

EISNERAMPER

**THE ASSOCIATION FOR
FRONTOTEMPORAL DEGENERATION**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Association for Frontotemporal Degeneration

Report on the Financial Statements

We have audited the accompanying financial statements of The Association for Frontotemporal Degeneration (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 on the previous page present fairly, in all material respects, the financial position of The Association for Frontotemporal Degeneration as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
September 26, 2020

EISNERAMPER
LLP

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,698,944	\$ 7,029,660
Accounts receivable	171	22,148
Contributions receivable	2,428,752	1,855,000
Investments	5,183,886	3,966,729
Prepaid expenses	34,985	114,459
	<u>15,346,738</u>	<u>12,987,996</u>
Total current assets		
Contributions receivable, net	8,466,138	8,157,880
Equipment, net of accumulated depreciation of \$6,072 in 2020 and \$2,665 in 2019	49,644	1,825
Security deposit	26,063	8,672
	<u>\$ 23,888,583</u>	<u>\$ 21,156,373</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 109,814	\$ 130,678
Deferred revenues	640,000	35,000
Research grants payable	1,321,134	1,103,403
PPP loan payable	133,556	-
	<u>2,204,504</u>	<u>1,269,081</u>
Total current liabilities		
PPP loan payable, net of current portion	166,944	-
Research grants payable	510,620	764,386
Deferred rent	79,668	-
	<u>2,961,736</u>	<u>2,033,467</u>
Total liabilities		
NET ASSETS		
Net assets without donor restrictions:		
Undesignated	5,284,684	3,895,429
Board-designated	4,959,454	3,940,589
	<u>10,244,138</u>	<u>7,836,018</u>
Net assets with donor restrictions	10,682,709	11,286,888
	<u>20,926,847</u>	<u>19,122,906</u>
Total net assets	<u>\$ 23,888,583</u>	<u>\$ 21,156,373</u>

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Statements of Activities and Changes in Net Assets

	Year Ended June 30,					
	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and support:						
Contributions	\$ 3,982,919	\$ 3,498,758	\$ 7,481,677	\$ 3,692,787	\$ 3,501,672	\$ 7,194,459
Investment and other income	263,201	-	263,201	463,415	-	463,415
Special event revenue	2,080,343	-	2,080,343	1,930,899	-	1,930,899
Less cost of direct benefit to donors	(163,987)	-	(163,987)	(201,551)	-	(201,551)
Net assets released from restrictions	4,102,937	(4,102,937)	-	3,697,085	(3,697,085)	-
	<u>10,265,413</u>	<u>(604,179)</u>	<u>9,661,234</u>	<u>9,582,635</u>	<u>(195,413)</u>	<u>9,387,222</u>
Expenses:						
Program services:						
Awareness and advocacy	950,980	-	950,980	785,953	-	785,953
Education and support	1,130,032	-	1,130,032	927,852	-	927,852
Research	4,279,723	-	4,279,723	4,236,708	-	4,236,708
Total program services	<u>6,360,735</u>	<u>-</u>	<u>6,360,735</u>	<u>5,950,513</u>	<u>-</u>	<u>5,950,513</u>
Supporting services:						
Management and general	700,937	-	700,937	545,508	-	545,508
Fundraising	795,621	-	795,621	567,243	-	567,243
	<u>1,496,558</u>	<u>-</u>	<u>1,496,558</u>	<u>1,112,751</u>	<u>-</u>	<u>1,112,751</u>
	<u>7,857,293</u>	<u>-</u>	<u>7,857,293</u>	<u>7,063,264</u>	<u>-</u>	<u>7,063,264</u>
Change in net assets	<u>2,408,120</u>	<u>(604,179)</u>	<u>1,803,941</u>	<u>2,519,371</u>	<u>(195,413)</u>	<u>2,323,958</u>
Net assets at beginning of year	<u>7,836,018</u>	<u>11,286,888</u>	<u>19,122,906</u>	<u>5,316,647</u>	<u>11,482,301</u>	<u>16,798,948</u>
Net assets at end of year	<u>\$ 10,244,138</u>	<u>\$ 10,682,709</u>	<u>\$ 20,926,847</u>	<u>\$ 7,836,018</u>	<u>\$ 11,286,888</u>	<u>\$ 19,122,906</u>

See notes to financial statements

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services				Supporting Services			Total
	Awareness and Advocacy	Education and Support	Research	Subtotal	Management and General	Fundraising	Subtotal	
Expenses:								
Salaries and wages	\$ 347,538	\$ 553,319	\$ 451,797	\$ 1,352,654	\$ 294,077	\$ 312,169	\$ 606,246	\$ 1,958,900
Payroll taxes	33,679	40,235	22,126	96,040	16,630	32,785	49,415	145,455
Employee benefits	54,256	66,405	37,971	158,632	27,579	55,004	82,583	241,215
Advertising	106,746	-	-	106,746	-	50	50	106,796
Bank and credit card processing fees								
processing fees	-	30	135	165	1,440	26,710	28,150	28,315
Conferences and meetings	33,381	6,371	78,852	118,604	24,959	-	24,959	143,563
Depreciation	1,579	2,764	1,185	5,528	1,185	1,184	2,369	7,897
Dues and subscriptions	1,898	3,360	10,579	15,837	129	460	589	16,426
Education - training	11,543	25,165	8,711	45,419	9,912	8,898	18,810	64,229
Events	105,018	6,986	-	112,004	-	168,313	168,313	280,317
Grants awarded	-	130,771	3,455,466	3,586,237	-	-	-	3,586,237
Insurance	3,280	5,739	3,052	12,071	2,333	2,460	4,793	16,864
Management Information Systems	57,661	68,607	47,223	173,491	30,061	58,900	88,961	262,452
Office and supplies	16,122	37,802	16,087	70,011	101,834	18,956	120,790	190,801
Postage and shipping	5,224	10,728	1,367	17,319	1,956	22,160	24,116	41,435
Printing and copying	41,953	23,961	1,076	66,990	2,898	16,309	19,207	86,197
Professional fees	86,722	63,952	95,336	246,010	151,460	39,517	190,977	436,987
Rent	38,993	68,238	29,245	136,476	29,779	29,245	59,024	195,500
Telecommunications and data	4,412	11,764	2,116	18,292	2,038	2,116	4,154	22,446
Travel	975	3,835	17,399	22,209	2,667	385	3,052	25,261
Total expenses included in the expense section on the statements of activities and changes in net assets	950,980	1,130,032	4,279,723	6,360,735	700,937	795,621	1,496,558	7,857,293
Plus expenses included with revenue on the statements of activities and changes in net assets								
Cost of direct benefits to donors:								
Food and beverage	-	-	-	-	-	163,987	163,987	163,987
Total expenses	\$ 950,980	\$ 1,130,032	\$ 4,279,723	\$ 6,360,735	\$ 700,937	\$ 959,608	\$ 1,660,545	\$ 8,021,280

See notes to financial statements

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services				Supporting Services			Total
	Awareness and Advocacy	Education and Support	Research	Subtotal	Management and General	Fundraising	Subtotal	
Expenses:								
Salaries and wages	\$ 297,232	\$ 416,222	\$ 400,345	\$ 1,113,799	\$ 275,881	\$ 241,752	\$ 517,633	\$ 1,631,432
Payroll taxes	27,849	33,271	20,778	81,898	14,294	27,110	41,404	123,302
Employee benefits	48,632	58,099	41,745	148,476	24,899	46,775	71,674	220,150
Advertising	56,400	-	-	56,400	-	-	-	56,400
Bank and credit card processing fees	-	37	-	37	758	22,084	22,842	22,879
Conferences and meetings	86,627	118,767	131,100	336,494	25,772	-	25,772	362,266
Depreciation	941	1,646	705	3,292	5,948	705	6,653	9,945
Dues and subscriptions	1,660	3,000	5,000	9,660	219	245	464	10,124
Education - training	3,000	9,069	2,250	14,319	3,690	8,900	12,590	26,909
Events	97,225	25	-	97,250	-	91,132	91,132	188,382
Grants awarded	-	125,064	3,473,610	3,598,674	-	-	-	3,598,674
Insurance	2,945	5,154	2,209	10,308	2,209	2,209	4,418	14,726
Management Information Systems	25,178	37,325	52,503	115,006	14,582	42,196	56,778	171,784
Office and supplies	8,454	12,465	7,442	28,361	24,604	11,973	36,577	64,938
Postage and shipping	5,488	10,039	1,529	17,056	1,760	10,511	12,271	29,327
Printing and copying	31,303	16,510	173	47,986	5,189	23,645	28,834	76,820
Professional fees	59,445	24,882	64,105	148,432	123,298	16,298	139,596	288,028
Rent	24,064	42,112	18,048	84,224	18,048	18,048	36,096	120,320
Telecommunications and data	3,017	9,590	2,263	14,870	3,159	2,263	5,422	20,292
Travel	6,493	4,575	12,903	23,971	1,198	1,397	2,595	26,566
Total expenses included in the expense section on the statements of activities and changes in net assets	785,953	927,852	4,236,708	5,950,513	545,508	567,243	1,112,751	7,063,264
Plus expenses included with revenue on the statements of activities and changes in net assets								
Cost of direct benefits to donors								
Food and beverages	-	-	-	-	-	140,083	140,083	140,083
Entertainment	-	-	-	-	-	61,468	61,468	61,468
Total expenses	\$ 785,953	\$ 927,852	\$ 4,236,708	\$ 5,950,513	\$ 545,508	\$ 768,794	\$ 1,314,302	\$ 7,264,815

See notes to financial statements

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,803,941	\$ 2,323,958
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,897	9,945
Amortization of discount on contributions receivable	(141,296)	(159,780)
Donated securities	(86,420)	(113,309)
Proceeds from sale of donated securities	87,752	115,416
Realized and unrealized (gain) loss on investments	23,480	(145,823)
(Increase) decrease in assets:		
Accounts receivable	21,977	(10,953)
Contributions receivable, net	(740,714)	1,379,907
Prepaid expenses	79,474	(445)
Security deposit	(17,391)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(20,864)	44,053
Deferred revenues	605,000	(12,500)
Research grants payable	(36,035)	1,257,117
Deferred lease liability	79,668	-
Net cash provided by operating activities	<u>1,666,469</u>	<u>4,687,586</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,055,032	808,927
Purchase of investments	(2,297,001)	(4,631,940)
Purchase of equipment	(55,716)	-
Net cash used in investing activities	<u>(1,297,685)</u>	<u>(3,823,013)</u>
Cash flows from financing activities:		
Proceeds from PPP Loan	<u>300,500</u>	-
Net increase in cash and cash equivalents	669,284	864,573
Cash and cash equivalents at beginning of year	<u>7,029,660</u>	<u>6,165,087</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,698,944</u></u>	<u><u>\$ 7,029,660</u></u>

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES

The Association for Frontotemporal Degeneration (the “Organization” or “AFTD”) is a nonprofit corporation incorporated under the laws of the Commonwealth of Pennsylvania in November 2002.

Frontotemporal degeneration (“FTD”) is the most common cause of dementia for people under 60 in the United States. Despite that fact, today, FTD is still far too little known and poorly understood. Currently incurable and without approved treatments, FTD has profound effects on the lives of all it touches. It strikes at the heart of how individuals express themselves and relate to others, bringing a gradual, progressive decline in behavior, language and/or movement.

In response, the Organization dedicates itself to bringing help for individuals and families affected, and hope for a world with compassionate care, effective support and a future free of FTD.

With a community of volunteers, donors, advocates and professionals, the Organization works every day to advance FTD research, awareness, support for those directly impacted and education for health professionals, while advocating for appropriate, affordable services.

AFTD’s research team works with leading and emerging FTD scientists to identify promising areas of research that will one day lead to effective treatments and a cure. AFTD provides support for people diagnosed in the form of grants, practical information and the comfort that comes in talking to someone who understands FTD, and AFTD works to educate health care professionals to provide appropriate care for this unique disease. AFTD also works to spread awareness of a disease that is still too little known, and to advocate for higher-quality care for families who find themselves with FTD in their lives.

The Organization’s major source of support is contributions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

[2] Classification of net assets:

Resources in the financial statements are classified for accounting and reporting purposes in classes of net assets according to the existence or absence of donor-imposed restrictions. The accompanying financial statements may include the following classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are used to account for funds which have not been restricted by donors and over which the Board of Directors has discretionary control. In May 2010, the Board voted to create an operating reserve fund. The reserve balance is reviewed and updated annually. Board-designated reserve fund balances as of June 30, 2020 and 2019 were \$959,454 and \$940,589, respectively. In December 2017, the Board voted to create the David Geffen Investment Fund in order to sustain long-term funding. Board-designated David Geffen Investment Fund balance was \$4,000,000 and \$3,000,000 as of June 30, 2020 and 2019, respectively.

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

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

[4] Cash and cash equivalents:

The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Due to the short-term maturity of such investments, the carrying amounts are a reasonable estimate of the fair value. Cash and cash equivalents includes cash on-hand and highly-rated U.S. government backed money market fund investments.

[5] Concentration of credit and market risk:

The Organization maintains its cash and cash equivalents in amounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes that the Organization is not exposed to any significant risk of loss on these accounts.

[6] Investments:

Investments consist primarily of assets invested in common stock, bonds, treasury bills and exchange-traded funds. All investments are stated at fair value. Unrealized and realized gains and losses are reflected in the accompanying statements of activities and changes in net assets. Investments received as gifts are recorded at fair value at the time of the donation and sold as soon as possible.

The Organization's investment securities are subject 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 values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

The extent of the impact of the coronavirus (COVID-19) outbreak on the financial performance of AFTD's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, AFTD's investment results may be materially adversely affected.

[7] Functional allocation of expenses:

Directly identifiable expenses are charged to program services, management and general, and fundraising. Salaries, payroll taxes and benefits are charged to the different functions based on the employee's actual functions performed. Expenses related to more than one function including computer/software expense, licenses and fees, office supplies, professional fees, travel, office rent, office repairs and maintenance, office utilities, insurance, telephone, depreciation and amortization are allocated among the functions based on an estimated level of employee effort expended for each function.

[8] Federal tax status:

The Internal Revenue Service has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Federal tax status (continued):

Accounting for uncertainty in income taxes clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest or penalties recorded for either of the years ended June 30, 2020 or 2019.

[9] Prepaid expenses:

Prepaid expenses represent expenditures related to insurance, conferences and fundraising events conducted in the subsequent year.

[10] Grants payable:

Unconditional grants to be awarded to others are recorded as an expense and liability when approved and communicated to the grantee.

Conditional commitments and intentions to award grants to others that are not promises to give are not recorded as an expense and liability unless they become unconditional promises to give.

[11] PPP loan payable:

The Organization has elected to record the Paycheck Protection Program loan ("PPP Loan") as a loan payable. Loan forgiveness will be recognized when the conditions for loan forgiveness are met and the forgiveness amount is formally approved by the bank and the U.S. Small Business Administration.

[12] Equipment and depreciation:

Equipment is stated at cost or, if donated, at the estimated fair value at the date of donation less accumulated depreciation. Acquisitions of property and equipment in excess of \$2,500 are capitalized. Depreciation of equipment is provided for on the straight-line method over the estimated useful lives of the assets ranging from three to five years. Depreciation for the years ended June 30, 2020 and 2019 was \$7,897 and \$9,945, respectively.

[13] Revenue recognition - contributions:

Funding for the Organization's activities is achieved almost entirely through foundation, corporate and other support, contributions, and in-kind contributions, including unconditional promises to give. These donations provide funding to be used to support the mission of the Organization. As the donors are not receiving a benefit as a result of these transactions, the donations are considered to be contributions to the Organization. Some contributions require that funds be expended for a specific purpose, and are considered to be net assets with donor restrictions.

The Organization recognizes unconditional contributions when cash, securities or other assets or an unconditional promise to give is received and are recorded after discounting to the present value of the expected future cash flows. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Revenue recognition - contributions (continued):

The Organization recognizes revenue from special events at the time of admission. The recognition of revenue is conditional on the event taking place. As of June 30, 2020 and 2019, there were conditional contributions associated with special events of \$640,000 and \$35,000, respectively, which is included in deferred revenue on the statements of financial position.

[14] 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 Organization. The Organization receives pro bono general counsel legal services. The fair market value of services provided, based upon the law firm's standard rates, was \$133,765 and \$86,295 for the years ended June 30, 2020 and 2019, respectively, which is included in the statements of activities and changes in net assets with contributions and in the statements of functional expenses with professional fees of \$111,441 and \$27,419 included in program, \$11,162 and \$58,876 included in management and general and \$11,162 and \$0- included in fundraising for the years ended June 30, 2020 and 2019, respectively.

[15] New accounting pronouncement:

In June 2018, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers. ASU 2018-08 should be applied on a modified prospective basis. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU 2018-08.

[16] Upcoming accounting pronouncements:

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statements of financial position and disclosing key information. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization's lease commitment is through 2031 and management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. This standard is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE C - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Current financial assets:		
Cash and cash equivalents	\$ 7,698,944	\$ 7,029,660
Accounts receivable	171	22,148
Pledges receivable	2,428,752	1,855,000
Investments	<u>5,183,886</u>	<u>3,966,729</u>
Total current financial assets at year-end	<u>15,311,753</u>	<u>12,873,537</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions subject to expenditures for specified purposes	(1,141,578)	(3,062,399)
Board-designated for specific purpose	<u>(3,959,454)</u>	<u>(3,940,589)</u>
	<u>(5,101,032)</u>	<u>(7,002,988)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$10,210,721</u>	<u>\$ 5,870,549</u>

General expenditures include program services expenses, management and general expenses, and fundraising expenses expected to be paid in the subsequent year.

As part of the Organization's liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE D - INVESTMENTS

Investments consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investments:		
Common stock	\$ 2,971,080	\$ 2,368,649
Treasury bills	299,828	-
Corporate bonds	1,093,309	1,123,503
Fixed income ETFs	127,859	-
Municipal bonds	101,165	-
Treasury bonds	<u>207,601</u>	<u>300,320</u>
Investments measured at fair value	4,800,842	3,792,472
Money market funds	<u>383,044</u>	<u>174,257</u>
Total investments	<u>\$ 5,183,886</u>	<u>\$ 3,966,729</u>

NOTE E - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) 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. Assets utilizing Level 3 inputs are funds held in trust by others.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value.

Common stock, treasury bills and fixed income ETFs - Valued at the closing market price on the stock exchange where it is traded.

Bonds - Valued at the present value of future 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 Organization 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.

The following table sets forth, by level, the Organization's assets at fair value, within the aforementioned fair value hierarchy, as of June 30, 2020 and 2019:

Investment Assets at Fair Value as of June 30, 2020				
	Level 1	Level 2	Level 3	Total
Common stock	\$ 2,971,080	\$ -	\$ -	\$ 2,971,080
Treasury bills	299,828	-	-	299,828
Fixed income ETFs	127,859	-	-	127,859
Corporate bonds	-	1,093,309	-	1,093,309
Municipal bonds	-	101,165	-	101,165
Treasury bonds	-	207,601	-	207,601
Total investment assets at fair value	<u>\$ 3,398,767</u>	<u>\$ 1,402,075</u>	<u>\$ -</u>	<u>\$ 4,800,842</u>

Investment Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
Common stock	\$ 2,368,649	\$ -	\$ -	\$ 2,368,649
Corporate bonds	-	1,123,503	-	1,123,503
Treasury bonds	-	300,320	-	300,320
Total investment assets at fair value	<u>\$ 2,368,649</u>	<u>\$ 1,423,823</u>	<u>\$ -</u>	<u>\$ 3,792,472</u>

Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers into or out of Levels 1, 2 or 3.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE F - CONTRIBUTIONS RECEIVABLE

Contributions receivable outstanding as of June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Contributions receivable expected to be collected:		
Less than one year	\$ 2,428,752	\$ 1,855,000
One to five years	8,000,000	6,830,000
More than five years	<u>1,000,000</u>	<u>2,000,000</u>
Total gross contributions receivable	11,428,752	10,685,000
Discount to present value	<u>(533,862)</u>	<u>(672,120)</u>
Total contributions receivable, net	<u><u>\$ 10,894,890</u></u>	<u><u>\$ 10,012,880</u></u>

The present value for contributions was calculated using discount factors ranging from 1.42% to 2.75%.

NOTE G - CONDITIONAL PROMISES TO GIVE

During the year ended June 30, 2018, the Organization received a conditional commitment of \$10 million, in the form of a matching grant, for The David Geffen Fund at AFTD. The pledge, payable in \$1 million installments over a ten-year period, is contingent upon the receipt of the annual \$1 million installment of a \$10 million unconditional pledge, also payable over ten years, made during the year ended June 30, 2018 to establish The David Geffen Fund at AFTD. For each of the years ended June 30, 2020 and 2019, the Organization recognized \$1 million of contribution revenue on this conditional commitment due to the receipt of annual installment of the original \$10 million pledge. In accordance with professional standards, the balance of the commitment was not recorded in the statements of financial position as of June 30, 2020 or 2019 because the conditions for the commitment have not been met.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE H - RESEARCH GRANTS PAYABLE

Research grants payable as of June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Research grants payable expected to be paid:		
Less than one year	\$ 1,321,134	\$ 1,103,403
One to five years	<u>510,620</u>	<u>764,386</u>
 Total research grants payable	 <u>\$ 1,831,754</u>	 <u>\$ 1,867,789</u>

NOTE I - LONG-TERM DEBT

On April 20, 2020, AFTD received a \$300,500 loan pursuant to the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") PPP Loan. Neither principle nor interest is due for a six-month deferral period through October 2020. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principle of the loan that is not forgiven under the PPP Loan program at the end of the six-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principle and interest over the next eighteen months, beginning in November 2020. The loan matures on April 20, 2022.

Scheduled future principle maturities of long-term debt as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 133,556
2022	<u>166,944</u>
	 <u>\$ 300,500</u>

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to passage of time:		
Promises to give that are not restricted by donors	<u>\$ 6,839,457</u>	<u>\$ 7,482,523</u>
Subject to expenditures for specified purpose:		
Research, FTD Biomarkers	-	1,030,785
Research, other	70,000	125,000
Volunteer Program Expansion	29,162	75,000
Awareness	12,380	43,223
Promises to give, the proceeds from which have been restricted by donors for:		
Research, FTD Biomarkers	1,350,448	2,455,357
Research, FTD/ALS	2,281,262	-
Research, other	25,000	-
Volunteer Program Expansion	<u>75,000</u>	<u>75,000</u>
	<u>3,843,252</u>	<u>3,804,365</u>
	<u>\$ 10,682,709</u>	<u>\$ 11,286,888</u>

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of time restriction:		
Funds received	<u>\$ 1,084,361</u>	<u>\$ 1,000,000</u>
Satisfaction of purpose restriction:		
Research, FTD Biomarkers	2,182,592	2,554,658
Research, Target ALS	668,803	-
Research, other	85,000	85,000
Awareness	36,343	57,427
Volunteer Program Expansion	<u>45,838</u>	<u>-</u>
	<u>\$ 4,102,937</u>	<u>\$ 3,697,085</u>

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE K - LEASE AGREEMENT

The Organization leased office space in a corporate center through December 2019. In August 2019, AFTD entered into an operating lease for new office space commencing on November 25, 2020 and expiring on May 31, 2027. In addition to monthly payments ranging from \$12,969 and \$15,390, AFTD is also required to pay monthly operating expenses of \$5,049. AFTD's rent for the first six months of the lease was abated. Since there was a rent abatement and there are rent escalations throughout the lease term, the lease will be recorded on a straight-line basis. The difference between the straight-line amount expense and the actual rent paid based on the terms of the lease agreement is recorded in deferred rent on the statements of financial position.

Schedule future annual lease payments under all operating leases as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 158,046
2022	162,196
2023	166,346
2024	170,496
2025	174,646
Thereafter	<u>346,352</u>
	<u>\$ 1,178,082</u>

Total rental expense for the years ended June 30, 2020 and 2019 was \$195,500 and \$120,320, respectively.

NOTE L - CONTINGENT GRANT AWARDS

The Organization awards respite grants to reimburse caregivers for travel and expenses incurred in acquiring respite. These grants are contingent upon the caregiver requesting reimbursement for eligible costs incurred and providing the Organization with proper documentation. The grants expire six months after the award date. As of June 30, 2020 and 2019, there were \$18,500 and \$15,000, respectively, of unexpired grants awarded for which the Organization has not received any reimbursement requests.

NOTE M - SIMPLE IRA PLAN

The Organization has a SIMPLE IRA Plan available to all employees earning at least \$5,000 per year. Eligible employees are able to contribute up to 100% of their total compensation or \$13,500 for calendar year 2020, or \$16,500 if over age 50. The Organization must match 3% in at least three out of every five consecutive years. For the years ended June 30, 2020 and 2019, the employer match was \$47,654 and \$41,043, respectively.

THE ASSOCIATION FOR FRONTOTEMPORAL DEGENERATION

Notes to Financial Statements June 30, 2020 and 2019

NOTE N - RELATED PARTY TRANSACTIONS

A Board member had a direct relation to a substantial contributor for the years ended June 30, 2020 and 2019. Donations, including promises to give, from this contributor for the years ended June 30, 2020 and 2019 were \$3,850,065 and \$3,883,391, respectively. Contributions from this contributor represent 39.9% and 41.4% of total support for the years ended June 30, 2020 and 2019, respectively. Contributions receivable from this contributor were \$10,666,138 and \$9,896,134 as of June 30, 2020 and 2019, respectively.

The Organization has a member interest in a nonprofit limited liability company, FTD Disorders Registry, LLC (the "LLC"). The Organization's CEO and a Board member are members of the LLC's Management Committee, which is responsible for oversight of the LLC's operations. The Organization has a contract with the LLC to provide the day-to-day oversight and operations for the LLC. During the years ended June 30, 2020 and 2019, the Organization billed the LLC \$97,298 and \$138,926, respectively, for services rendered. As of June 30, 2020 and 2019, accounts receivable from the LLC were \$172 and \$22,148, respectively. The Organization's member interest as of both June 30, 2020 and 2019 was 50%. On September 10, 2020, the LLC's formation agreement was modified to designate the Organization as managing member, to operate the business and affairs of the LLC. This includes management of day to day operations, preparation of the LLC's financials, appointment of any officers, and management of the LLC's personnel.

NOTE O - RISKS AND UNCERTAINTIES

The extent of the impact and effects of the recent outbreak of COVID-19 on the operation and financial performance of our business are unknown. However, the Organization does not expect that the outbreak will have a material adverse effect on our business or financial results at this time.

NOTE P - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 26, 2020, which is the date the financial statements were available to be issued.