

DYSTONIA MEDICAL RESEARCH FOUNDATION

FINANCIAL STATEMENTS

for the years ending December 31, 2019 and 2018

DYSTONIA MEDICAL RESEARCH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Dystonia Medical Research Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Dystonia Medical Research Foundation (a California not-for-profit corporation) (the "Foundation"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, statements of functional expenses and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dystonia Medical Research Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois
February 3, 2020

DYSTONIA MEDICAL RESEARCH FOUNDATION

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Assets		
Cash and cash equivalents including segregated Dystonia Coalition cash of \$293,952 in 2019 and \$198,578 in 2018	\$ 638,027	\$ 743,578
Investments	4,544,096	3,796,524
Unconditional promises to give	124,680	90,286
Other current assets	29,184	20,526
Equipment and leasehold improvements, less \$26,918 in 2019 and \$38,973 in 2018, of accumulated depreciation	<u>15,809</u>	<u>11,547</u>
Total Assets	<u>\$ 5,351,796</u>	<u>\$ 4,662,461</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Grants and fellowships payable	\$ 623,916	\$ 558,947
Accounts payable and accrued expenses	101,190	115,691
Deferred rent payable	111,538	114,519
Deferred revenue	73,700	-
Dystonia Coalition agency liability funds	<u>293,952</u>	<u>198,578</u>
Total Liabilities	<u>1,204,296</u>	<u>987,735</u>
Net Assets		
Without donor restrictions:		
Undesignated	1,058,132	454,548
Board designated for science	<u>1,500,000</u>	<u>1,500,000</u>
Total net assets without donor restrictions	<u>2,558,132</u>	<u>1,954,548</u>
With donor restrictions:		
Purpose restricted	<u>1,589,368</u>	<u>1,720,178</u>
Total net assets with donor restrictions	<u>1,589,368</u>	<u>1,720,178</u>
Total Net Assets	<u>4,147,500</u>	<u>3,674,726</u>
Total Liabilities and Net Assets	<u>\$ 5,351,796</u>	<u>\$ 4,662,461</u>

See Accompanying Notes to Financial Statements and
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DYSTONIA MEDICAL RESEARCH FOUNDATION

Statements of Activities

For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Support						
Donations and grants	\$ 1,612,398	\$ 418,931	\$ 2,031,329	\$ 1,549,619	\$ 359,478	\$ 1,909,097
Bequests	147,846	-	147,846	10,000	-	10,000
Special events, net of direct benefits to donors of \$64,293 and \$68,163, respectively	461,635	-	461,635	466,881	-	466,881
Investment income	484,271	2,197	486,468	(193,320)	195	(193,125)
Other income	3,849	-	3,849	4,834	-	4,834
Net assets released from restrictions	551,938	(551,938)	-	302,302	(302,302)	-
Total Revenue, Gains and Support	3,261,937	(130,810)	3,131,127	2,140,316	57,371	2,197,687
Expenses						
Program services-						
Science	1,454,572	-	1,454,572	1,534,744	-	1,534,744
Awareness and education	421,979	-	421,979	419,167	-	419,167
Membership and support	148,226	-	148,226	190,386	-	190,386
Advocacy	134,809	-	134,809	122,586	-	122,586
Total program services	2,159,586	-	2,159,586	2,266,883	-	2,266,883
Supporting services-						
Administrative	194,339	-	194,339	174,785	-	174,785
Fundraising	304,428	-	304,428	299,679	-	299,679
Total Expenses	2,658,353	-	2,658,353	2,741,347	-	2,741,347
Change in Net Assets	603,584	(130,810)	472,774	(601,031)	57,371	(543,660)
Net Assets, Beginning of Year	1,954,548	1,720,178	3,674,726	2,555,579	1,662,807	4,218,386
Net Assets, End of Year	\$ 2,558,132	\$ 1,589,368	\$ 4,147,500	\$ 1,954,548	\$ 1,720,178	\$ 3,674,726

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DYSTONIA MEDICAL RESEARCH FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services				Total Program Services	Supporting Services		Total
	Science	Awareness and Education	Membership and Support	Advocacy		Administration	Fund Raising	
Medical research	\$ 957,273	\$ -	\$ -	\$ -	\$ 957,273	\$ -	\$ -	\$ 957,273
Compensation	184,957	202,916	106,636	23,480	517,989	119,366	177,595	814,950
Consultants/professional fees	157,323	10,644	408	52,813	221,188	26,523	2,513	250,224
Meetings, workshops and symposia	50,327	20,743	5,211	42,077	118,358	3,773	6,966	129,097
Occupancy	21,777	19,922	14,288	2,528	58,515	13,639	17,547	89,701
Travel	29,870	8,582	3,291	10,892	52,635	1,762	23,823	78,220
Postage/delivery	8,847	43,491	4,943	556	57,837	3,200	12,772	73,809
Printing/media	361	38,626	496	1,294	40,777	93	24,876	65,746
Supplies	5,397	41,789	2,933	265	50,384	2,089	4,208	56,681
Computer	20,390	7,515	2,747	211	30,863	1,662	10,531	43,056
Miscellaneous	5,455	1,246	1,048	129	7,878	17,793	15,600	41,271
Communications	6,465	5,147	3,005	276	14,893	2,176	3,941	21,010
Website	339	16,904	124	3	17,370	21	38	17,429
Insurance - property/liability	3,291	2,531	1,759	162	7,743	1,274	2,283	11,300
Depreciation	2,500	1,923	1,337	123	5,883	968	1,735	8,586
Total expenses by function	\$ 1,454,572	\$ 421,979	\$ 148,226	\$ 134,809	\$ 2,159,586	\$ 194,339	\$ 304,428	\$ 2,658,353

See Accompanying Notes to Financial Statements and
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DYSTONIA MEDICAL RESEARCH FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services				Total Program Services	Supporting Services		Total
	Science	Awareness and Education	Membership and Support	Advocacy		Administration	Fund Raising	
Compensation	\$ 328,846	\$ 198,079	\$ 137,412	\$ 18,888	\$ 683,225	\$ 107,808	\$ 173,808	\$ 964,841
Medical research	925,858	-	-	-	925,858	-	-	925,858
Consultants/professional fees	68,499	10,858	1,074	51,680	132,111	25,079	2,099	159,289
Travel	78,229	8,367	2,732	14,578	103,906	1,355	27,981	133,242
Meetings, workshops and symposia	61,984	23,914	5,279	33,395	124,572	2,618	6,007	133,197
Occupancy	21,181	17,284	21,629	1,978	62,072	12,468	14,879	89,419
Postage/delivery	8,748	43,670	6,469	379	59,266	2,969	14,636	76,871
Printing/media	1,190	35,985	602	825	38,602	105	24,166	62,873
Supplies	5,491	40,941	3,440	215	50,087	1,705	4,242	56,034
Miscellaneous	4,716	705	1,114	97	6,632	15,780	15,013	37,425
Computer	16,324	6,821	3,058	147	26,350	1,311	9,167	36,828
Website	546	22,723	-	-	23,269	-	80	23,349
Communications	7,264	5,294	3,512	177	16,247	1,572	3,332	21,151
Insurance - property/liability	3,042	2,347	2,108	118	7,615	1,045	2,214	10,874
Depreciation	2,826	2,179	1,957	109	7,071	970	2,055	10,096
Total expenses by function	\$ 1,534,744	\$ 419,167	\$ 190,386	\$ 122,586	\$ 2,266,883	\$ 174,785	\$ 299,679	\$ 2,741,347

See Accompanying Notes to Financial Statements and
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DYSTONIA MEDICAL RESEARCH FOUNDATION

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 472,774	\$ (543,660)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Unrealized loss (gain) on investments	(403,169)	291,268
Depreciation	8,586	10,095
(Increase) decrease in assets-		
Unconditional promises to give	(34,394)	(1,987)
Other current assets	(8,658)	1,247
Increase (decrease) in liabilities-		
Grants and fellowships payable	64,969	90,487
Accounts payable and accrued expenses	(14,501)	16,794
Deferred rent payable	(2,981)	15,260
Deferred revenue	73,700	-
Dystonia Coalition agency liability funds	95,374	(88,218)
Net Cash Provided by (Used in) Operating Activities	<u>251,700</u>	<u>(208,714)</u>
Cash Flows from Investing Activities:		
Sale of investments	396,366	533,757
Purchase of investments	(740,769)	(244,769)
Purchase of equipment	(12,848)	(1,097)
Net Cash Provided by (Used in) Investing Activities	<u>(357,251)</u>	<u>287,891</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(105,551)	79,177
Cash and Cash Equivalents - Beginning of Year	<u>743,578</u>	<u>664,401</u>
Cash and Cash Equivalents - End of Year	<u>\$ 638,027</u>	<u>\$ 743,578</u>
	* * * *	* *
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for:		
Income tax	\$ -	\$ -
Interest	\$ -	\$ -

See Accompanying Notes to Financial Statements and
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DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note A – Organization and Nature of Activities

The Dystonia Medical Research Foundation (the “Foundation”) has three main purposes: (1) to advance scientific research by awarding grants to and developing contracts with basic researchers, clinical investigators and medical/scientific institutions committed to finding the cause and cure for dystonia; (2) to build awareness and further dystonia education by sponsoring workshops and symposia for medical professionals and patients and by producing and distributing educational materials; and (3) to support patients and their families through ongoing support programs and sponsored symposia. Approximately 70% in 2019 and 87% in 2018 of the Foundation’s support came from donations and grants. The balance is from investment income, special events, and other revenue. In 2019, 37% of the Foundation’s support came from seven donors who individually contributed greater than \$100,000 during the year. In 2018, 28% of the Foundation’s support came from five donors who individually contributed greater than \$100,000 during the year.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are considered to be highly liquid depository accounts with a maturity of less than one year. Deposits held in all non-interest bearing transactional bank accounts and interest-bearing accounts with each banking institution are aggregated by entity and are fully insured up to \$250,000 per bank. An additional amount is collateralized by the Foundation’s primary bank with pledged securities.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note B – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability). A fair value measurement assumes that the transaction to sell an asset or to transfer a liability occurs either in the principal market (or in its absence, the most advantageous market) for the asset or liability.

For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. When a price for an identical asset or liability is not observable, the Foundation measures fair value using other valuation techniques which maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, the Foundation's intent to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and the current risk-free investment interest rate.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made, and there was no reserve necessary at December 31, 2019 and 2018.

Equipment and Leasehold Improvements

Expenditures for equipment and leasehold improvements in excess of \$1,000 are capitalized at cost if the life of the asset is one year or greater.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note B – Summary of Significant Accounting Policies (continued)

Equipment and Leasehold Improvements (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

Deferred Revenue

Sponsorship income is recognized when the annual conference occurs.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for science.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The estimated fair value of donated professional services related to science was \$-0- and \$35,000 for the years ended December 31, 2019 and 2018, respectively, and is included in revenue with a like amount in professional fees. Many other volunteers also provided other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note B – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated to the program and supporting services benefited based on time devoted by the Foundation staff or the square footage allocated to the functional area.

Note C - Income Taxes

The Foundation is a not-for-profit organization exempt from paying corporate federal income tax under Section 501 (c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

The Foundation files Form 990, Return of Organization Exempt from Income Tax with the Federal government. Management has determined that the Foundation has no income tax liability as of December 31, 2019. The Foundation has evaluated its tax positions and determined it has no uncertain tax positions at December 31, 2019. The Foundation's 2017-2019 tax years are open for examination by the IRS. Should the Foundation's tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS.

Note D – Related Party Transactions

Donations include \$720,947 and \$580,593 from Directors of the Foundation and organizations they control for the years ended December 31, 2019 and 2018, respectively. Net special event revenue includes \$300,429 and \$296,021 raised by groups or individuals who fund raise on behalf of the Foundation for the years ended December 31, 2019 and 2018, respectively. In addition, the Foundation received \$59,613 in 2019 and \$57,502 in 2018 from Dystonia Medical Research Foundation Canada.

Note E – Board Designated Funds

In 2016, the Board of Directors of the Foundation designated \$1,500,000 of a bequest to be used for future science projects to be recommended by the Foundation's Science Committee. As such, these funds are presented as Board Designated on the statement of financial position.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note F – Net Assets with Donor Restrictions

The following summaries sets forth the activity in net assets with donor restrictions for the years ended December 31, 2019 and 2018, which are available for the following purposes:

	<u>2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>2019</u>
Scientific Research	\$ 529,040	\$ 54,507	\$ 6,618	\$ 576,929
Clinical Fellowships	138,965	135,000	66,800	207,165
Cure Dystonia Initiative – Accelerated Fund	288,443	2,197	-	290,640
Dystonia Coalition Project II	215,455	-	-	215,455
Advocacy Efforts and DAN Initiative	50,000	50,000	50,000	50,000
Myoclonus Research	252,193	150,000	219,540	182,653
CD Research	81,819	-	65,000	16,819
Cure Dystonia Now – Brain Networks Study	60,000	-	60,000	-
Global Dystonia Registry	18,999	-	13,500	5,499
David Rudolph Research Fund	56,209	24,424	50,000	30,633
Education Programs and Dystonia Dialogue	19,197	-	11,997	7,200
Other	9,858	5,000	8,483	6,375
Total	<u>\$ 1,720,178</u>	<u>\$ 421,128</u>	<u>\$ 551,938</u>	<u>\$ 1,589,368</u>

	<u>2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018</u>
Scientific Research	\$ 500,000	\$ 29,040	\$ -	\$ 529,040
Clinical Fellowships	170,765	35,000	66,800	138,965
Cure Dystonia Initiative – Accelerated Fund	288,248	195	-	288,443
Dystonia Coalition Project II	215,455	-	-	215,455
Advocacy Efforts and DAN Initiative	50,000	50,000	50,000	50,000
Myoclonus Research	172,193	150,000	70,000	252,193
CD Research	146,219	-	64,400	81,819
Cure Dystonia Now – Brain Networks Study	-	60,000	-	60,000
Global Dystonia Registry	31,128	-	12,129	18,999
David Rudolph Research Fund	32,221	23,988	-	56,209
Education Programs and Dystonia Dialogue	46,653	4,592	32,048	19,197
Other	9,925	6,858	6,925	9,858
Total	<u>\$ 1,662,807</u>	<u>\$ 359,673</u>	<u>\$ 302,302</u>	<u>\$ 1,720,178</u>

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note F – Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions consist of:

	2019	2018
Cash, cash equivalents and short-term investments	\$ 1,819,368	\$ 1,897,678
Grants, fellowships and contracts payable	(230,000)	(177,500)
Total	<u>\$ 1,589,368</u>	<u>\$ 1,720,178</u>

Note G – Fair Value of Investments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability regardless of whether an observable liquid market price exists (exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access on the measurement date.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices which are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially for full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Each asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input which is significant to the fair value measurement. Valuation techniques utilized maximize the use of observable inputs and minimize the use of unobservable inputs.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note G – Fair Value of Investments (continued)

Following is a description of the valuation methodologies for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-ended mutual funds which are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The methods described above could produce fair value calculations which may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation's management believes that the valuation methods used are appropriate and consistent with those utilized by other market participants, the implementation of different methodologies or assumptions to determine the fair value of the Foundation's investment portfolio might result in different fair value measurements at report date.

The Foundation invests in various types of investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of the portfolio will occur in the near term (1 year) and such changes could materially affect the Foundation's investments and the amounts reported in the accompanying statement of financial position.

The following tables set forth, by level within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2019 and 2018.

At December 31, 2019, the Foundation's portfolio investments were classified as follows, based on fair values:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 837,011	\$ -	\$ -	\$ 837,011
Certificates of Deposit	-	5,500	-	5,500
US Equity Mutual Funds	1,438,457	-	-	1,438,457
US Fixed Inc. Mutual Funds	1,831,429	-	-	1,831,429
Int'l Equity Mutual Funds	225,420	-	-	225,420
Int'l Fixed Inc. Mutual Funds	206,279	-	-	206,279
Total	<u>\$ 4,538,596</u>	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ 4,544,096</u>

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note G – Fair Value of Investments (continued)

At December 31, 2018, the Foundation’s portfolio investments were classified as follows, based on fair values:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 429,044	\$ -	\$ -	\$ 429,044
Certificates of Deposit	-	5,500	-	5,500
US Equity Mutual Funds	1,157,350	-	-	1,157,350
US Fixed Inc. Mutual Funds	1,820,018	-	-	1,820,018
Int’l Equity Mutual Funds	120,650	-	-	120,650
Int’l Fixed Inc. Mutual Funds	263,962	-	-	263,962
 Total	 <u>\$ 3,791,024</u>	 <u>\$ 5,500</u>	 <u>\$ -</u>	 <u>\$ 3,796,524</u>

The Foundation holds the following investments which are stated at fair market value:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 837,011	\$ 837,011	\$ 429,044	\$ 429,044
Certificates of Deposit	5,500	5,500	5,500	5,500
US Equity Mutual Funds	1,311,157	1,438,457	1,276,184	1,157,350
US Fixed Inc. Mutual Funds	1,807,927	1,831,429	1,904,405	1,820,018
Int’l Equity Mutual Funds	222,919	225,420	139,683	120,650
Int’l Fixed Inc. Mutual Funds	212,595	206,279	297,891	263,962
	<u>\$ 4,397,109</u>	<u>\$ 4,544,096</u>	<u>\$ 4,052,707</u>	<u>\$ 3,796,524</u>

For the years ended December 31, net investment return includes the following:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 123,212	\$ 119,673
Net Realized and Unrealized Gain (Loss)	384,811	(291,585)
Advisory Fees	(21,555)	(21,213)
	<u>\$ 486,468</u>	<u>\$ (193,125)</u>

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note H – Unconditional Promises to Give

Unconditional promises to give consists of the following:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Greater than one year	\$ 5,000	\$ 10,000
Less than one year	<u>119,680</u>	<u>80,286</u>
Total	<u>\$ 124,680</u>	<u>\$ 90,286</u>

Note I – Operating Leases

In July 2016, the Foundation amended the terms of its non- cancellable operating lease for office space and extended the lease to August 31, 2028. Under terms of the amended lease, the Foundation receives abatement of the base rent and operating expense charges for 13 months including the periods July 2016 – May 2017, September 2017 and September 2018. As a result, the Foundation estimated the monthly rent expense on a monthly basis for the term of the lease and has accrued the pro rata portion of rent expense since the inception of the lease. The Foundation also leases a copier and postage meter under operating leases which expire in 2022. Future minimum lease payments including anticipated operating expense charges for the operating leases are as follows:

2020	\$ 103,860
2021	105,611
2022	107,054
2023	102,997
2024	105,751
Thereafter	<u>427,108</u>
Total	<u>\$ 952,381</u>

The Foundation has a sublease agreement for a portion of their office space for a term ending June 30, 2020. The sublease is expected to be extended for one year. The sublease agreement requires the sub lessee to pay the Foundation monthly rent of \$725.

Rent expense was \$85,178, net of sublease income of \$8,550 and \$85,578, net of sublease income of \$8,250 for the years ended December 31, 2019 and 2018, respectively.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note I – Operating Leases (continued)

The Foundation has a \$5,000 irrevocable standby letter of credit that provides financial assurance that it will fulfill its obligation with respect to its obligations under terms of the office lease. The letter of credit expires August 31, 2028 unless the Foundation is notified by the lending institution.

Note J – 401(k) Plan

The Foundation has a 401(k) plan which covers substantially all full-time employees. The Foundation matches eligible employees' first 3 percentage points of voluntary contributions plus one half of the next 2 percentage points of voluntary contributions. The Foundation's matching contributions for the years ending December 31, 2019 and 2018 were \$26,621 and \$29,823, respectively. There were no employer discretionary contributions in 2019 and 2018.

Note K—Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for science that could be drawn upon if the Board of Directors approves that action.

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 638,027	\$ 743,578
Investments	4,544,096	3,796,524
Unconditional promises to give	124,680	90,286
Less contractual or donor-imposed restrictions:		
Cash restricted for Dystonia Coalition	(293,952)	(198,578)
Donor restrictions for specific purposes	(1,589,368)	(1,720,178)
Board designated fund for science	<u>(1,500,000)</u>	<u>(1,500,000)</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 1,923,483</u>	 <u>\$ 1,211,632</u>

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note L - Dystonia Coalition and Dystonia Community Projects

The Foundation serves as the administrative center for the Dystonia Coalition (the “Coalition”), a network of clinical research centers working to advance the understanding of primary focal dystonias that is supported through a five-year grant from the National Institutes of Health’s (NIH) Office of Rare Disease Research and the National Institutes of Neurological Disorders & Stroke (grant number 1U54NS065701).

In this role, the Foundation works with the grant’s Principal Investigator, Dr. Hyder A. Jinnah of Emory University, and all Coalition Main Clinical Project Leaders to support the activities of the Coalition, including but not limited to: meeting planning; managing payments to clinical sites participating in the Coalition’s Main Clinical Projects as well as to Coalition consultants and recipients of the Coalition’s Career Development and Pilot Projects Awards; managing the private funds given in support of the Coalition’s activities or programs; participating in monthly administrative planning meetings; participating in the Coalition’s Executive Committee; and performing other duties as requested by the Principal Investigator and/or Coalition Main Clinical Project Leaders or the Coalition Executive Committee. Total Coalition payments administered were \$126,142 in 2019 and \$313,968 in 2018.

The Foundation also provides use of its conference call and webinar services for use by the Coalition as needed and has provided financial support for miscellaneous expenses such as graphic design, photography and other costs not covered by the grant but deemed appropriate and needed. The Foundation provides these services at no cost to the Coalition to maximize the use of the NIH grant funds to advance dystonia research. The Foundation’s unreimbursed costs (including compensation, occupancy and other out of pocket costs) of providing the administrative center services for the Coalition were \$22,616 in 2019 and \$2,699 in 2018.

The Foundation also serves as the administrative center for various Dystonia Community Projects. Total receipts for Dystonia Community Projects were \$17,250 in 2019 and \$18,750 in 2018. Total disbursements for Dystonia Community Projects were \$18,000 in 2019 and 2018. As of December 31, 2019, \$750 is still due to support Dystonia Community Projects.

Included in the Foundation’s liabilities on the statement of financial position at December 31, 2019 and 2018 was an agency liability of \$293,952 and \$198,578, respectively, for Coalition funds held. The Foundation holds these funds in segregated cash accounts. Agency liabilities for Dystonia Community Projects at December 31, 2019 and 2018 were \$2,250 and \$4,250, respectively.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2019 and 2018

Note M – Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and short-term investments. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2019, the Foundation had \$63,760 in excess of the FDIC insured limit plus pledged securities.

Note N – Subsequent Events

The Foundation has determined that no material events or transactions occurred subsequent to December 31, 2019 and through the date of the independent auditors’ report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.