

# **Hereditary Disease Foundation**

Financial Statements

December 31, 2022

# Hereditary Disease Foundation

Financial Statements

December 31, 2022

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## Independent Auditor's Report

Board of Directors  
Hereditary Disease Foundation

### Opinion

We have audited the accompanying financial statements of Hereditary Disease Foundation. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's 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 auditor's 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 Organization'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 Organization'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.

#### **Report on Summarized Comparative Information**

We have previously audited Hereditary Disease Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived."

*Sax CPAs LLP*

New York, NY  
July 29, 2024

# Hereditary Disease Foundation

## Statement of Financial Position

At December 31, 2022  
(With comparative totals at December 31, 2021)

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,741,966	\$ 1,301,644
Pledges receivable	1,684,781	962,814
Prepaid expenses and other assets	20,560	10,068
Investments	12,285,491	15,845,874
Net property and equipment	5,608	25,212
<b>TOTAL ASSETS</b>	<b><u>\$ 16,738,406</u></b>	<b><u>\$ 18,145,612</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 63,517	\$ 41,675
Grants payable	1,316,997	2,288,342
Total liabilities	<u>1,380,514</u>	<u>2,330,017</u>
<b>NET ASSETS</b>		
Without donor restrictions	<u>3,430,791</u>	<u>3,170,541</u>
With donor restrictions:		
For future programs and time periods	2,944,826	1,051,732
Endowment	8,982,275	11,593,322
Total net assets with donor restrictions	<u>11,927,101</u>	<u>12,645,054</u>
Total net assets	<u>15,357,892</u>	<u>15,815,595</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 16,738,406</u></b>	<b><u>\$ 18,145,612</u></b>

*The attached notes and auditor's report are an integral part of these financial statements.*

# Hereditary Disease Foundation

## Statement of Activities

For the Year Ended December 31, 2022  
(With comparative totals for the year ended December 31, 2021)

	With Donor Restrictions					
	Without Donor Restrictions	Future Programs and Time Periods	Endowment	Total With Donor Restrictions	Total 12/31/22	Total 12/31/21
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 2,138,876	\$ 1,944,826	\$ -	\$ 1,944,826	\$ 4,083,702	\$ 2,513,273
Special event income	297,582	-	-	-	297,582	314,001
Investment return	(316,087)	-	(2,031,381)	(2,031,381)	(2,347,468)	2,145,188
Interest and dividend income - other	25,085	-	-	-	25,085	219
Net assets released from restrictions	631,398	(51,732)	(579,666)	(631,398)	-	-
Total revenues	<b>2,776,854</b>	1,893,094	(2,611,047)	(717,953)	2,058,901	4,972,681
<b>FUNCTIONAL EXPENSES</b>						
Program services	2,228,336	-	-	-	2,228,336	2,403,646
Supporting services:						
Management and general	171,655				171,655	181,592
Fundraising	274,539				274,539	297,303
Total supporting services	446,194				446,194	478,895
Total expenses	2,674,530				2,674,530	2,882,541
<b>Changes in net assets from operations</b>	<b>102,324</b>	<b>1,893,094</b>	<b>(2,611,047)</b>	<b>(717,953)</b>	<b>(615,629)</b>	<b>2,090,140</b>
<b>NON-OPERATING ACTIVITY</b>						
Write off of grants payable	157,926	-	-	-	157,926	-
	157,926	-	-	-	157,926	-
<b>Changes in net assets</b>	<b>260,250</b>	<b>1,893,094</b>	<b>(2,611,047)</b>	<b>(717,953)</b>	<b>(457,703)</b>	<b>2,090,140</b>
<b>NET ASSETS, beginning of year</b>	<b>3,170,541</b>	<b>1,051,732</b>	<b>11,593,322</b>	<b>12,645,054</b>	<b>15,815,595</b>	<b>13,725,455</b>
<b>NET ASSETS, end of year</b>	<b>\$ 3,430,791</b>	<b>\$ 2,944,826</b>	<b>8,982,275</b>	<b>11,927,101</b>	<b>\$ 15,357,892</b>	<b>\$ 15,815,595</b>

The attached notes and auditor's report are an integral part of these financial statements.

# Hereditary Disease Foundation

## Statement of Functional Expenses

For the Year Ended December 31, 2022  
(With comparative totals for the year ended December 31, 2021)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/22	Total Expenses 12/31/21
	Program Services	Management and General	Fundraising			
Salaries	\$ 218,100	\$ 58,500	\$ 57,900	\$ 116,400	\$ 334,500	\$ 283,254
Payroll taxes and benefits	65,640	24,644	17,426	42,070	107,710	74,749
Total salaries and related costs	283,740	83,144	75,326	158,470	442,210	358,003
Grants	1,300,361	-	-	-	1,300,361	2,114,614
Workshops, conferences, and events	343,258	9,006	221	9,227	352,485	3,268
Occupancy	20,980	5,628	5,570	11,198	32,178	65,000
Professional fees	219,934	56,158	151,514	207,672	427,606	260,786
Office expense	3,649	6,382	-	6,382	10,031	1,302
Printing, postage and shipping	20,496	1,966	33,307	35,273	55,769	31,961
Insurance	4,812	1,291	1,277	2,568	7,380	7,023
IT and communications	16,808	3,970	3,931	7,901	24,709	17,701
Other	1,516	681	-	681	2,197	3,278
Depreciation	12,782	3,429	3,393	6,822	19,604	19,605
<b>Total expenses</b>	<b>\$ 2,228,336</b>	<b>\$ 171,655</b>	<b>\$ 274,539</b>	<b>\$ 446,194</b>	<b>\$ 2,674,530</b>	<b>\$ 2,882,541</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

# Hereditary Disease Foundation

## Statement of Cash Flows

For the Year Ended December 31, 2022  
(With comparative totals for the year ended December 31, 2021)

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (457,703)	\$ 2,090,140
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	19,604	19,605
Net unrealized and realized loss/(gain) on investments	2,550,281	(1,845,877)
Changes in assets and liabilities		
Pledges receivable	(721,967)	(546,371)
Prepaid expenses and other assets	(10,492)	(200)
Accounts payable and accrued expenses	21,842	28,505
Grants payable	(971,345)	519,904
Total adjustments	<u>887,923</u>	<u>(1,824,434)</u>
Net cash provided by operating activities	<u><b>430,220</b></u>	<u><b>265,706</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments (including reinvested income)	(1,886,724)	(4,273,744)
Proceeds from sales of investments (including transfers out)	2,896,826	2,658,020
Net cash provided by (used for) investing activities	<u><b>1,010,102</b></u>	<u><b>(1,615,724)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,440,322</b>	<b>(1,350,018)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<u>1,301,644</u>	<u>2,651,662</u>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<u><b>\$ 2,741,966</b></u>	<u><b>\$ 1,301,644</b></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The attached notes and auditor's report are an integral part of these financial statements.



# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 1 - Organization

Hereditary Disease Foundation (“HDF”), with executive offices in New York City, was incorporated in California in 1968. HDF aims to support and fund scientific research seeking to further the understanding of, and to develop diagnostics and therapeutics for, neurodegenerative diseases, in particular, Huntington’s disease.

HDF is a not-for-profit organization and has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

The primary sources of revenue are contributions and investment income.

### Note 2 - Summary of Significant Accounting Policies

#### a. Basis of Accounting

The financial statements of HDF have been prepared on the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred rather than received or paid.

#### b. Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the Organization adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures. Adoption of this standard did not have a material impact on the Organization’s financial statements.

Additionally, on January 1, 2022, FASB ASU 2016-02, *Leases*, became effective, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. This standard requires lessees to recognize leases on the statement of financial position as right-of-use (“ROU”) assets and lease liabilities based on the value of the discounted future lease payments. The Organization leases storage space on a month-to-month basis. The Organization adopted an accounting policy to not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Therefore, as it was determined that no leases extended beyond 12 months, the adoption of this ASU results in no changes to the financial statements.

#### c. Measure of Operations

Grants awarded and accrued in prior years that are no longer viable and will not be paid are written off as non-operating income on the statement of activities.

# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 2 - Summary of Significant Accounting Policies - Continued

#### d. Basis of Presentation

HDF reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets With Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

#### e. Revenue Recognition

HDF follows the requirements of the FASB's Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the time it becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Pledges that are expected to be received in less than one year are recorded at net realizable value. Those pledges that are due in greater than one year are recorded at fair value which is calculated using a risk-adjusted rate of return. Long-term pledges are treated as time restricted until the period they are due, at which time they will be released from restriction and transferred to net assets without donor restrictions. All receivables are assessed for collectability. Based on a review of several factors, including the credit worthiness of the donor and historical experience, no allowance for doubtful accounts has been established.

Fundraising revenue (Special event income) - Fundraising revenue is comprised of payments received from third parties (individuals and corporations) to support and/or attend fundraising events. Fundraising revenue includes an exchange transaction component for the value of the goods or services received, which follows revenue recognition guidance under ASC Topic 606. The amount paid by individuals and corporations that is above the value of goods or services received is considered a contribution. Revenue is recognized over time at the time the fundraising event occurs. HDF's special events revenue and any direct benefit to donors are typically insignificant to financial statements as a whole."

# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 2 - Summary of Significant Accounting Policies - Continued

#### *f. Cash and Cash Equivalents*

HDF considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except for cash held with an investment custodian for long-term purposes.

#### *g. Concentration of Credit Risk*

Financial instruments that potentially subject HDF to concentration of credit risk consist of cash, money market accounts, and investment securities which are placed with financial institutions that management deems to be creditworthy. A significant portion of the funds at year end and at various times throughout the year, are not insured by the Federal Deposit Insurance Corporation ("FDIC"); however, HDF has not experienced any losses from these accounts due to failure of any financial institution. The market value of investments is subject to fluctuation. However, management believes the investment policy is prudent for the long-term welfare of HDF.

#### *h. Fair Value Measurement*

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that HDF has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

#### *i. Investments*

Investments are recorded at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in investment return on the statement of activities.

#### *j. Property and Equipment*

HDF capitalizes all purchases of property and equipment in excess of \$5,000. Purchases of furniture, equipment, and other fixed assets that have a useful life of greater than one year are capitalized at cost or, if donated, at their fair value at the date of the gift. Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Leasehold improvements - 5 years

# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 2 - Summary of Significant Accounting Policies - Continued

#### *k. Contributed Services*

Donated services are recognized in circumstances when they create or enhance non-financial assets or where those services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of tasks that assist HDF. These services have not been recorded in the financial statements because they do not meet the criteria for recognition as outlined above.

#### *l. Grants Payable*

Grants that have been approved but not distributed by year end are reflected as grants payable and are due to be paid in the following periods:

	December 31,	
	2022	2021
Within 1 year	\$ 998,419	\$ 1,627,694
2 to 5 years	330,697	667,386
Total grants payable	1,329,116	2,295,080
Less: discount to fair value at 3%	(12,119)	(6,738)
Total grants payable	<u>\$ 1,316,997</u>	<u>\$ 2,288,342</u>

#### *m. Management Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### *n. Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of HDF.

# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 2 - Summary of Significant Accounting Policies - Continued

#### *n. Functional Allocation of Expenses - Continued*

Salaries and professional fees were allocated using time and effort as the basis. The following expenses were allocated using salaries as the basis:

- Payroll taxes and benefits
- Occupancy
- Insurance
- IT and communications
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

#### *o. Advertising Costs*

The cost of advertising is expensed as incurred.

#### *p. Accounting for Uncertainty of Income Taxes*

HDF does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending December 31, 2019 and later are subject to examination by applicable taxing authorities.

### Note 3 - Investments

The following tables present the fair value hierarchy of assets that are measured at fair value at December 31, 2022 and 2021:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 653,685	\$ -	\$ -	\$ 653,685
Fixed income				
Government	-	2,086,098	-	2,086,098
Other	749,064	-	-	749,064
Common stock				
U.S. equity	1,646,513	-	-	1,646,513
Non-U.S. equity	126,793	-	-	126,793
Mutual fund equities				
U.S. equity	4,630,337	-	-	4,630,337
Non-U.S. equity	1,861,664	-	-	1,861,664
Other	531,337	-	-	531,337
Total	<u>\$ 10,199,393</u>	<u>\$ 2,086,098</u>	<u>\$ -</u>	<u>\$ 12,285,491</u>

# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 3 - Investments - Continued

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 264,842	\$ -	\$ -	\$ 264,842
Fixed income				
Government	-	2,223,813	-	2,223,813
Other	1,388,088	-	-	1,388,088
Common stock				
U.S. equity	2,190,548	-	-	2,190,548
Non-U.S. equity	71,562	-	-	71,562
Mutual fund equities				
U.S. equity	6,157,450	-	-	6,157,450
Non-U.S. equity	2,745,263	-	-	2,745,263
Other	804,308	-	-	804,308
Total	<u>\$ 13,622,061</u>	<u>\$ 2,223,813</u>	<u>\$ -</u>	<u>\$ 15,845,874</u>

The following summarizes the investment return:

	December 31,	
	2022	2021
Realized and unrealized (loss)/gain on investments	\$ (2,550,281)	\$ 1,845,877
Interest and dividends	289,513	384,394
Investment fees	(86,700)	(85,083)
Total investment return	<u>\$ (2,347,468)</u>	<u>\$ 2,145,188</u>

Changes in investments for the year ended December 31, 2022 and 2021 were as follows:

	December 31 2022		
	Non-Endowment	Endowment	Total
Endowment net assets, beginning	\$ 4,252,552	\$ 11,593,322	\$ 15,845,874
Appropriations	579,666	(579,666)	-
Transfers out	(1,216,025)	-	(1,216,025)
Interest and dividend income	38,651	250,862	289,513
Net loss on investments	(340,454)	(2,209,717)	(2,550,171)
Investment fees	(11,174)	(72,526)	(83,700)
Endowment net assets, end of year	<u>\$ 3,303,216</u>	<u>\$ 8,982,275</u>	<u>\$ 12,285,491</u>

# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 3 - Investments - Continued

	December 31 2021		
	Non- Endowment	Endowment	Total
Endowment net assets, beginning	\$ 2,140,221	\$ 10,244,052	\$ 12,384,273
Appropriations	512,203	(512,203)	-
Transfers in	1,313,329	-	1,313,329
Interest and dividend income	51,317	333,077	384,394
Net gain on investments	246,440	1,599,521	1,845,961
Investment fees	(10,958)	(71,125)	(82,083)
Endowment net assets, end of year	\$ 4,252,552	\$ 11,593,322	\$ 15,845,874

### Note 4 - Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2022	2021
Leasehold improvements	\$ 98,022	\$ 98,022
Less accumulated depreciation	(92,414)	(72,810)
Net property and equipment	\$ 5,608	\$ 25,212

### Note 5 - Pledges receivables

Details of pledges receivables are as follows:

	December 31,	
	2022	2021
Pledges due		
In less than one year	\$ 989,955	\$ 225,025
In one to five years	750,000	750,000
Gross pledges receivable	1,739,955	975,025
Less discount to present value at 4.22% and 1.26%, respectively	(55,174)	(12,211)
Total pledges receivable, net	\$ 1,684,781	\$ 962,814

# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 6 - Net Assets With Donor Restrictions

The following summarizes the nature of net assets with donor restrictions:

	December 31,	
	2022	2021
Endowment		
Corpus	\$ 8,525,000	\$ 8,525,000
Accumulated earnings available for appropriation	457,275	3,068,322
Total endowment	<u>8,982,275</u>	<u>11,593,322</u>
Net assets restricted for future programs and periods		
Program restricted	2,944,826	1,051,732
Time restricted	<u>-</u>	<u>-</u>
Total net assets restricted for future programs and periods	<u>2,944,826</u>	<u>1,051,732</u>
Total net assets with donor restrictions	<u>\$ 11,927,101</u>	<u>\$ 12,645,054</u>

### Note 7 - Endowment

HDF's endowment, held in investments was created on September 30, 2003 pursuant to a Science Endowment Agreement under which HDF agreed to segregate \$8,525,000 of its assets as endowment corpus.

#### *Interpretation of Relevant Law*

HDF follows the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which HDF has interpreted as requiring certain amounts to be retained in perpetuity. Absent explicit donor stipulations to the contrary, HDF will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, HDF has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence.

As a result of this interpretation, HDF classifies as endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the donor's intention.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditure, therefore, they are reflected in the class of net assets with donor restrictions.



# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 7 - Endowment - Continued

#### *Spending Policies*

HDF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of HDF and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of HDF
- (7) The investment policies of HDF
- (8) Where appropriate and circumstances would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on HDF

In accordance with the Science Endowment Agreement, each year HDF has the discretion to expend 5% of the balance of the endowment related investment accounts at the beginning of the year. Expenditures should be used for the purpose of furthering the activities of HDF.

#### *Funds with Deficiencies*

From time to time, the fair market value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor and applicable law requires the HDF to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2022 and 2021.

### Note 8 - Special Events

HDF's special event is summarized as follows:

	December 31	
	2022	2021
Gross revenue	\$ 297,582	\$ 314,001
Less expenses with a direct benefit to donor	-	-
	<u>297,582</u>	<u>314,001</u>
Less other event expenses	(145,001)	(177,099)
Net proceeds from special events	<u>\$ 152,581</u>	<u>\$ 136,902</u>

Due to COVID-19, an online benefit event was held in lieu of an in-person event. As a result, there were no direct benefits to donors for the years ended December 31, 2022, and 2021.

### Note 9 - Related Party Transactions

A member of HDF's Board of Directors works in a scientific lab to which HDF awarded grants of \$100,740 and \$75,000 during the years ended December 31, 2022 and 2021, respectively.

# Hereditary Disease Foundation

## Notes to Financial Statements

December 31, 2022

### Note 10 - Retirement Plan

HDF has a tax deferred 401(k) retirement plan. All employees may contribute to the plan on a pre-tax basis by designating a percentage of their salaries, subject to regulatory limits. HDF did not make any discretionary contributions to the plan for the years ended December 31, 2022, and 2021.

### Note 11 - Significant Concentrations

During the year ended December 31, 2022, approximately 65% of HDF's total revenue was provided by three donors. In addition, approximately 86% of the pledges receivable at December 31, 2022 was provided by two donors.

During the year ended December 31, 2021, approximately 62% of HDF's total revenue was provided by three donors. In addition, approximately 78% of the pledges receivable at December 31, 2021 was provided by one donor.

### Note 12 - Liquidity and Availability of Financial Resources

HDF's outgoing grant payments and other expenses are funded by contributions and investment income. As part of its liquidity management plan, HDF structures its financial assets to be available as its general expenditures, grants, liabilities, and other obligations come due.

The following reflects HDF's financial assets at December 31, 2022:

Cash and cash equivalents	\$ 2,741,966	
Pledges receivable	1,684,781	
Investments	<u>12,285,491</u>	
Total financial assets		\$ 16,712,238
Amounts not available for general expenditures-		
Net assets with donor restrictions		\$ (11,927,101)
Add back amounts appropriated for spending		<u>449,114</u>
Financial assets available to meet cash needs		
for general expenditures within one year		<u>\$ 5,234,251</u>

HDF's investments held for endowment are held for long term purposes in accordance with the Science Endowment Agreement described in Note 7. Per the terms of the agreement, HDF has the discretion to expend 5% of the balance of the endowment related investment accounts at the beginning of the year. This portion is considered available for general expenditures and the remaining balance is not considered available for general expenditures within one year.

### Note 13 - Subsequent Events

Subsequent events have been evaluated through July 29, 2024, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.