

EISNERAMPER

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

FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021



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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Huntington's Disease Society of America, Inc. (the "Society"), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Huntington's Disease Society of America, Inc. as of December 31, 2022 and 2021, 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 Society 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 available to be 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.

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
May 2, 2023



HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 12,704,109	\$ 11,228,810
Pledges and contributions receivable, net	609,670	2,598,770
Investments	3,920,368	2,503,034
Prepaid expenses and deposits	191,683	193,969
Right-of-use asset	711,837	-
Property and equipment, net	18,129	28,993
Website costs, net	3,514	18,343
	<u>\$ 18,159,310</u>	<u>\$ 16,571,919</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 225,956	\$ 120,126
Accrued compensation	281,587	263,269
Grants payable, net	980,273	1,364,174
Event revenue received in advance	34,184	61,177
Paycheck Protection Program loan payable	-	-
Deferred rent obligation	-	103,731
Lease liability	797,692	-
	<u>2,319,692</u>	<u>1,912,477</u>
Total liabilities	<u>2,319,692</u>	<u>1,912,477</u>
Commitments, contingency and other uncertainty (Note L)		
Net Assets:		
Without donor restrictions:		
Undesignated	9,514,297	9,010,574
Board-operating reserve	2,664,467	1,808,203
	<u>12,178,764</u>	<u>10,818,777</u>
Total net assets without donor restrictions	<u>12,178,764</u>	<u>10,818,777</u>
With donor restrictions:		
Purpose restrictions	3,170,904	3,235,715
Time-restricted for future periods	239,950	354,950
Perpetual in nature	250,000	250,000
	<u>3,660,854</u>	<u>3,840,665</u>
Total net assets with donor restrictions	<u>3,660,854</u>	<u>3,840,665</u>
Total net assets	<u>15,841,135</u>	<u>14,659,442</u>
	<u>\$ 18,159,310</u>	<u>\$ 16,571,919</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Public donations	\$ 3,443,934	\$ 485,061	\$ 3,928,995	\$ 5,694,685	\$ 401,298	\$ 6,095,983
Foundation grants and corporate contributions	1,541,195	1,020,082	2,561,277	1,202,762	1,128,066	2,330,828
Federated campaign	205,863	-	205,863	244,545	-	244,545
Special events (net of direct benefits to donors of \$553,989 and \$360,708 in 2022 and 2021, respectively)	4,030,332	-	4,030,332	3,361,360	-	3,361,360
Investment earnings (losses), net	17,326	2,992	20,318	9,782	(121)	9,661
Donated services and materials	339,992	-	339,992	173,753	-	173,753
Gain on Paycheck Protection Program loan forgiveness	-	-	-	634,692	-	634,692
Returned grants	121,808	-	121,808	-	-	-
Other income	88,623	-	88,623	87,656	-	87,656
Total support and revenue before net assets released from restrictions	9,789,073	1,508,135	11,297,208	11,409,235	1,529,243	12,938,478
Net assets released from restrictions	1,687,946	(1,687,946)	-	2,216,663	(2,216,663)	-
Total support and revenue	11,477,019	(179,811)	11,297,208	13,625,898	(687,420)	12,938,478
Expenses:						
Program services:						
Research	1,518,391	-	1,518,391	2,052,914	-	2,052,914
Family services	3,300,739	-	3,300,739	3,005,423	-	3,005,423
Education	1,648,297	-	1,648,297	704,513	-	704,513
Community outreach	901,210	-	901,210	972,726	-	972,726
Total program services	7,368,637	-	7,368,637	6,735,576	-	6,735,576
Supporting services:						
Management and general	820,000	-	820,000	570,858	-	570,858
Fund-raising	1,928,395	-	1,928,395	1,421,494	-	1,421,494
Total supporting services	2,748,395	-	2,748,395	1,992,352	-	1,992,352
Total expenses	10,117,032	-	10,117,032	8,727,928	-	8,727,928
Change in net assets	1,359,987	(179,811)	1,180,176	4,897,970	(687,420)	4,210,550
Net assets, beginning of year	10,818,777	3,840,665	14,659,442	5,920,807	4,528,085	10,448,892
Net assets, end of year	\$ 12,178,764	\$ 3,660,854	\$ 15,839,618	\$ 10,818,777	\$ 3,840,665	\$ 14,659,442

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses
Year Ended December 31, 2022
(with summarized financial information for 2021)

	Program Services					Supporting Services			Total	
	Research	Family Services	Education	Community Outreach	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2022	2021
Salaries and related expenses:										
Salaries	\$ 312,915	\$ 514,697	\$ 508,148	\$ 501,942	\$ 1,837,702	\$ 353,741	\$ 790,934	\$ 1,144,675	\$ 2,982,377	\$ 2,754,101
Payroll taxes and employee benefits	84,151	149,525	136,655	142,320	512,651	96,978	224,768	321,746	834,397	893,769
Total salaries and related expenses	397,066	664,222	644,803	644,262	2,350,353	450,719	1,015,702	1,466,421	3,816,774	3,647,870
Other expenses:										
Research grants and other awards	934,664	1,873,349	128,051	-	2,936,064	-	-	-	2,936,064	2,852,461
Office supplies	24,577	57,091	31,268	29,832	142,768	14,350	41,359	55,709	198,477	153,551
Telephone	9,853	24,361	10,808	8,812	53,834	4,815	15,343	20,158	73,992	72,174
Postage and shipping	385	1,348	11,135	14,043	26,911	1,412	80,369	81,781	108,692	88,398
Rent and occupancy charges	39,751	87,567	43,728	28,854	199,900	20,970	66,658	87,628	287,528	287,928
Printing and publications	12,567	20,528	88,960	11,924	133,979	221	104,649	104,870	238,849	147,865
Conferences, meetings and travel	22,721	42,774	375,550	761	441,806	14,226	37,366	51,592	493,398	27,034
Insurance	8,513	19,038	9,419	5,120	42,090	5,632	14,763	20,395	62,485	52,072
Prizes and gifts	-	4,483	1,730	138,304	144,517	-	9,067	9,067	153,584	118,890
Professional services	54,237	486,190	129,025	7,024	676,476	271,755	79,892	351,647	1,028,123	876,887
Equipment rental	2,882	8,501	144,892	1,734	158,009	1,521	4,817	6,338	164,347	18,682
Donated legal, space and auction items	-	-	4,266	3,840	8,106	28,490	303,396	331,886	339,992	173,753
Bad debt expense	-	-	-	-	-	-	-	-	-	19,500
Bank and credit card fees	193	507	2,247	8	2,955	213	97,348	97,559	100,514	91,510
Depreciation and amortization	3,463	7,629	3,810	4,675	19,577	1,827	5,789	7,616	27,193	41,939
Catering and venue costs	-	-	-	-	-	-	553,989	553,989	553,989	360,708
Other	7,519	3,151	18,605	2,017	31,292	3,849	51,877	55,726	87,018	57,414
Total expenses	1,518,391	3,300,739	1,648,297	901,210	7,368,637	820,000	2,482,384	3,302,394	10,671,021	9,088,636
Less: direct benefits to donors	-	-	-	-	-	-	(553,989)	(553,989)	(553,989)	(360,708)
Total expenses per the statements of activities	\$ 1,518,391	\$ 3,300,739	\$ 1,648,297	\$ 901,210	\$ 7,368,637	\$ 820,000	\$ 1,928,395	\$ 2,748,395	\$ 10,117,032	\$ 8,727,928

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statement of Functional Expenses Year Ended December 31, 2021

	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	\$ 422,796	\$ 559,517	\$ 349,625	\$ 573,915	\$ 1,905,853	\$ 227,757	\$ 620,491	\$ 848,248	\$ 2,754,101
Payroll taxes and employee benefits	<u>137,624</u>	<u>191,870</u>	<u>110,832</u>	<u>181,425</u>	<u>621,751</u>	<u>72,477</u>	<u>199,541</u>	<u>272,018</u>	<u>893,769</u>
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
Other expenses:									
Research grants and other awards	1,297,929	1,554,532	-	-	2,852,461	-	-	-	2,852,461
Office supplies	27,008	48,908	15,992	22,678	114,586	14,583	24,382	38,965	153,551
Telephone	13,981	24,168	5,415	12,808	56,372	3,606	12,196	15,802	72,174
Postage and shipping	68	1,162	1,695	6,275	9,200	1,209	77,989	79,198	88,398
Rent and occupancy charges	63,497	92,935	21,630	36,413	214,475	16,970	56,483	73,453	287,928
Printing and publications	6,119	20,261	20,975	5,879	53,234	503	94,128	94,631	147,865
Conferences, meetings and travel	451	5,243	8,781	55	14,530	32	12,472	12,504	27,034
Insurance	11,366	17,039	3,872	5,814	38,091	3,038	10,943	13,981	52,072
Prizes and gifts	-	1,298	-	106,082	107,380	-	11,510	11,510	118,890
Professional services	57,347	457,742	138,109	3,934	657,132	199,031	20,724	219,755	876,887
Equipment rental	4,196	6,142	1,490	1,999	13,827	1,122	3,733	4,855	18,682
Donated legal, space and auction items	-	-	-	3,840	3,840	-	169,913	169,913	173,753
Bad debt expense	-	-	-	-	-	19,500	-	19,500	19,500
Bank and credit card fees	1,561	7,862	10,603	995	21,021	4,583	65,906	70,489	91,510
Depreciation and amortization	8,907	13,036	3,034	6,659	31,636	2,380	7,923	10,303	41,939
Catering and venue costs	-	-	-	-	-	-	360,708	360,708	360,708
Other	<u>64</u>	<u>3,708</u>	<u>12,460</u>	<u>3,955</u>	<u>20,187</u>	<u>4,067</u>	<u>33,160</u>	<u>37,227</u>	<u>57,414</u>
Total 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
Less: direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(360,708)</u>	<u>(360,708)</u>	<u>(360,708)</u>
Total expenses per the statements of activities	<u>\$ 2,052,914</u>	<u>\$ 3,005,423</u>	<u>\$ 704,513</u>	<u>\$ 972,726</u>	<u>\$ 6,735,576</u>	<u>\$ 570,858</u>	<u>\$ 1,421,494</u>	<u>\$ 1,992,352</u>	<u>\$ 8,727,928</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,180,176	\$ 4,210,550
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,193	41,939
Noncash lease amortization	253,371	-
Deferred rent obligation	-	(10,990)
Bad debt expense	-	19,500
Net realized and unrealized losses (gains) on investments	8,490	(5,034)
Donated securities	(138,173)	(179,234)
Proceeds from sales of donated securities	138,173	179,234
Gain on Paycheck Protection Program loan forgiveness	-	(634,692)
Changes in:		
Pledges and contributions receivable	1,989,100	(1,484,522)
Prepaid expenses and deposits	2,286	(39,563)
Accounts payable and accrued expenses	105,830	(94,710)
Accrued compensation	18,318	(30,959)
Grants payable, net	(383,901)	81,119
Event revenue received in advance	(26,993)	43,377
Lease liability	(271,247)	-
Net cash provided by operating activities	<u>2,902,623</u>	<u>2,096,015</u>
Cash flows from investing activities:		
Proceeds from sales of investments	726,224	1,287
Purchases of investments	(2,152,048)	(189,190)
Capitalized website costs	-	(5,580)
Purchases of property and equipment	(1,500)	(9,018)
Net cash used in investing activities	<u>(1,427,324)</u>	<u>(202,501)</u>
Cash flows from financing activities:		
Payments made on capital lease obligations	-	(3,734)
Net cash used in financing activities	<u>-</u>	<u>(3,734)</u>
Net increase in cash and cash equivalents	1,475,299	1,889,780
Cash and cash equivalents, beginning of year	<u>11,228,810</u>	<u>9,339,030</u>
Cash and cash equivalents, end of year	<u>\$ 12,704,109</u>	<u>\$ 11,228,810</u>
Supplemental disclosures of cash flow information:		
Donated services and materials	<u>\$ 339,992</u>	<u>\$ 173,753</u>
Interest expense incurred under capital lease obligation	<u>\$ -</u>	<u>\$ 236</u>
Noncash lease liability arising from obtaining right-of-use asset	<u>\$ 1,068,939</u>	<u>\$ -</u>

See notes to financial statements.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

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, common stock, 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. During 2022, the Society fully redeemed its U.S. Treasury bills.

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, 2022 and 2021

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 when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value, 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 2022 or 2021. 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, 2022 and 2021, capitalized website costs were presented net of accumulated amortization of \$73,305 and \$70,126, respectively. During 2022, the Society retired fully amortized website costs no longer utilized of \$11,650. There were no retirements during 2021.

[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, 2022 and 2021, the accrued vacation obligation was approximately \$217,000 and \$204,000, 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, 2022 and 2021

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

[10] 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. Accordingly, this forgiven amount is reflected as a gain on PPP loan forgiveness on the statements of activities as of December 31, 2021.

[11] Leases:

The Society determines if an arrangement is a lease at inception. For the Society's operating lease, a right-of-use ("ROU") asset represents the Society's right to use an underlying asset for the lease term and an operating lease liability represents an obligation to make lease payments arising from the lease. The ROU asset and lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since the Society's lease agreement does provide an implicit interest rate, the Society uses a risk-free rate based on the information available at the commencement date in determining the present value of the lease payments. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs, such as operating costs, are expensed as incurred.

[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, 2022 and 2021

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.

(iii) *Donated services and materials:*

The Society, from time-to-time, receives various forms of gifts-in-kind, which are contributions of nonfinancial assets, including, pro-bono legal services, auctions items and donated space. These types of contributions are reported at their estimated fair value on the date of receipt and reported as expenses when utilized. Gifts-in-kind are valued based upon estimates of fair value or wholesale values that would be received for selling the goods in their principal marketplace considering their condition and utility for use at the time the goods are contributed by the donor. Contributions of nonfinancial assets, other than auction items are not sold, and goods are only distributed for program and fundraising purposes. Auction items are monetized as part of fundraising events. For recognition of donated services, such services must (i) create or enhance non-financial assets, (ii) typically need to be acquired, if not provided by donation, (iii) require a specialized skill, and (iv) be provided by individuals possessing these skills.

[14] Functional allocation of expenses:

The costs of providing the Society's various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by 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.

[15] 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.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

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

[16] Adoption of accounting principles:

(i) Leases:

In February 2016, the FASB issued Accounting Standards Update ("ASU") No.2016-02, *Leases*, to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statements of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Society elected to adopt ASU No.2016-02 as of January 1, 2022, on a prospective basis.

The Society has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Society accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

The new lease standard also provides practical expedients for an entity's ongoing accounting. The Society elected the short-term lease recognition exemption, under which the Society will not recognize ROU or lease liabilities on new or existing short-term leases. Short-term leases are defined as those with a term of 12 months or less. The Society also elected the practical expedient to not separate lease and non-lease components for certain classes of assets.

As a result of the adoption of the new lease accounting guidance, the Society recognized on January 1, 2022 (i) a lease liability of \$1,068,939 which represented the present value of the remaining lease payments of \$1,095,447 discounted using a risk-free rate of 1.04%, and (ii) ROU asset of \$965,208. This standard did not have a material impact on the Society's statements of financial position or cash flows from operations and had no impact on the Society's statements of activities and changes in net assets. The most significant impact was the recognition of a ROU asset and lease obligation for an operating lease for the year ended December 31, 2022.

(ii) Contributed Nonfinancial Assets:

In September 2020, the FASB issued Accounting Standard Update ("ASU") No. 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 have been applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Analysis of the various provisions of this standard resulted in no significant changes in the way the Society recognizes contributed nonfinancial assets and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

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

[17] Subsequent events:

The Society evaluated subsequent events through May 2, 2023, 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,	
	2022	2021
Less than one year	\$ 609,670	\$ 2,618,270
One to five years	-	-
	<u>609,670</u>	<u>2,618,270</u>
Less: allowance for doubtful collections	-	(19,500)
	<u>\$ 609,670</u>	<u>\$ 2,598,770</u>

NOTE C - INVESTMENTS

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

	December 31,			
	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 3,853,858	\$ 3,851,080	\$ 2,219,817	\$ 2,219,817
U.S. Treasury bills	-	-	250,027	250,027
Common stock	32,660	35,713	-	-
Mutual funds	<u>33,850</u>	<u>34,066</u>	<u>33,190</u>	<u>25,468</u>
	<u>\$ 3,920,368</u>	<u>\$ 3,920,859</u>	<u>\$ 2,503,034</u>	<u>\$ 2,495,312</u>

During each year, investment income consisted of the following:

	Year Ended December 31,	
	2022	2021
Interest and dividends	\$ 29,804	\$ 7,215
Investment management fees	(996)	(2,588)
Realized (losses) gains	(277)	888
Unrealized (losses) gains	<u>(8,213)</u>	<u>4,146</u>
	<u>\$ 20,318</u>	<u>\$ 9,661</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

NOTE C - INVESTMENTS (CONTINUED)

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,			
	2022		2021	
	Level 1	Total	Level 1	Total
Money market funds	\$ 3,853,858	\$ 3,853,858	\$ 2,219,817	\$ 2,219,817
U.S. Treasury bills	-	-	250,027	250,027
Common stock	32,660	32,660	-	-
Mutual funds	33,850	33,850	33,190	33,190
	<u>\$ 3,920,368</u>	<u>\$ 3,920,368</u>	<u>\$ 2,503,034</u>	<u>\$ 2,503,034</u>

NOTE D - PROPERTY AND EQUIPMENT

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

	December 31,	
	2022	2021
Computers and equipment	\$ 88,502	\$ 412,043
Furniture and fixtures	17,085	17,085
Leasehold improvements	65,856	65,856
	<u>171,443</u>	494,984
Less: accumulated depreciation and amortization	<u>(153,314)</u>	<u>(465,991)</u>
	<u>\$ 18,129</u>	<u>\$ 28,993</u>

During 2022, the Society disposed of fully depreciated computers and equipment, and furniture, no longer in use of \$325,041.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

NOTE E - GRANTS PAYABLE

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

	December 31,	
	2022	2021
One year or less	\$ 536,383	\$ 937,550
One to five years	<u>464,997</u>	<u>444,400</u>
	1,001,380	1,381,950
Reduction of grants due in excess of one year to present value, at a discount rate of 2.4% - 4%	<u>(21,107)</u>	<u>(17,776)</u>
	<u>\$ 980,273</u>	<u>\$ 1,364,174</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,	
	2022	2021
Event revenue received in advance, beginning of year	\$ 61,177	\$ 17,800
Revenue recognized that was included in event received in advance at beginning of year	(61,177)	(17,800)
Increase in event revenue received in advance due to cash received during the period	<u>34,184</u>	<u>61,177</u>
Event revenue received in advance, end of year	<u>\$ 34,184</u>	<u>\$ 61,177</u>

There were no other significant contract liabilities or assets at December 31, 2022, or as of December 31, 2021.

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 2022 and 2021 were approximately \$118,000 and \$125,000, 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 SOFR, with a variable rate of 8.06%. There were no draw downs on this line of credit during 2022 or 2021. The line of credit renews annually.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

NOTE I – IN-KIND CONTRIBUTIONS

In-kind contributions (contributions of nonfinancial assets) consisted of the following:

Category	Type	Valuation	December 31,	
			2022	2021
Rent	Space	Standard industry pricing for similar services/actual costs incurred by contributor	\$ 3,840	\$ 3,840
Legal	Pro-bono	Standard industry pricing for similar services/actual costs incurred by contributor	28,490	-
Special events	Auction items	U.S wholesale prices of identical or similar products	307,662	169,913
			<u>\$ 339,992</u>	<u>\$ 173,753</u>

There were no restrictions on these donated good and services during 2022 or 2021.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31,	
	2022	2021
Time-restricted for future periods:		
HD Cope	\$ 99,950	\$ 99,950
Topper - fellowship	140,000	255,000
Total time-restricted for future periods	<u>239,950</u>	<u>354,950</u>
Purpose restrictions:		
Research	2,827,080	2,896,301
Family services	56,383	61,752
Education	160,689	153,704
Chapter development	105,015	105,213
Total purpose restrictions	<u>3,149,167</u>	<u>3,216,970</u>
Accumulated endowment income subject to appropriation by the Board of Trustees	<u>21,737</u>	<u>18,745</u>
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
	<u>\$ 3,660,854</u>	<u>\$ 3,840,665</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Time-restricted:		
Topper - fellowship	236,000	240,000
Purpose restricted:		
Research	1,048,611	1,327,226
Family services	304,312	601,157
Education	83,015	35,000
Chapter development	16,008	13,280
	<u>\$ 1,687,946</u>	<u>\$ 2,216,663</u>

NOTE K - 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.

[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:

	<u>December 31, 2022</u>		
	<u>Amounts Subject to Appropriation</u>	<u>Amounts Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,745	\$ 250,000	\$ 268,745
Investment gains, net	<u>2,992</u>	<u>-</u>	<u>2,992</u>
Endowment net assets, end of year	<u>\$ 21,737</u>	<u>\$ 250,000</u>	<u>\$ 271,737</u>
	<u>December 31, 2021</u>		
	<u>Amounts Subject to Appropriation</u>	<u>Amounts Held in Perpetuity</u>	<u>Total</u>
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>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[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, 2022 and 2021, 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.

[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 2022 and 2021.

NOTE L - 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. The aggregate minimum lease payments are being amortized using the straight-line method over the lease term.

Information relating to the "lease costs," which includes all costs during the period associated with an operating lease as well as the costs related to variable lease components:

	December 31,	
	2022	2021
Operating lease costs	\$ 264,458	\$ 264,458
Variable lease costs	23,070	23,470
Total lease cost	<u>\$ 287,528</u>	<u>\$ 287,928</u>

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

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

[1] Leases: (continued)

Future minimum lease payments, exclusive of escalation charges are as follows:

<u>Year Ending December 31,</u>	<u>AMOUNT</u>
2023	\$ 289,392
2024	296,627
2025	<u>227,094</u>
Total minimum lease payments	813,113
Less: amount representing interest	<u>(15,421)</u>
Lease liability reported on statements of financial position	<u>\$ 797,692</u>

Weighted average remaining lease term:

Operating lease 3 years (33 months)

Weighted average discount rate:

Operating lease 1.04%

[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.

NOTE M - 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 2022 or 2021, and management monitors the risk associated with concentrations on an ongoing basis.

HUNTINGTON'S DISEASE SOCIETY OF AMERICA, INC.

Notes to Financial Statements December 31, 2022 and 2021

NOTE N - 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 12,704,109	\$ 11,228,810
Pledges and contributions receivable, net	609,670	2,598,770
Investments	<u>3,920,368</u>	<u>2,503,034</u>
Total financial assets available within one year	<u>17,234,147</u>	<u>16,330,614</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors:		
Time-restricted for future periods	(239,950)	(354,950)
Purpose restrictions	(3,149,167)	(3,216,970)
Perpetual in nature	<u>(250,000)</u>	<u>(250,000)</u>
	(3,639,117)	(3,821,920)
Subject to appropriation:		
Accumulated endowment income subject to appropriation by the Board of Trustees	<u>(21,737)</u>	<u>(18,745)</u>
Amounts unavailable to management without Board approval:		
Board-operating reserve	<u>(2,664,467)</u>	<u>(1,808,203)</u>
Total amounts unavailable for general expenditure within one year	<u>(6,325,321)</u>	<u>(5,648,868)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,908,826</u>	<u>\$ 10,681,746</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.