

DYSTONIA MEDICAL RESEARCH FOUNDATION

FINANCIAL STATEMENTS

for the years ending December 31, 2017 and 2016

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 of the statements of financial position as of December 31, 2017 and 2016, 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. The financial statements of the Dystonia Medical Research Foundation as of December 31, 2016 were audited by other auditors whose report, dated February 7, 2017, expressed an unmodified opinion on these 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.

BARNES
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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, 2017 and 2016, and the changes in 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 5, 2018

DYSTONIA MEDICAL RESEARCH FOUNDATION

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents including segregated Dystonia Coalition cash of \$286,796 in 2017 and \$352,248 in 2016	\$ 664,401	\$ 3,570,663
Investments	4,376,780	1,431,072
Unconditional promises to give	88,299	197,293
Other current assets	21,773	5,093
Equipment and leasehold improvements, less \$32,316 in 2017 and \$22,724 in 2016, of accumulated depreciation	<u>20,545</u>	<u>27,549</u>
Total Assets	<u>\$ 5,171,798</u>	<u>\$ 5,231,670</u>

LIABILITIES AND NET ASSETS

Liabilities		
Grants and fellowships payable	\$ 468,460	\$ 311,250
Accounts payable and accrued expenses	98,897	87,433
Deferred rent payable	99,259	45,839
Dystonia Coalition agency liability funds	<u>286,796</u>	<u>352,248</u>
Total Liabilities	<u>953,412</u>	<u>796,770</u>
Net Assets		
Unrestricted - undesignated	1,055,579	1,201,026
Unrestricted - Board designated for science	<u>1,500,000</u>	<u>1,500,000</u>
Total unrestricted net assets	2,555,579	2,701,026
Temporarily restricted net assets	<u>1,662,807</u>	<u>1,733,874</u>
Total Net Assets	<u>4,218,386</u>	<u>4,434,900</u>
Total Liabilities and Net Assets	<u>\$ 5,171,798</u>	<u>\$ 5,231,670</u>

See Accompanying Notes and Independent Auditors Report

DYSTONIA MEDICAL RESEARCH FOUNDATION

Statements of Activities

For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Support						
Donations and grants	\$ 1,204,245	\$ 479,762	\$ 1,684,007	\$ 1,538,892	\$ 1,032,551	\$ 2,571,443
Bequests	410,508	-	410,508	2,246,413	-	2,246,413
Special events, net of direct benefits to donors of \$57,315 and \$50,366, respectively	310,435	-	310,435	335,088	50,000	385,088
Investment income	59,624	166	59,790	1,833	217	2,050
Other income	7,574	-	7,574	13,783	-	13,783
Net assets released from restrictions	550,995	(550,995)	-	447,928	(447,928)	-
Total Revenue, Gains and Support	<u>2,543,381</u>	<u>(71,067)</u>	<u>2,472,314</u>	<u>4,583,937</u>	<u>634,840</u>	<u>5,218,777</u>
Expenses						
Program services						
Science	1,505,848	-	1,505,848	1,263,772	-	1,263,772
Awareness and education	434,916	-	434,916	582,234	-	582,234
Membership and support	189,638	-	189,638	159,971	-	159,971
Advocacy	129,842	-	129,842	125,573	-	125,573
Total program services	<u>2,260,244</u>	<u>-</u>	<u>2,260,244</u>	<u>2,131,550</u>	<u>-</u>	<u>2,131,550</u>
Supporting services						
Administration	152,167	-	152,167	163,132	-	163,132
Fundraising	276,417	-	276,417	268,624	-	268,624
Total Expenses	<u>2,688,828</u>	<u>-</u>	<u>2,688,828</u>	<u>2,563,306</u>	<u>-</u>	<u>2,563,306</u>
Change in Net Assets	(145,447)	(71,067)	(216,514)	2,020,631	634,840	2,655,471
Net Assets, Beginning of Year	<u>2,701,026</u>	<u>1,733,874</u>	<u>4,434,900</u>	<u>680,395</u>	<u>1,099,034</u>	<u>1,779,429</u>
Net Assets, End of Year	<u>\$ 2,555,579</u>	<u>\$ 1,662,807</u>	<u>\$ 4,218,386</u>	<u>\$ 2,701,026</u>	<u>\$ 1,733,874</u>	<u>\$ 4,434,900</u>

See Accompanying Notes and Independent Auditors' Report

DYSTONIA MEDICAL RESEARCH FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2017

	Program Services				Total Program Services	Supporting Services		Total
	Science	Awareness and Education	Membership and Support	Advocacy		Administration	Fund Raising	
Medical research	\$ 962,753	\$ -	\$ -	\$ -	\$ 962,753	\$ -	\$ -	\$ 962,753
Compensation	327,947	215,635	136,274	14,108	693,964	91,359	161,169	946,492
Meetings, workshops and symposia	52,647	35,200	5,467	48,055	141,369	2,269	5,582	149,220
Occupancy	20,354	19,642	21,937	1,513	63,446	10,448	13,971	87,865
Communications	7,204	5,749	4,142	148	17,243	1,377	3,137	21,757
Printing/media	606	38,057	574	712	39,949	92	25,822	65,863
Postage/delivery	8,220	42,557	5,603	268	56,648	2,436	15,351	74,435
Supplies	5,701	40,565	3,941	156	50,363	1,574	10,216	62,153
Travel	42,923	14,360	4,529	13,243	75,055	1,153	19,946	96,154
Special events	-	-	-	-	-	-	5,507	5,507
Insurance - property/liability	638	531	453	20	1,642	188	428	2,258
Consultants/professional fees	53,672	12,637	916	51,326	118,551	26,852	2,387	147,790
Miscellaneous	19,543	3,586	3,237	199	26,565	13,546	10,873	50,984
Depreciation	2,709	2,256	1,924	86	6,975	798	1,819	9,592
Website	931	4,141	641	8	5,721	75	209	6,005
Total	\$ 1,505,848	\$ 434,916	\$ 189,638	\$ 129,842	\$ 2,260,244	\$ 152,167	\$ 276,417	\$ 2,688,828

See Accompanying Notes and Independent Auditors' Report

DYSTONIA MEDICAL RESEARCH FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services				Total Program Services	Supporting Services		Total
	Science	Awareness and Education	Membership and Support	Advocacy		Administration	Fund Raising	
Medical research	\$ 723,210	\$ -	\$ -	\$ -	\$ 723,210	\$ -	\$ -	\$ 723,210
Compensation	311,463	181,434	112,982	16,778	622,657	103,125	158,229	884,011
Canadian awareness project	-	160,000	-	-	160,000	-	-	160,000
Meetings, workshops and symposia	48,914	48,661	3,822	44,676	146,073	2,215	4,439	152,727
Occupancy	19,474	23,668	21,904	1,794	66,840	13,639	15,887	96,366
Communications	8,939	12,124	4,193	199	25,455	2,213	6,356	34,024
Printing/media	38	39,082	24	151	39,295	14	26,137	65,446
Postage/delivery	5,329	40,550	3,314	237	49,430	2,111	13,079	64,620
Supplies	4,881	39,633	3,327	129	47,970	1,440	7,327	56,737
Travel	62,891	14,710	3,774	11,751	93,126	1,091	14,503	108,720
Special events	-	-	-	-	-	-	7,808	7,808
Insurance - property/liability	2,694	2,144	1,718	90	6,646	996	1,965	9,607
Consultants/professional fees	55,140	12,986	1,024	49,248	118,398	21,221	2,602	142,221
Miscellaneous	18,988	5,801	2,734	460	27,983	14,398	8,971	51,352
Depreciation	1,811	1,441	1,155	60	4,467	669	1,321	6,457
Total	\$ 1,263,772	\$ 582,234	\$ 159,971	\$ 125,573	\$ 2,131,550	\$ 163,132	\$ 268,624	\$ 2,563,306

See Accompanying Notes and Independent Auditors' Report

DYSTONIA MEDICAL RESEARCH FOUNDATION

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (216,514)	\$ 2,655,471
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(35,086)	-
Depreciation	9,592	6,457
Changes in assets and liabilities:		
Unconditional promises to give	108,994	(81,032)
Other current assets	(16,680)	6,668
Grants and fellowships payable	157,210	(181,054)
Accounts payable and accrued expenses	11,464	22,833
Deferred rent payable	53,420	45,839
Dystonia Coalition agency liability funds	(65,452)	157,003
Net Cash Provided by Operating Activities	<u>6,948</u>	<u>2,632,185</u>
Cash Flows from Investing Activities:		
Sale of investments	70,716	165,225
Purchase of investments	(2,981,338)	-
Purchase of equipment	(2,588)	(25,235)
Net Cash Provided by (Used in) Investing Activities	<u>(2,913,210)</u>	<u>139,990</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,906,262)	2,772,175
Cash and Cash Equivalents - Beginning of Year	<u>3,570,663</u>	<u>798,488</u>
Cash and Cash Equivalents - End of Year	<u>\$ 664,401</u>	<u>\$ 3,570,663</u>

See Accompanying Notes and Independent Auditors' Report

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

Note A – Organization and Nature of Activities

The Dystonia Medical Research Foundation (the "Foundation") has three main purposes: (1) to advance 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 85% in 2017 and 92% in 2016 of the Foundation's support came from donations and grants. The balance is from investment income, special events, and other revenue. In 2017, 45% of the Foundation's support came from eight donors. In 2016, 76% of the Foundation's support came from seven donors.

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.

Basis of Presentation

Information regarding the financial position and activities of the Foundation are reported in three classes of net assets as applicable: unrestricted, temporarily restricted, and permanently restricted. These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** – Unrestricted net assets are not subject to donor-imposed stipulations. They include all activities of the Foundation as it currently does not receive any restricted resources. Board designated amounts are part of unrestricted net assets.
- **Temporarily Restricted Net Assets** – Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Foundation (purpose restrictions). Although, donor-restricted contributions that are received and whose restrictions are satisfied in the same reporting period are reported as unrestricted support.
- **Permanently Restricted Net Assets** – Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of these classes of net assets be invested in perpetuity and only the investment income can be expended. The Foundation does not have any permanently restricted net assets at December 31, 2017 and 2016.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

Note B – Summary of Significant Accounting Policies (continued)

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.

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.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

Note B – Summary of Significant Accounting Policies (continued)

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets. 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.

Equipment and Leasehold Improvements

Equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. 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.

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 \$35,000 in each of 2017 and 2016 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.

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 costs have been allocated among the program and supporting services benefited based on time devoted to the functional areas by the Foundation staff.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

Note B – Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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, 2017. The Foundation has evaluated its tax positions and determined it has no uncertain tax positions at December 31, 2017. The Foundation's 2014-2017 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 \$543,884 and \$1,181,541 from Directors of the Foundation and organizations they control for the years ended December 31, 2017 and 2016, respectively. Net special event revenue includes \$181,375 and \$177,198 raised by groups or individuals who fund raise on behalf of the Foundation for the years ended December 31, 2017 and 2016, respectively. In addition, the Foundation received \$59,742 in 2017 and \$58,129 in 2016 from Dystonia Medical Research Foundation Canada.

Note E – Board Designated Funds

In 2016, the Foundation received several unrestricted bequests. On December 20, 2016, the Board of Directors of the Foundation designated \$1,500,000 of the largest 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, 2017 and 2016

Note F – Temporarily Restricted Net Assets

The following summaries sets forth the activity in temporarily restricted net assets for the years ended December 31, 2017 and 2016, which are available for the following purposes:

	<u>2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>2017</u>
Research	\$ 500,000	\$ -	\$ -	\$ 500,000
Clinical Fellowships	451,665	35,000	315,900	170,765
Cure Dystonia Initiative ó Accelerated Fund	288,082	166	-	288,248
Dystonia Coalition Project II	215,455	-	-	215,455
Advocacy Efforts and DAN Initiative	75,000	50,000	75,000	50,000
Myoclonus Research	62,469	172,192	62,468	172,193
CD Research	-	146,219	-	146,219
2017 Special Event Sponsorship	50,000	-	50,000	-
Global Dystonia Registry	43,128	-	12,000	31,128
David Rudolph Research Fund	39,448	22,773	30,000	32,221
Education Programs and Dystonia Dialogue	1,171	46,653	1,171	46,653
Other	7,456	6,925	4,456	9,925
Total	\$ 1,733,874	\$ 479,928	\$ 550,995	\$ 1,662,807

	<u>2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>2016</u>
Research	\$ -	\$ 500,000	\$ -	\$ 500,000
Clinical Fellowships	408,334	368,331	325,000	451,665
Cure Dystonia Initiative ó Accelerated Fund	287,865	217	-	288,082
Dystonia Coalition Project II	215,455	-	-	215,455
Advocacy Efforts and DAN Initiative	-	75,000	-	75,000
Myoclonus Research	12,271	62,469	12,271	62,469
2017 Special Event Sponsorship	-	50,000	-	50,000
Global Dystonia Registry	55,128	-	12,000	43,128
Cure Dystonia Now TorsinA Study	35,000	-	35,000	-
Integrative Approaches Grant	26,522	-	26,522	-
David Rudolph Research Fund	45,848	23,600	30,000	39,448
Education Programs and Dystonia Dialogue	6,306	-	5,135	1,171
Other	6,305	3,151	2,000	7,456
Total	\$ 1,099,034	\$ 1,082,768	\$ 447,928	\$ 1,733,874

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

Note F – Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets consist of:

	2017	2016
Cash, cash equivalents and short-term investments	\$ 1,812,807	\$ 1,883,874
Grants, fellowships and contracts payable	(150,000)	(150,000)
Total	<u>\$ 1,662,807</u>	<u>\$ 1,733,874</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 focuses on 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 inactive markets; 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, 2017 and 2016

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, 2017.

Mutual Funds ó 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, 2017 and 2016.

At December 31, 2017, 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	\$ 818,568	\$ -	\$ -	\$ 818,568
Certificates of Deposit	-	12,219	-	12,219
US Equity Mutual Funds	1,282,665	-	-	1,282,665
US Fixed Inc. Mutual Funds	1,834,147	-	-	1,834,147
Int'l Equity Mutual Funds	141,738	-	-	141,738
Int'l Fixed Inc. Mutual Funds	282,443	-	-	282,443
Int'l Government Securities	-	5,000	-	5,000
Total	<u>\$ 4,359,561</u>	<u>\$ 17,219</u>	<u>\$ -</u>	<u>\$ 4,376,780</u>

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

Note G – Fair Value of Investments (continued)

At December 31, 2016, 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	\$ 1,160,002	\$ -	\$ -	\$ 1,160,002
Certificates of Deposit	265,570			265,570
Int'l Government Securities	5,000	-	-	5,000
Total	\$ 1,430,572	\$ -	\$ -	\$ 1,430,572

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

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 818,568	\$ 818,568	\$1,160,002	\$1,160,002
Certificates of Deposit	12,219	12,219	265,570	265,570
US Equity Mutual Funds	1,241,520	1,282,665	-	-
US Fixed Inc. Mutual Funds	1,843,031	1,834,147	-	-
Int'l Equity Mutual Funds	136,425	141,738	-	-
Int'l Fixed Inc. Mutual Funds	284,930	282,443	-	-
Int'l Government Securities	5,000	5,000	5,500	5,500
	<u>\$ 4,341,693</u>	<u>\$ 4,376,780</u>	<u>\$1,431,072</u>	<u>\$1,431,072</u>

For the years ended December 31, investment income includes the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 38,668	\$ 2,320
Unrealized Gain (Loss)	35,086	-
Realized Gain (Loss)	936	(270)
Advisory Fees	(14,900)	-
	<u>\$ 59,790</u>	<u>\$ 2,050</u>

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

Note H – Unconditional Promises to Give

Unconditional promises to give consists of the following:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Greater than one year	\$ 20,000	\$ 10,000
Less than one year	<u>68,299</u>	<u>187,293</u>
Total	<u>\$ 88,299</u>	<u>\$ 197,293</u>

Note I – Operating Lease

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 ó 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. Future minimum lease payments including anticipated operating expense charges for the operating lease are as follows:

2018	\$ 80,646
2019	92,407
2020	94,992
2021	97,618
2022	100,286
Thereafter	<u>635,856</u>
Total	<u>\$ 1,101,805</u>

The Foundation has a sublease agreement for a portion of their office space for a term ending June 30, 2018. The sublease is expected to be extended for one year. The sublease agreement requires the sub lessee to pay the Foundation monthly rent of \$675. The prior sublease monthly rent was \$1,854 from January ó June 2016.

Rent expense was \$84,024, net of sublease income of \$8,100 and \$95,070, net of sublease income of \$15,174 for the years ended December 31, 2017 and 2016, respectively.

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.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016 were \$25,073 and \$23,758, respectively. There were no employer discretionary contributions in 2017 and 2016.

Note K - 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 \$115,452 in 2017 and \$202,247 in 2016.

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 \$25,242 in 2017 and \$45,181 in 2016.

The Foundation also serves as the administrative center for various Dystonia Community Projects. Total receipts for Dystonia Community Projects were \$18,000 in 2017 and \$17,750 in 2016. Total disbursements for Dystonia Community Projects were \$18,000 in 2017 and \$18,000 in 2016.

DYSTONIA MEDICAL RESEARCH FOUNDATION

Notes to the Financial Statements

December 31, 2017 and 2016

Note K - Dystonia Coalition and Dystonia Community Projects (continued)

Included in the Foundation's liabilities on the statement of financial position at December 31, 2017 and 2016 was an agency liability of \$286,796 and \$352,248, respectively, for Coalition funds held. The Foundation holds these funds in segregated cash accounts. Agency liabilities for Dystonia Community Projects at December 31, 2017 and 2016 were \$3,500 for both years.

Note L – Subsequent Events

The Foundation has determined that no material events or transactions occurred subsequent to December 31, 2017 and through the date of the independent auditor's report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.