3,216,970</u>	<u>4,159,269</u>
Accumulated endowment income subject to appropriation by the Board of Trustees	<u>18,745</u>	<u>18,866</u>
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
	<u>\$ 3,840,665</u>	<u>\$ 4,528,085</u>

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

	<u>Year Ended</u> <u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Time-restricted:		
Campaign for Help and Hope	\$ -	\$ 3,000
HD Cope	-	87,482
Topper - fellowship	<u>240,000</u>	<u>68,000</u>
Purpose restricted:		
Research	1,327,226	2,040,286
Family services	601,157	537,430
Education	35,000	94,392
Chapter development	<u>13,280</u>	<u>-</u>
	<u>\$ 2,216,663</u>	<u>\$ 2,830,590</u>

NOTE J - 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, 2021 and 2020

NOTE J - 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, 2021		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 18,866	\$ 250,000	\$ 268,866
Investment losses, net	<u>(121)</u>	<u>-</u>	<u>(121)</u>
Endowment net assets, end of year	<u>\$ 18,745</u>	<u>\$ 250,000</u>	<u>\$ 268,745</u>

	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>

[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, 2021 and 2020, there were 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, 2021 and 2020**

NOTE J - 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 2021 and 2020.

NOTE K - COMMITMENTS, CONTINGENCY, AND OTHER UNCERTAINTY

[1] Leases:

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 \$103,731 and \$114,721 as of December 31, 2021 and 2020, 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</u>	<u>Amount</u>
2022	\$ 282,334
2023	289,392
2024	296,627
2025	<u>227,094</u>
Total	<u>\$ 1,095,447</u>

Rent expense for 2021 and 2020 was \$287,928 and \$292,661, respectively. There are no lease commitments for chapter offices, since these rental obligations are renewable on a month-to-month basis.

[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 this action cannot currently be determined, the Society's management believes that the eventual liability, if any, will be covered by insurance.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE L - 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 2021 or 2020, and management believes that the Society is not exposed to any significant risk of loss due to the failure of these financial institutions.

NOTE M - 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:

	December 31,	
	2021	2020
Cash and cash equivalents	\$ 11,228,810	\$ 9,339,030
Pledges and contributions receivable, net	2,598,770	1,133,748
Investments	<u>2,503,034</u>	<u>2,310,097</u>
Total financial assets available within one year	<u>16,330,614</u>	<u>12,782,875</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors:		
Time-restricted for future periods	(354,950)	(99,950)
Purpose restrictions	(3,216,970)	(4,159,269)
Perpetual in nature	<u>(250,000)</u>	<u>(250,000)</u>
	(3,821,920)	(4,509,219)
Subject to appropriation:		
Accumulated endowment income subject to appropriation by the Board of Trustees	<u>(18,745)</u>	<u>(18,866)</u>
Amounts unavailable to management without Board approval:		
Board-operating reserve	<u>(1,808,203)</u>	<u>(1,805,969)</u>
Total amounts unavailable for general expenditure within one year	<u>(5,648,868)</u>	<u>(6,334,054)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,681,746</u>	<u>\$ 6,448,821</u>

Liquidity policy:

The Society's policy is to structure its financial assets to be available for its general expenditures, liabilities and other obligations as they come due. The Society also has a committed line of credit to help manage unanticipated liquidity needs, if needed. Additionally, the Society has Board designated net assets without donor restrictions that 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.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE N - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 1, 2020, the Society received \$634,692 in funds from JPMorgan Chase Bank, and these proceeds are reported as a PPP loan payable on the statements of financial position as of December 31, 2020. In July 2021, the bank and the SBA formally approved forgiveness of the PPP loan in the amount of \$634,692, and accordingly, it has been reported in the statement of activities as a gain on PPP loan forgiveness for 2021. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. Under the CARES Act, all borrowers are required to maintain their loan documentation for six years after the PPP loan was forgiven, or repaid in full, and to provide that documentation to the SBA upon request.