

**National Down
Syndrome Society**
Financial Statements
March 31, 2017 and 2016



National Down Syndrome Society

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March 31, 2017 and 2016

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Independent Auditors' Report

Board of Directors
National Down Syndrome Society

We have audited the accompanying financial statements of National Down Syndrome Society, which comprise the statement of financial position as of March 31, 2017, 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.

Auditors' 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 National Down Syndrome Society as of March 31, 2017 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.

Report on Summarized Comparative Information

We have previously audited National Down Syndrome Society's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

August 31, 2017

National Down Syndrome Society
Statements of Financial Position
March 31, 2017
(With Summarized Comparative Information for 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 479,112	\$ 244,522
Contributions receivable	1,831,612	84,352
Investments, at fair value	9,813,396	3,175,685
Accrued interest receivable	-	3,022
Prepaid expenses and other assets	115,091	94,054
Property and equipment, net	<u>24,752</u>	<u>258,386</u>
Total assets	<u><u>\$ 12,263,963</u></u>	<u><u>\$ 3,860,021</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 263,800	\$ 177,753
Deferred rent	86,193	-
Deferred revenue	52,980	13,314
Other liabilities	<u>-</u>	<u>13,110</u>
Total liabilities	<u>402,973</u>	<u>204,177</u>
Net Assets		
Unrestricted:		
Undesignated	4,116,024	2,204,526
Board designated:		
Endowment	6,200,000	-
Temporarily restricted	471,525	377,877
Permanently restricted	<u>1,073,441</u>	<u>1,073,441</u>
Total net assets	<u>11,860,990</u>	<u>3,655,844</u>
Total liabilities and net assets	<u><u>\$ 12,263,963</u></u>	<u><u>\$ 3,860,021</u></u>

The accompanying notes are an integral part of these financial statements.

National Down Syndrome Society
Statements of Activities
Year Ended March 31, 2017
(With Summarized Comparative Information for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
Revenue and Other Support					
Contributions	\$ 2,379,982	\$ 179,813	\$ -	\$ 2,559,795	\$ 864,305
National Buddy Walk	-	481,173	-	481,173	530,316
In-kind contributions	121,860	-	-	121,860	108,554
Special events	\$ 786,971				
Less: direct benefit costs	<u>(409,120)</u>	377,851	-	377,851	334,412
Gain on sale of office condominium	5,926,413	-	-	5,926,413	-
Rental income	22,740				
Less: related occupancy expenses	<u>-</u>	22,740	-	22,740	65,364
Booklets, films and educational materials	-	-	-	-	11,356
Merchandise sales	-	-	-	-	11,946
Conference income	17,221	-	-	17,221	10,640
Miscellaneous income	6,003	-	-	6,003	1,122
Net assets released from restrictions	702,141	<u>(702,141)</u>	-	-	-
Total revenue and other support	<u>9,554,211</u>	<u>(41,155)</u>	<u>-</u>	<u>9,513,056</u>	<u>1,938,015</u>
Expenses					
Program services					
Public policy	410,260	-	-	410,260	342,799
Public awareness	332,515	-	-	332,515	324,101
Buddy Walks	301,395	-	-	301,395	332,161
Community relations	515,281	-	-	515,281	571,587
Total program services	<u>1,559,451</u>	<u>-</u>	<u>-</u>	<u>1,559,451</u>	<u>1,570,648</u>
Support services					
Management and general	329,392	-	-	329,392	215,075
Fund raising	229,600	-	-	229,600	273,998
Total supporting services	<u>558,992</u>	<u>-</u>	<u>-</u>	<u>558,992</u>	<u>489,073</u>
Total expenses	<u>2,118,443</u>	<u>-</u>	<u>-</u>	<u>2,118,443</u>	<u>2,059,721</u>
Change in net assets before investment income	7,435,768	(41,155)		7,394,613	(121,706)
Investment income (loss)	<u>675,730</u>	<u>134,803</u>	<u>-</u>	<u>810,533</u>	<u>(96,694)</u>
Change in net assets	8,111,498	93,648	-	8,205,146	(218,400)
Net assets, beginning of year	2,204,526	377,877	1,073,441	3,655,844	3,874,244
Net assets, end of year	<u>\$ 10,316,024</u>	<u>\$ 471,525</u>	<u>\$ 1,073,441</u>	<u>\$ 11,860,990</u>	<u>\$ 3,655,844</u>

The accompanying notes are an integral part of these financial statements.

National Down Syndrome Society

Statements of Functional Expenses

Year Ended March 31, 2017

(With Summarized Comparative Information for 2016)

	Program Services				Supporting Services		Total	
	Public Policy	Public Awareness	Buddy Walks	Community Relations	Management and General	Fund Raising	2017	2016
Salaries	\$ 135,631	\$ 170,655	\$ 163,284	\$ 255,518	\$ 133,446	\$ 56,156	\$ 914,690	\$ 959,338
Payroll taxes and employee benefits	24,820	31,245	29,639	45,591	21,065	8,288	160,648	164,868
Total personnel costs	160,451	201,900	192,923	301,109	154,511	64,444	1,075,338	1,124,206
Printing publication and films, media space	20,249	1,313	6,409	3,380	1,871	35,754	68,976	75,371
Website	-	47,630	810	-	2,417	20,365	71,222	50,456
Grants and awards	114	-	-	20,907	-	907	21,928	22,000
Affiliate support	-	-	267	21,181	321	-	21,769	3,270
Consultants	64,000	28,778	20,794	34,041	22,050	7,070	176,733	121,739
Professional fees	218	275	261	401	103,077	73	104,305	61,396
Travel, meetings and related expenses	52,893	4,434	20,581	49,780	2,830	21,440	151,958	126,270
Conferences	40,677	-	7,105	8,422	116	4,193	60,513	97,843
Equipment leasing	723	910	864	1,328	614	242	4,681	6,697
Supplies	1,563	1,213	1,534	2,615	818	1,825	9,568	13,444
Computer and technology	-	-	-	-	561	5,070	5,631	28,631
Direct mail	-	-	-	-	-	11,517	11,517	18,264
Postage and delivery	2,972	3,422	6,003	9,973	3,265	5,467	31,102	29,827
Telephone and internet	3,782	3,747	6,682	5,467	2,900	994	23,572	27,931
Occupancy charges	21,031	26,475	25,113	38,630	17,846	7,024	136,119	108,242
Repairs and service contracts	2,036	2,563	2,431	3,740	1,727	680	13,177	17,545
Insurance	978	968	1,018	1,413	2,736	2,368	9,481	11,315
Bank and credit card fees	-	-	-	-	6,124	30,439	36,563	37,852
Dues and subscriptions	7,336	3,284	1,596	3,105	1,134	2,029	18,484	16,139
Miscellaneous	29,189	3,025	4,559	6,028	2,737	7,015	52,553	47,539
Depreciation and amortization	2,048	2,578	2,445	3,761	1,737	684	13,253	33,779
Total	410,260	332,515	301,395	515,281	329,392	229,600	2,118,443	2,079,756
Less: related occupancy expenses	-	-	-	-	-	-	-	(20,035)
Total expenses	\$ 410,260	\$ 332,515	\$ 301,395	\$ 515,281	\$ 329,392	\$ 229,600	\$ 2,118,443	\$ 2,059,721

The accompanying notes are an integral part of these financial statements.

National Down Syndrome Society
Statements of Cash Flows
Year Ended March 31, 2017
(With Summarized Comparative Information for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 8,205,146	\$ (218,400)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,253	33,779
Gain on sale of office condominium	(5,926,413)	-
Net realized and unrealized (gain) loss on investments	(642,234)	198,286
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Contributions receivable	(1,747,260)	(5,002)
Accrued interest receivable	3,022	(509)
Prepaid expenses and other assets	(21,037)	(26,294)
Accounts payable and accrued expenses	86,047	20,067
Deferred revenue	39,666	-
Deferred rent	86,193	-
Other liabilities	(13,110)	6,460
Net cash provided by operating activities	<u>83,273</u>	<u>8,387</u>
Cash flows from investing activities		
Purchases of investments	(10,196,999)	(850,028)
Proceeds from sales of investments	4,201,522	822,709
Purchases of property and equipment	(18,256)	(12,190)
Cash proceeds from sale of office condominium, net	<u>6,165,050</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>151,317</u>	<u>(39,509)</u>
Net increase (decrease) in cash and cash equivalents	234,590	(31,122)
Cash and cash equivalents		
Beginning	244,522	275,644
Ending	<u>\$ 479,112</u>	<u>\$ 244,522</u>

The accompanying notes are an integral part of these financial statements.

National Down Syndrome Society

Notes to Financial Statements

Years Ended March 31, 2017 and 2016

1. Nature of Organization

Business Description

The National Down Syndrome Society (“NDSS”) was established as an incorporated Delaware-based nonprofit organization in June 1979. The mission of NDSS is to be the leading human rights organization for all individuals with Down syndrome. NDSS envisions a world in which all people with Down syndrome have the opportunity to enhance their quality of life, realize their life aspirations and become valued members of welcoming communities.

To fulfill their mission and further this vision, NDSS provides the following state-of-the-art programming areas:

- National Advocacy & Public Policy is the cornerstone of NDSS’s advocacy efforts by advocating for policies that positively impact all people with Down syndrome at the federal, state and local levels of government.
- The National Buddy Walk® Program, the largest public awareness initiative for the Down syndrome community, works to educate, advocate and celebrate Down syndrome in local communities around the United States.
- Down Syndrome Community Outreach & Support provides support to a network of over 380 Down syndrome organizations, self-advocates and families across the entire Down syndrome community. Public awareness initiatives, like NDSS’ #DSWORKS® Campaign, are showing the world that people with Down syndrome are ready, willing and ABLE to work.

The Internal Revenue Service has determined that NDSS is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly-supported organization as described in Section 509 (a)(1) of the Internal Revenue Code.

The organization is funded primarily by contributions and special events.

2. Summary of Significant Accounting Policies

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 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.

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets are categorized according to externally (donor) imposed restrictions. A description of the net assets categories is as follows:

- Unrestricted net assets - undesignated – are those assets that are available for the support of operations and whose use is not externally restricted.

National Down Syndrome Society

Notes to Financial Statements

Years Ended March 31, 2017 and 2016

- Unrestricted net assets – board designated – NDSS Board of Directors and Leadership designated funds with the goal of investing significant resources into NDSS’s mission and programs and allowing local Down syndrome affiliates and Buddy Walks to maintain additional local resources and expand their programs in advocacy and employment for all people with Down syndrome.
- Temporarily restricted net assets – are these assets whose use by the organization has been limited by donors to a specific time period or purpose.
- Permanently restricted net assets – are those assets whose use by the organization is limited by donor-imposed stipulations that neither expire with the passage of time not that can be fulfilled or otherwise removed by actions of the organization.

Contributions

NDSS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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.

Cash and Cash Equivalents

NDSS considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

NDSS maintains cash in several bank accounts which, at times, may exceed federally-insured limits. NDSS has not experienced any losses in such accounts.

Investments

Investments are valued at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included with investment income (loss) in the statements of activities.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization of property and equipment is being provided for by the straight-line method over the estimated useful lives of the related assets. NDSS’s policy is to capitalize individual property and equipment expenditures in excess of \$500 and a useful life of one year.

NDSS capitalizes all costs related to the development of internal use software other than those incurred during the application development stage which are expensed as incurred. Costs incurred during the application development stage which are required to be capitalized are amortized over the estimated useful life of the software.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows discounted to fair value using an appropriate interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met and are reflected as deferred revenue in the accompanying statements of financial position.

At March 31, 2017, all contributions receivable are expected to be collected within one year.

National Down Syndrome Society

Notes to Financial Statements

Years Ended March 31, 2017 and 2016

Contributed Goods and Services

Contributed services or the use of equipment, materials or facilities at less than fair value are recorded at their fair value in accordance with professional standards, if the services (a) create or enhance non financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by NDSS. Contributed goods and materials are recorded at their fair value when they are promised.

The amount applicable to in-kind contributions is reflected in the financial statements as both support and expenses as follows for the years ended March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Legal fees on sale of condominium	\$ 10,000	\$ -
Golf outing	23,863	18,810
NYC Buddy Walk advertising	25,024	11,554
Annual benefit auction items	57,077	75,676
Other	<u>5,896</u>	<u>2,514</u>
Total in-kind contributions	<u>\$ 121,860</u>	<u>\$ 108,554</u>

Functional Allocation of Expenses

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

Concentrations

A contribution from one donor represents 64% of contributions for the year ending March 3, 2017 and 90% of contributions receivable at March 31, 2017.

Fair Value of Financial Instruments

NDSS follows the accounting standards for fair value measurement and disclosures for financial assets and liabilities which clarify the definition of fair value, prescribe methods for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and expand disclosure about the use of fair value measurements. The following table presents financial assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

National Down Syndrome Society
Notes to Financial Statements
Years Ended March 31, 2017 and 2016

	Fair Value Measurements at March 31, 2017			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money Markets	\$ 6	\$ 6	\$ -	\$ -
Mutual Funds - Fixed Income	4,204,683	4,204,683	-	-
Mutual Funds - Equities (a)	5,608,707	5,608,707	-	-
	<u>\$ 9,813,396</u>	<u>\$ 9,813,396</u>	<u>\$ -</u>	<u>\$ -</u>

(a) Mutual Funds - Equities are primarily comprised of U.S. Large Cap, Mid Cap and International Developed Funds

	Fair Value Measurements at March 31, 2016			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money Markets	\$ 104,310	\$ 104,310	\$ -	\$ -
Mutual Funds - Fixed Income	1,136,970	1,136,970	-	-
Common Stocks (a)	593,570	593,570	-	-
Mutual Funds - Equities (b)	1,182,536	1,182,536	-	-
Mutual Funds - REITs	106,710	106,710	-	-
Public REIT's	13,310	13,310	-	-
Mutual Funds - commodities	38,279	38,279	-	-
	<u>\$ 3,175,685</u>	<u>\$ 3,175,685</u>	<u>\$ -</u>	<u>\$ -</u>

(a) Common Stocks are comprised mainly in the following sectors: Consumer Discretionary, Health Care and Information Technology

(b) Mutual Funds - Equities are primarily comprised of U.S. Large Cap and Mid Cap International Developed Funds.

National Down Syndrome Society

Notes to Financial Statements

Years Ended March 31, 2017 and 2016

Comparative Financial Information

The 2016 financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the NDSS's financial statements for the year ended March 31, 2016, from which the information was derived.

3. Investments

Investments consist of the following at March 31,:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 6	\$ 6	\$ 104,311	\$ 104,310
Equities - common stocks and mutual funds	5,067,057	5,608,707	1,640,011	1,776,106
Mutual Funds - fixed income	4,292,735	4,204,683	1,170,822	1,136,970
Mutual Funds - REITs	-	-	99,408	106,710
Public REIT's	-	-	9,845	13,310
Mutual Funds - commodities	-	-	65,138	38,279
	<u>\$ 9,359,798</u>	<u>\$ 9,813,396</u>	<u>\$ 3,089,535</u>	<u>\$ 3,175,685</u>

As of March 31, 2017, the following NDSS's investments were in excess of 10% of the fair value of its portfolio:

Vanguard Total Stock Market Index Fund Admiral Shares	34%
Vanguard Total International Stock Index Fund Admiral Shares	23%
Vanguard Total Bond Market Index Fund Admiral Shares	13%
Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares	12%
Vanguard Total International Bond Index Fund Admiral Shares	11%

Investment income (loss) includes the following for the years ended March 31,:

	2017	2016
Interest and dividends	\$ 193,139	\$ 123,063
Unrealized gain (loss)	367,448	(224,309)
Realized gain	274,786	26,023
Investment fees	(24,840)	(21,471)
	<u>\$ 810,533</u>	<u>\$ (96,694)</u>

National Down Syndrome Society
Notes to Financial Statements
Years Ended March 31, 2017 and 2016

4. Property and Equipment, Net

Property and equipment, at cost, consists of the following at March 31,:

	2017	2016	Depreciation/ Amortization Period
	<u>2017</u>	<u>2016</u>	
Office condominium (see Note 7)	\$ -	\$ 350,796	10 years
Office condominium improvements	-	277,892	10 years
Furniture, fixtures and equipment	26,010	25,657	5 years
Computer software/website	31,891	268,330	3-5 years
	<u>57,901</u>	<u>922,675</u>	
Less: accumulated depreciation and amortization	<u>(33,149)</u>	<u>(664,289)</u>	
	<u>\$ 24,752</u>	<u>\$ 258,386</u>	

Depreciation and amortization amounted to approximately \$13,000 and \$34,000 for the years ended March 31, 2017 and 2016, respectively.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at March 31, 2017 and 2016 are available for the following purposes or periods:

	2017	2016
	<u>2017</u>	<u>2016</u>
Endowment Funds:		
Hamilton Testamentary Trust	\$ 142,477	\$ 64,518
Weaver Fund	4,703	2,352
Total Endowment Funds	<u>147,180</u>	<u>66,870</u>
Research - Innovation and Discovery Fund	177,493	123,340
O'Neill - Tabani Scholarship Program	121,208	131,160
Research - General	13,592	16,092
#DSWORKS	11,987	12,817
Ethan Saylor Memorial Fund	65	513
Stephen Beck Memorial Fund	-	19,585
Time Restrictions	-	7,500
	<u>\$ 471,525</u>	<u>\$ 377,877</u>

National Down Syndrome Society

Notes to Financial Statements

Years Ended March 31, 2017 and 2016

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following temporarily restricted purposes during the years ended March 31,:

	<u>2017</u>	<u>2016</u>
National Buddy Walks	\$ 481,173	\$ 200,811
Wasily Family Foundation - Research	50,000	-
Research Innovation and Discovery Fund	44,698	74,777
Hamilton Testamentary Trust	45,625	49,490
Able Act Implementation	25,000	30,000
Stephen Beck Memorial Fund	19,585	-
O'Neill - Tabani Scholarship Program	22,822	21,500
Time Restrictions	7,500	12,000
#DSWORKS	2,738	27,383
Research	2,500	50,900
Ethan Saylor Memorial Fund	500	-
National Policy Center	-	338,281
Printed Materials	-	21,100
Government Affairs Committee	-	15,563
JP Kennedy Fellow	-	8,500
Weaver Fund - Conference Scholarships	-	2,120
	<u>\$ 702,141</u>	<u>\$ 852,425</u>

6. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is available for the following purposes at March 31,:

	<u>2017</u>	<u>2016</u>
Hamilton Testamentary Trust (1)	\$ 1,052,625	\$ 1,052,625
William B. Weaver Conference Scholarship Fund	<u>20,816</u>	<u>20,816</u>
	<u>\$ 1,073,441</u>	<u>\$ 1,073,441</u>

- (1) Restricted bequest, from the estate of Jane Hamilton Warriner, whose income is to be used exclusively to support research into the behavior, cognitive development and related treatment for children and adults with Down syndrome.

NDSS's endowment consists of two donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

National Down Syndrome Society

Notes to Financial Statements

Years Ended March 31, 2017 and 2016

The Board of Directors of NDSS has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NDSS 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 (c) accumulations to the permanent endowment made in accordance with the direction 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 NDSS in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, NDSS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Assets by Type of Fund as of March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 6,200,000</u>	<u>\$ 147,180</u>	<u>\$ 1,073,441</u>	<u>\$ 7,420,621</u>

National Down Syndrome Society
Notes to Financial Statements
Years Ended March 31, 2017 and 2016

Changes in Endowment Net Assets for the Year Ended March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -	\$ 66,870	\$ 1,073,441
Investment return:			
Interest and dividends	-	27,947	-
Net appreciation (realized and unrealized)	-	101,453	-
Investment fees	-	(3,465)	-
Total investments return	<u>-</u>	<u>125,935</u>	<u>-</u>
Appropriation in 2016 expended in 2017	-	-	-
Appropriation of endowment expenditure	-	(45,625)	-
Net appropriations	<u>-</u>	<u>(45,625)</u>	<u>-</u>
Contributions	<u>6,200,000</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 6,200,000</u>	<u>\$ 147,180</u>	<u>\$ 1,073,441</u>

Changes in Endowment Net Assets for the Year Ended March 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 152,859	\$ 1,073,441
Investment return:		
Interest and dividends	63,636	-
Net appreciation (realized and unrealized)	(91,954)	-
Investment fees	(6,061)	-
Total investments return	<u>(34,379)</u>	<u>-</u>
Appropriation of endowment expenditure	(1,050)	-
Appropriated amounts not expended during 2016	(50,560)	-
Net appropriations	<u>(51,610)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 66,870</u>	<u>\$ 1,073,441</u>

National Down Syndrome Society

Notes to Financial Statements

Years Ended March 31, 2017 and 2016

NDSS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that NDSS must hold in perpetuity. NDSS expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in a given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, NDSS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NDSS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NDSS has a policy of appropriating for distribution each year 4% of its permanently restricted assets' average fair value based on a rolling 20 quarter average, plus investment custodial fees, through the calendar year end preceding the year in which the distribution is planned. In establishing this policy, NDSS considered the long-term expected return on its endowment. Accordingly, over the long-term, NDSS expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the NDSS's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

7. Sale of Office Condominium

On January 15, 2016, NDSS entered into a contract of sale with an entity, for the sale of its office condominium. On June 28, 2016, NDSS closed on the sale of the office condominium and received proceeds of \$6,200,000.

Proceeds	\$ 6,200,000
Book value of office condominium	(238,637)
Expenses of sale	(34,950)
Gain	<u>\$ 5,926,413</u>

8. Pension

NDSS established a non-contributory defined contribution profit sharing plan covering all eligible employees. The pension expense for the years ended March 31, 2017 and 2016 was \$26,500 and \$26,355, respectively.

9. Deferred Revenue

Deferred revenue represents conditional contributions and sponsorships for future events that will occur after March 31, 2017. These conditional contributions and sponsorships will have to be refunded if the events do not occur. Deferred revenue as of March 31, 2017 and 2016 were \$52,980 and \$13,314, respectively.

10. Operating Leases

NDSS is under non-cancellable operating leases for office space, expiring on April 15, 2026. Rent expenses under the leases are subject to escalations for increases in electricity and real estate taxes. The lease also contains rent abatement for the first year. Future minimum rental payments under the leases, exclusive of the required payments for increases in electricity and real estate taxes for the next five years and in the aggregate are as follows:

National Down Syndrome Society

Notes to Financial Statements

Years Ended March 31, 2017 and 2016

Years Ending March 31,

2018	\$	114,824
2019		100,000
2020		102,625
2021		105,704
2022		108,875
Thereafter		<u>484,529</u>
	\$	<u><u>1,016,557</u></u>

Rent expense is incurred on a straight-line basis over the terms of the lease, including the free rent period. Rent expense for the year ended March 31, 2017 was approximately \$116,000.

On May 30, 2017, NDSS entered into a non-cancellable lease for office space in Washington, D.C. The lease expires on June 30, 2020. Rent is payable monthly as follows: \$57,600 for the first year, \$59,300 for the second year and \$61,000 for the third year.

11. Subsequent Events

NDSS has evaluated subsequent events through August 31, 2017, the date the financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been included in these financial statements.

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