

# **Hydrocephalus Association**

*Report on Financial Statements*

*For the year ended December 31, 2014*

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# Hydrocephalus Association

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## Independent Auditor's Report

To the Board of Directors  
Hydrocephalus Association  
Bethesda, Maryland

### Report on the Financial Statements

We have audited the accompanying statement of financial position of the Hydrocephalus Association (the "Association") as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year 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 of 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 Hydrocephalus Association as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richmond, Virginia  
July 7, 2015

*Elliott Davis Decosimo, LLC*

# Hydrocephalus Association

## Statement of Financial Position

As of December 31, 2014

### Assets

#### Current assets

Cash and cash equivalents	\$ 2,357,827
Investments	236,762
Receivables:	
Pledges receivable, current portion	128,129
Grants receivable	232,500
Other receivables	10,020
Prepaid expenses	34,441
Inventory	5,307
Total current assets	<u>3,004,986</u>

*Investments* 80,718

*Property and equipment, net* 34,384

*Pledge receivables, less current portion, net* 94,359

*Deposits* 10,308

Total assets \$ 3,224,755

### Liabilities and Net Assets

#### Current liabilities

Accounts payable and accrued expenses	\$ 320,417
Capital lease payable, current portion	3,980
Total current liabilities	<u>324,397</u>

#### Long-term liabilities

Accrued rent expense	23,169
Capital lease payable, less current portion	1,847
Total liabilities	<u>349,413</u>

#### Net assets

Unrestricted net assets	2,269,865
Temporarily restricted net assets	524,359
Permanently restricted net assets	81,118
Total net assets	<u>2,875,342</u>
Total liabilities and net assets	<u>\$ 3,224,755</u>

See Notes to Financial Statements

# Hydrocephalus Association

## Statement of Activities

For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue</b>				
Grants and contributions	\$ 982,589	\$ 891,100	\$ -	\$ 1,873,689
Special events (net of expenses of \$313,543)	1,210,579	-	-	1,210,579
Sale of books, publications and other items	9,639	-	-	9,639
Conference fees	54,031	-	-	54,031
Interest and dividends	8,019	2,870	-	10,889
Net investment loss	(6,700)	(2,242)	-	(8,942)
Other income	8,245	-	-	8,245
Net assets released from restrictions:				
Purpose accomplished	942,167	(942,167)	-	-
Total support and revenue	<u>3,208,569</u>	<u>(50,439)</u>	<u>-</u>	<u>3,158,130</u>
<b>Expenses</b>				
Program expenses:				
Research	803,048	-	-	803,048
Public support and education	640,895	-	-	640,895
Advocacy	108,666	-	-	108,666
Conferences	270,814	-	-	270,814
Total program expenses	<u>1,823,423</u>	<u>-</u>	<u>-</u>	<u>1,823,423</u>
Fundraising:				
Walks	237,717	-	-	237,717
Fund development	366,325	-	-	366,325
	<u>604,042</u>	<u>-</u>	<u>-</u>	<u>604,042</u>
Administration	351,542	-	-	351,542
Total expenses	<u>2,779,007</u>	<u>-</u>	<u>-</u>	<u>2,779,007</u>
<b>Change in net assets</b>	429,562	(50,439)	-	379,123
<b>Net assets at beginning of period</b>	1,840,303	574,798	81,118	2,496,219
<b>Net assets at end of period</b>	<u>\$ 2,269,865</u>	<u>\$ 524,359</u>	<u>\$ 81,118</u>	<u>\$ 2,875,342</u>

See Notes to Financial Statements

**Hydrocephalus Association**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2014**

	Program						Fundraising				
	Research	Public Support and Education	Advocacy	Conferences		Total Program	Fund Development	Walks	Total Fundraising	Administration	Total
				Hydrocephalus Conference	Research Conference						
Salaries	\$ 75,924	\$ 216,654	\$ 37,230	\$ 57,969	\$ 6,467	\$ 394,244	\$ 161,108	\$ 149,112	\$ 310,220	\$ 132,709	\$ 837,173
Payroll taxes	5,239	15,291	2,498	4,256	526	27,810	11,600	10,707	22,307	9,383	59,500
Employee benefits	10,761	34,506	4,612	9,351	880	60,110	20,809	19,784	40,593	23,562	124,265
Professional services - accounting	-	-	-	-	-	-	-	-	-	49,066	49,066
Professional services - technology	2,672	10,021	8,456	4,407	414	25,970	10,189	1,335	11,524	11,469	48,963
Advertising	362	799	12	9	2	1,184	17	27	44	116	1,344
Professional services - other	8,330	41,820	11,126	24,834	729	86,839	17,109	3,153	20,262	10,023	117,124
Rent	8,698	40,709	6,140	10,086	1,703	67,336	17,452	5,119	22,571	16,854	106,761
Expendable equipment	169	1,210	125	52	9	1,565	95	332	427	92	2,084
Supplies	7,079	33,259	2,965	850	129	44,282	2,055	8,909	10,964	6,889	62,135
Software	44	975	31	39	7	1,096	71	42	113	1,024	2,233
In kind contribution expense	-	-	-	-	-	-	2,350	-	2,350	-	2,350
Equipment repairs	5	161	4	4	1	175	7	6	13	811	999
Equipment rental	61	1,765	46	12,015	-	13,887	-	153	153	2,478	16,518
Insurance	550	3,901	405	180	32	5,068	330	1,061	1,391	3,081	9,540
Telephone	67	1,878	49	30	5	2,029	56	114	170	5,471	7,670
Postage	1,293	10,610	997	3,890	260	17,050	15,039	1,721	16,760	7,031	40,841
Printing	2,889	27,032	1,789	8,778	213	40,701	17,943	4,042	21,985	6,434	69,120
Out of town travel	28,244	62,826	10,470	25,123	19,059	145,722	12,714	9,923	22,637	41,962	210,321
Local travel	1,853	2,203	1,760	66	12	5,894	152	497	649	1,131	7,674
Food, meals & catering	2,743	7,807	6,696	69,579	5	86,830	12,018	145	12,163	8,375	107,368
Conference registration	336	2,509	139	580	-	3,564	100	465	565	-	4,129
Site expenses	202	8,945	152	-	3,897	13,196	33,069	506	33,575	-	46,771
Employee education	446	2,041	316	463	83	3,349	1,576	307	1,883	2,203	7,435
Scholarships	-	28,065	-	-	-	28,065	-	-	-	-	28,065
Prize/award	77	1,405	58	6	1	1,547	5,096	182	5,278	280	7,105
Grants to others	633,284	13,740	-	-	-	647,024	-	-	-	-	647,024
Dues & subscriptions	2,500	500	5,785	-	-	8,785	555	-	555	1,790	11,130
Taxes & other fees	8	59	6	5	1	79	12,772	12	12,784	715	13,578
Bank charges	18	227	13	-	-	258	27	45	72	1,672	2,002
Service charges	7,324	60,262	5,449	1,379	-	74,414	8,797	18,162	26,959	2,788	104,161
Interest	-	-	-	-	-	-	-	-	-	1,186	1,186
Depreciation expense	1,448	6,331	1,022	1,591	284	10,676	2,908	850	3,758	2,808	17,242
Miscellaneous expense	422	3,384	315	548	5	4,674	311	1,006	1,317	139	6,130
<b>Total expenses</b>	<b>\$ 803,048</b>	<b>\$ 640,895</b>	<b>\$ 108,666</b>	<b>\$ 236,090</b>	<b>\$ 34,724</b>	<b>\$ 1,823,423</b>	<b>\$ 366,325</b>	<b>\$ 237,717</b>	<b>\$ 604,042</b>	<b>\$ 351,542</b>	<b>\$ 2,779,007</b>

See Notes to Financial Statements

# Hydrocephalus Association

## Statement of Cash Flows

For the year ended December 31, 2014

### **Cash flows from operating activities**

Change in net assets	\$ 379,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	17,242
Net investment loss	8,942
Donated securities	(125,863)
Change in operating assets and liabilities:	
Pledges receivable	(222,488)
Grants receivable	171,217
Other receivables	(9,628)
Prepaid expenses	16,328
Inventory	3,844
Deposits	800
Accounts payable and accrued expenses	79,176
Net cash provided by operating activities	<u>318,693</u>

### **Cash flows from investing activities**

Proceeds from sale of investments	102,939
Purchase of property and equipment	(12,099)
Net cash provided by investing activities	<u>90,840</u>

### **Cash flows from financing activities**

Principal payments on capital leases	(4,602)
Net cash used in financing activities	<u>(4,602)</u>

**Net increase in cash and cash equivalents**

404,931

**Cash and cash equivalents at beginning of year**

1,952,896

**Cash and cash equivalents at end of year**

\$ 2,357,827

### **Supplemental disclosure of cash flow information**

Interest paid during the year	<u>\$ 1,186</u>
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See Notes to Financial Statements

# Hydrocephalus Association

## Notes to Financial Statements

December 31, 2014

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies

#### Nature of activities:

The Hydrocephalus Association (the "Association") was incorporated in 1986 as a nonprofit corporation under the laws of the State of California. Hydrocephalus is an abnormal accumulation of cerebrospinal fluid (CSF) within cavities of the brain called ventricles. The mission of the Association is to promote a cure for hydrocephalus and improve the lives of those affected by the condition by collaborating with patients, caregivers, researchers and industry, raising awareness, and funding innovative, high-impact research to prevent, treat and ultimately cure hydrocephalus. During 2012, the Association moved their operations from San Francisco, California to Bethesda, Maryland.

#### Basis of accounting:

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables and recognized revenues and support when earned and expenditures when they are incurred.

#### Basis of presentation:

The Association prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Association is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets, subject to donor-imposed stipulations, that are maintained permanently by the Association. Generally, earnings from endowed contributions and investments are restricted for specific purposes.

#### Cash and cash equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents include demand deposit accounts and short term and highly liquid investments with an initial maturity of three months or less.



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## Hydrocephalus Association

### *Notes to Financial Statements*

*December 31, 2014*

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#### **Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued**

##### Donated assets:

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

##### Grants and pledges receivable:

Grants and pledges receivable consists of a variety of grants from private donors and contributions. Management periodically reviews the status of all grants and pledges receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the donor and the age of the receivable balance. At December 31, 2014, management determined an allowance for uncollectible grants and pledges was not necessary.

##### Inventory:

Inventory is stated at lower of cost or market and consists of books and resources.

##### Property and equipment:

The Association capitalizes all expenditures in excess of \$1,000 for property and equipment with an extended useful life. Property is recorded at cost, or if donated, at fair market value on the date received. Major improvements are capitalized and depreciated; maintenance and repairs which do not significantly improve or extend the life of respective assets are expensed. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in other income in the statement of activities. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 4 years.

##### Compensated absences:

It is the Association's policy to permit eligible employees to accumulate earned but unused vacation subject to certain limitations. All unused vacation pay is accrued when incurred and is recorded in accounts payable and accrued expenses in the statement of financial position.

##### Endowment funds:

The Association's endowment consists of approximately seven individual funds established for the purposes described in Note 10.

The Association follows California State Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions and the possible effect of inflation or deflation; other resources of the Association.

# Hydrocephalus Association

## Notes to Financial Statements

December 31, 2014

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

#### Endowment funds, continued:

While UPMIFA does not require it unless the donor instrument contains an express provision, the Association generally requires the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds. Following this approach, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and the (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

#### Return objectives and risk parameters:

The Association has investment and spending policies for endowment assets that attempt to conservatively yield returns within reasonable levels of risk. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to be conservative through low duration bond funds. The Association's expected rate of return is 1-2%.

#### Strategies employed for achieving objectives:

To satisfy its rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a conservative low duration bond fund to achieve its return objectives.

#### Spending policy and how the investment objectives relate to spending policy:

The Association has a policy of appropriating for distribution each year the earnings on the endowment funds. In establishing the policy and the annual appropriation, the Association considered the expected return on its endowment. Accordingly, the Association expects the current spending policy to show no growth in the endowment as the total growth is appropriated annually for scholarships.

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## Hydrocephalus Association

### *Notes to Financial Statements*

*December 31, 2014*

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#### **Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued**

##### Revenue recognition:

All contributions are considered available for the Association's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets.

Pledges receivable in the accompanying statement of financial position consist of unconditional promises to give, which are recorded at fair value. These promises to give are reflected as either current or long-term receivables on the statement of financial position. All long-term receivables are expected to be collected within two years.

##### Operating leases:

The Association recognizes rent expense on a straight-line basis over the term of the lease and, accordingly, records the difference between cash rent payments and the recognition of rent expense as an accrued rent liability.

##### Income tax status:

The Association is a qualifying nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code and the tax statutes of California, and therefore is exempt from federal and state income taxes. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Association has determined that it does not have any uncertain tax positions as of December 31, 2014. Fiscal years ending on or after 2011 remain subject to examination by federal and state tax authorities.

##### Expense allocation:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses and statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Subsequent events:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 7, 2015, the date the financial statements were available to be issued.

## Hydrocephalus Association

### Notes to Financial Statements

December 31, 2014

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#### Note 2. Concentration of Credit Risk

The Association maintains its cash accounts with three financial organizations which are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Association had \$1,580,610 in excess of federally insured or other insured limits at December 31, 2014.

#### Note 3. Investments

At December 31, 2014, investments are stated at fair value and consist of corporate stocks and a low duration bond fund as follows:

	<u>Fair Value</u>	<u>Cost</u>
Corporate stocks	\$ 12,687	\$ 4,593
Low duration bond fund	<u>304,793</u>	<u>306,055</u>
Total investments	<u>\$ 317,480</u>	<u>\$ 310,648</u>

The following table shows the gross unrealized losses of the Association's investments with unrealized losses that are considered temporarily impaired as the investments will be held long-term and therefore allowing time for recovery of the losses.

Investment income consists of the following for the year ended December 31, 2014:

Interest and dividend income	\$ 10,889
Realized loss	(497)
Unrealized loss	<u>(8,445)</u>
Total investment income	<u>\$ 1,947</u>

## Hydrocephalus Association

### Notes to Financial Statements

December 31, 2014

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#### Note 4. Fair Value

##### Fair value of investments:

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

Corporate stocks and low duration bond fund: Valued at the closing price reported on the active market on which the individual securities are traded.

Pledge receivables: Valued using the income approach based on discounted cash flows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Hydrocephalus Association

## Notes to Financial Statements

December 31, 2014

### Note 4. Fair Value, Continued

#### *Fair value of investments, continued:*

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2014:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Corporate stocks	\$ 12,687	\$ -	\$ -	\$ 12,687
Low duration bond fund	304,793	-	-	304,793
Pledge receivables	-	-	<u>222,488</u>	<u>222,488</u>
Total assets at fair value	<u>\$ 317,480</u>	<u>\$ -</u>	<u>\$ 222,488</u>	<u>\$ 539,968</u>

The table below sets forth a summary of changes in the fair value of the Association's level 3 assets for 2014:

	<u>Pledges</u>
Balance-December 31, 2013	\$ -
New pledge	328,129
Pledge payment	(100,000)
Change in fair value	<u>(5,641)</u>
Balance-December 31, 2014	<u>\$ 222,488</u>

### Note 5. Pledges Receivable

Unconditional pledges receivable consist of the following at December 31, 2014:

Due within one year	\$ 128,129
Due within two years	<u>100,000</u>
	228,129
Discount at 2.22%	<u>(5,641)</u>
Total unconditional pledges	<u>\$ 222,488</u>

In order to simplify the accounting process for pledges receivable the Association has elected to record all pledges receivable at fair value on a recurring basis. The process utilizes the income approach with discounted cash flows, providing a single discounted value for all pledges.

The fair value adjustment for 2014 was \$(5,641) and is included in contribution income in the statement of activities. No changes in the fair value measurement were attributed to instrument specific credit risk.

## Hydrocephalus Association

### Notes to Financial Statements

December 31, 2014

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#### Note 6. Property and Equipment

Property and equipment, net, at December 31, 2014 consisted of:

Office furniture and equipment	\$	71,166
Computer software		12,540
Accumulated depreciation		<u>(49,322)</u>
	\$	<u>34,384</u>

#### Note 7. Capital Lease Payable

In April 2011, the Association purchased a copier under a capital lease agreement expiring April 2016. The liability represents the present value of future minimum lease payments. The leased asset is amortized over its estimated productive life. Amortization of this asset under the capital lease is included in depreciation expense. The cost and accumulated depreciation of assets purchased under the capital lease amounts to \$19,750 and \$14,813, respectively, at December 31, 2014.

Aggregate future minimum lease payments under the capital lease obligation as of December 31, 2014 are approximated as follows:

2015	\$	5,541
2016		<u>1,847</u>
Total future minimum lease payments		7,388
Less amount representing interest		<u>(1,561)</u>
Present value of future minimum lease payments	\$	<u>5,827</u>

#### Note 8. Restrictions of Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2014:

Time restricted pledges and grants receivable	\$	5,000
Teens Take Charge program		75,000
Research		339,359
Support and education		<u>5,000</u>
Total temporarily restricted net assets	\$	<u>524,359</u>

Permanently restricted net assets are endowments that must be invested in perpetuity, the investment return of which is restricted for scholarships. Permanently restricted net assets totaled \$81,118 at December 31, 2014. (See Note 10)

## Hydrocephalus Association

### Notes to Financial Statements

December 31, 2014

#### Note 9. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows during the year ended December 31, 2014:

Time restricted pledges and grants receivable	\$	121,217
Teens Take Charge program		66,321
Research		586,308
Support and education		99,821
Conference		68,500
Total released net assets	\$	<u>942,167</u>

#### Note 10. Endowment Funds

Endowment net assets consisted of donor-restricted endowment funds totaling \$81,118, classified as permanently restricted net assets.

Changes in endowment net assets for the fiscal year ended December 31, 2014 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 81,118	\$ 81,118
Contributions	-	-	-
Net investment income	147	-	147
Net appreciation	481	-	481
Amounts appropriated for expenditure	(628)	-	(628)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 81,118</u>	<u>\$ 81,118</u>

Earnings on the perpetual endowment funds are temporarily restricted to be used for academic scholarships as stipulated by donors.

#### Note 11. Retirement Plan

The Association has a contributory 403 (b) plan which is funded by voluntary participant salary deferrals and an employer match of 1% for the first 3% of contributions and 1/2% for the next 2% of contributions. For the year ended December 31, 2014, matching contributions totaled \$20,374.



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## Hydrocephalus Association

### *Notes to Financial Statements*

*December 31, 2014*

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#### **Note 12. Operating Leases**

During 2012, the Association moved to Bethesda, Maryland and entered into a non-cancelable lease agreement for the period October 1, 2012 through September 30, 2017. The base rent for each of the first five lease years is \$100,130 and is adjusted annually for inflation thereafter at a rate of 3%. Additionally, real estate taxes are to be paid by the Association as additional rent. For the fiscal year ended December 31, 2014, rent expense was \$106,760.

A schedule of future lease commitments under the lease obligation is as follows:

2015	\$	107,025
2016		110,235
2017		<u>84,523</u>
Total future minimum lease commitment	\$	<u>301,783</u>