



Financial Statements
(Together with Independent Auditors' Report)

Years Ended February 28, 2017 and February 29, 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

TOURETTE ASSOCIATION OF AMERICA INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

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M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Tourette Association of America Inc.

We have audited the accompanying financial statements of Tourette Association of America Inc. (the "Association"), which comprise the statements of financial position as of February 28, 2017 and February 29, 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tourette Association of America Inc. as of February 28, 2017 and February 29, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
June 21, 2017

TOURETTE ASSOCIATION OF AMERICA INC.
STATEMENTS OF FINANCIAL POSITION
AS OF FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Note 2C and 11)	\$ 2,381,638	\$ 505,031
Grants receivable (Note 2G)	60,745	39,009
Contributions receivable, net (Notes 2G and 5)	296,749	403,272
Investments (Notes 2D, 2F, 2M, and 3)	7,792,496	11,240,155
Prepaid expenses and other assets	221,183	243,582
Property and equipment, net (Notes 2E and 4)	25,335	33,048
Investments - permanently restricted (Notes 2B, 2M, 3 and 12)	326,000	326,000
TOTAL ASSETS	\$ 11,104,146	\$ 12,790,097
LIABILITIES		
Accounts payable and accrued expenses (Note 6)	\$ 435,747	\$ 339,058
Research grants payable (Note 9)	827,553	757,646
Deferred revenue (Note 2H)	55,550	51,348
TOTAL LIABILITIES	1,318,850	1,148,052
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Notes 2B and 13)		
Unrestricted	9,126,486	10,835,229
Temporarily restricted (Note 10)	332,810	480,816
Permanently restricted (Note 12)	326,000	326,000
TOTAL NET ASSETS	9,785,296	11,642,045
TOTAL LIABILITIES AND NET ASSETS	\$ 11,104,146	\$ 12,790,097

TOURETTE ASSOCIATION OF AMERICA INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

	For the Year Ended February 28, 2017			For the Year Ended February 29, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
SUPPORT AND REVENUE:								
Public Support:								
Fund raising events revenue	\$ 1,797,736	\$ -	\$ -	\$ 1,797,736	\$ 1,767,592	\$ -	\$ -	\$ 1,767,592
Less: direct benefits to donors (Note 2K)	(714,182)	-	-	(714,182)	(626,480)	-	-	(626,480)
Net fundraising events revenue	1,083,554	-	-	1,083,554	1,141,112	-	-	1,141,112
Grants, contributions and bequests (Notes 2F, 2J, and 5)	628,003	540,050	-	1,168,053	589,557	739,416	-	1,328,973
Membership dues	94,728	-	-	94,728	72,849	-	-	72,849
Total Public Support	1,806,285	540,050	-	2,346,335	1,803,518	739,416	-	2,542,934
Government Support:								
C.D.C. grant	907,820	-	-	907,820	694,108	-	-	694,108
Total Government Support	907,820	-	-	907,820	694,108	-	-	694,108
Revenue:								
Investment activity (Note 3)	874,915	5,989	-	880,904	(443,239)	4,604	-	(438,635)
Sales - emblems, audio visuals and publications	419	-	-	419	6,647	-	-	6,647
Conference income	163,663	-	-	163,663	162,538	-	-	162,538
Total Revenue	1,038,997	5,989	-	1,044,986	(274,054)	4,604	-	(269,450)
Net assets released from restrictions (Notes 2B and 10)	694,045	(694,045)	-	-	813,026	(813,026)	-	-
TOTAL SUPPORT AND REVENUE	4,447,147	(148,006)	-	4,299,141	3,036,598	(69,006)	-	2,967,592
EXPENSES:								
Program services	4,540,450	-	-	4,540,450	4,678,673	-	-	4,678,673
Management and general	688,774	-	-	688,774	1,479,870	-	-	1,479,870
Fundraising	926,666	-	-	926,666	819,625	-	-	819,625
TOTAL EXPENSES	6,155,890	-	-	6,155,890	6,978,168	-	-	6,978,168
CHANGE IN NET ASSETS (Note 13)	(1,708,743)	(148,006)	-	(1,856,749)	(3,941,570)	(69,006)	-	(4,010,576)
Net assets - beginning of year	10,835,229	480,816	326,000	11,642,045	14,776,799	549,822	326,000	15,652,621
NET ASSETS - END OF YEAR	\$ 9,126,486	\$ 332,810	\$ 326,000	\$ 9,785,296	\$ 10,835,229	\$ 480,816	\$ 326,000	\$ 11,642,045

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

TOURETTE ASSOCIATION OF AMERICA INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 28, 2017
(With Comparative Totals for the year ended February 29, 2016)

	Program Services				Support Services			TOTAL 2017	TOTAL 2016
	Public Education	Professional Education	Center for Disease Control Program	Research	Total Program Services	Management and General	Fundraising		
Salaries	\$ 626,922	\$ 10,540	\$ 279,368	\$ 453,929	\$ 1,370,759	\$ 351,879	\$ 495,361	\$ 2,217,999	\$ 2,532,980
Payroll taxes and employee benefits (Note 6)	<u>116,067</u>	<u>3,330</u>	<u>58,925</u>	<u>79,090</u>	<u>257,412</u>	<u>102,420</u>	<u>88,641</u>	<u>448,473</u>	<u>564,113</u>
Total Salaries and Related Costs	742,989	13,870	338,293	533,019	1,628,171	454,299	584,002	2,666,472	3,097,093
Occupancy (Note 7)	91,673	-	-	35,969	127,642	45,507	44,889	218,038	196,870
Repairs and maintenance	3,910	-	-	1,488	5,398	2,180	2,150	9,728	9,241
Depreciation	7,968	-	-	3,032	11,000	4,442	4,381	19,823	25,817
Telephone and internet	10,939	-	334	6,615	17,888	2,714	16,972	37,574	53,103
Information technology	40,028	-	-	28,090	68,118	22,857	31,273	122,248	93,742
Postage and mail services	15,854	1,077	24,556	35,401	76,888	13,987	66,350	157,225	108,255
Printing and publications	-	-	266,368	51,455	317,823	1,294	62,641	381,758	160,568
Supplies	12,668	-	43,625	8,701	64,994	7,024	25,246	97,264	114,940
Insurance	19,694	-	-	14,940	34,634	9,055	1,585	45,274	45,184
Professional fees	-	-	-	12,581	12,581	25,419	-	38,000	33,000
Donated legal expense (Note 2F)	49,525	-	-	49,525	99,050	49,525	-	148,575	307,944
Consultants	90,124	-	9,811	60,751	160,686	16,332	22,402	199,420	244,748
Travel expenses	7,401	13,012	96,573	14,971	131,957	14,455	32,435	178,847	189,831
Registration, filing fees and membership	6,457	-	2,875	1,341	10,673	11,301	9,305	31,279	29,996
Other conferences and meetings	65,547	-	27,202	54,843	147,592	-	-	147,592	624,474
National conference	173,740	-	-	-	173,740	-	-	173,740	-
Chapter support (Note 8)	63,971	-	-	-	63,971	-	-	63,971	17,874
Promotional expenses	64,511	23,000	90,750	25,758	204,019	-	792	204,811	89,777
Recruitment and training	21,731	-	9,997	536	32,264	2,125	1,335	35,724	253,172
Research grants (Note 9)	-	-	-	819,856	819,856	-	-	819,856	875,157
Genetic analysis and lab pathology (Note 9)	-	-	-	311,312	311,312	-	-	311,312	307,012
Miscellaneous	2,194	7,333	5,075	5,591	20,193	6,258	20,908	47,359	45,900
Uncollectible receivables	-	-	-	-	-	-	-	-	54,470
TOTAL EXPENSES	<u>\$ 1,490,924</u>	<u>\$ 58,292</u>	<u>\$ 915,459</u>	<u>\$ 2,075,775</u>	<u>\$ 4,540,450</u>	<u>\$ 688,774</u>	<u>\$ 926,666</u>	<u>\$ 6,155,890</u>	<u>\$ 6,978,168</u>

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

**TOURETTE ASSOCIATION OF AMERICA INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 29, 2016**

	Program Services				Support Services		TOTAL 2016	
	Public Education	Professional Education	Center for Disease Control Program	Research	Total Program Services	Management and General		Fundraising
Salaries	\$ 653,548	\$ 56,447	\$ 291,383	\$ 382,629	\$ 1,384,007	\$ 729,661	\$ 419,312	\$ 2,532,980
Payroll taxes and employee benefits (Note 6)	164,171	16,251	69,790	77,979	328,191	128,604	107,318	564,113
Total Salaries and Related Costs	817,719	72,698	361,173	460,608	1,712,198	858,265	526,630	3,097,093
Occupancy (Note 7)	74,657	8,274	-	24,012	106,943	51,921	38,006	196,870
Repairs and maintenance	3,449	389	-	1,127	4,965	2,476	1,800	9,241
Depreciation	9,634	1,086	-	3,149	13,869	6,920	5,028	25,817
Telephone and internet	19,461	755	397	10,472	31,085	4,326	17,692	53,103
Information technology	40,309	-	-	13,124	53,433	24,373	15,936	93,742
Postage and mail services	9,172	914	45,473	11,217	66,776	8,260	33,219	108,255
Printing and publications	2,164	10	74,084	25,117	101,375	827	58,366	160,568
Supplies	32,500	2,098	10,792	28,125	73,515	15,729	25,696	114,940
Insurance	19,655	-	-	14,911	34,566	9,037	1,581	45,184
Professional fees	-	-	-	10,899	10,899	22,101	-	33,000
Donated legal expense (Note 2F)	102,648	-	-	102,648	205,296	102,648	-	307,944
Consultants	82,810	-	7,367	55,300	145,477	96,402	2,869	244,748
Travel expenses	14,314	-	87,695	25,412	127,421	26,485	35,925	189,831
Registration, filing fees and membership	7,086	-	767	486	8,339	10,700	10,957	29,996
Other conferences and meetings	85,231	-	49,093	490,150	624,474	-	-	624,474
Chapter support (Note 8)	17,874	-	-	-	17,874	-	-	17,874
Promotional expenses	35,455	-	34,800	18,590	88,845	-	932	89,777
Recruitment and training	44,415	-	5,473	8,250	58,138	169,232	25,802	253,172
Research grants (Note 9)	-	-	-	875,157	875,157	-	-	875,157
Genetic analysis and lab pathology (Note 9)	-	-	-	307,012	307,012	-	-	307,012
Miscellaneous	2,301	-	1,500	7,215	11,016	15,698	19,186	45,900
Uncollectible receivables	-	-	-	-	-	54,470	-	54,470
TOTAL EXPENSES	\$ 1,420,854	\$ 86,224	\$ 678,614	\$ 2,492,981	\$ 4,678,673	\$ 1,479,870	\$ 819,625	\$ 6,978,168

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

TOURETTE ASSOCIATION OF AMERICA INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,856,749)	\$ (4,010,576)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	19,823	25,817
Realized gain on investments	(131,317)	(240,075)
Unrealized (gain) loss on investments	(559,836)	923,189
Amortization of discount on contributions	(3,068)	(4,566)
Uncollectible receivables	-	54,470
Subtotal	(2,531,147)	(3,251,741)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(21,736)	27,231
Contributions receivable	109,591	73,175
Prepaid expenses and other assets	22,399	53,040
Increase (decrease) increase in liabilities:		
Accounts payable and accrued expenses	96,689	(23,353)
Research grants payable	69,907	(254,291)
Deferred revenue	4,202	(18,396)
Net Cash Used in Operating Activities	(2,250,095)	(3,394,335)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(12,110)	(17,573)
Proceeds from sales of investments	6,691,955	6,730,066
Purchases of investments	(2,553,143)	(3,480,511)
Net Cash Provided by Investing Activities	4,126,702	3,231,982
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,876,607	(162,353)
Cash and cash equivalents - beginning of year	505,031	667,384
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,381,638	\$ 505,031

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

**TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017 AND FEBRUARY 29, 2016**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Tourette Association of America Inc. (the “Association”) was incorporated in the State of New York as a not-for-profit organization in 1972. The Association has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The Association is dedicated to making life better for all people affected by Tourette and other Tic Disorders, and accomplishes this through efforts that raise awareness, advance research, and provide ongoing support. To this end, the Association:

Public Education:

- Provides support to individuals and families. The Association maintains a network of 32 local chapters and 75 support groups that provide local support services for people living with Tourette Syndrome. Chapter and groups are located across the country and offer emotional support, educational workshops and the chance to participate in community, group and awareness activities. The national office of the Association offers free information and referral services for individuals and families, as well as individualized education support and planning services.
- Fosters awareness and social acceptance. The Association develops and disseminates informational materials, resources and referral information to the general public, and generally promotes awareness and understanding about Tourette through various channels. These channels include a comprehensive and informative website, a robust social media presence designed to catalyze understanding and social acceptance of Tourette, and a national education and advocacy conference.
- Empowers young people. Through its Youth Ambassador Program, the Association has been instrumental in empowering teens with Tourette. Through this program, young people are trained to teach their peers about Tourette Syndrome and, in the process, become confident despite their diagnosis. The impact and effectiveness of this program’s impact has been well documented by both the Youth Ambassadors themselves as well as media around the country.

Professional Education:

- Provides education to professionals. The Association promotes awareness and understanding of Tourette Syndrome to medical, scientific, educational and allied professionals. This is done through the development of educational materials, conducting conferences, and distributing and interpreting research updates. The Association also develops materials designed to educate and foster sensitivity among law enforcement and service professionals.
- The Tourette Syndrome Behavior Training Institute (“TS-BTI”) was created to expand the number of healthcare professionals competently trained in behavior therapy for Tourette Syndrome and other tic disorders. Individuals participating in the TS-BTI are health or mental health practitioners licensed or certified to practice in their state.

Center for Disease Control Program:

- The Association and Center for Disease Control and Prevention (“CDC”) is in its thirteenth year of a medical education partnership which is part of a larger appropriation from the U.S. Congress. Through the partnership, the Association seeks to achieve increased access to awareness of available support services and treatments for Tourette Syndrome among the community, public, healthcare and educational professionals.

Research:

- Partners with respected healthcare systems to provide superior treatment. Under the name “Tourette Association Center of Excellence Program,” the Association partners with nine of the nation’s most respected university and hospital systems to develop and deliver a model of coordinated care for people with Tourette Syndrome and Tic Disorders. While still in the pilot phase, these nine centers, which are located around the country, offer the most advanced research and treatment options for patients. The program also coordinates medical care with other local support services to create a model of seamless and holistic treatment for all patients.

TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- Advances research. The Tourette Association has developed and manages a diverse portfolio of research and medical programs for Tourette and Tic disorders. The centerpiece of this portfolio is a grants program that supports all areas of scientific research and is connected to the Centers of Excellence Program. The Association's prestigious research and medical programs are overseen by external advisory boards of experts, and many grants that receive seed funding from the Association for proof of concept have gone on to secure major funding from the National Institutes of Health (NIH).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Association prepares its financial statements using the accrual basis of accounting. The Association adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. The Association distinguishes between contributions that increase permanently and temporarily restricted net assets and unrestricted net assets depending on the existence and/or nature of any donor restrictions. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unrestricted net assets are resources available for support of the Association's operations over which the Board has discretionary control.

Temporarily restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose of providing program services or the passage of time. As of February 28, 2017 and February 29, 2016, temporarily restricted net assets are available for public and professional education services, and include certain time restricted contributions.

Permanently restricted net assets represent the principal of an endowment fund. The Board of Directors has interpreted the New York-enacted version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing the Association to appropriate for expenditure or accumulate so much of an endowment fund as the Association determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, (currently the Public Education program). The donor has reserved the right to change the program designation.

The Association's permanently restricted net assets of \$326,000 are included in the accompanying statements of financial position. Investment income or loss (including gains and losses on investment and interest) is included in the statements of activities as increases in temporarily restricted net assets until appropriated for expenditure.

- C. The Association considers all highly liquid debt instruments purchased with maturities of 90 days or less (except money market funds held by investment trustees for long-term investment) to be cash and cash equivalents.
- D. Investments in common stocks are reported at fair value based upon quoted market value. Investments in certificates of deposit are carried at cost, which approximates fair value because of the short maturities of certificates of deposit.
- E. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Property and equipment is capitalized provided its cost is \$1,000 or more and its useful life is greater than one year. Depreciation is provided on a straight-line basis over the estimated useful life of the asset.

**TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017 AND FEBRUARY 29, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Donated services are recognized in the accompanying financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Association receives contributed legal services that are valued at the standard market rates that would have been incurred by the Association to obtain such services. Contributed services are reported as revenue and expense in the accompanying statements of activities, because they meet the criteria as prescribed by U.S. GAAP. Additionally, the Association received donated securities which are valued at fair market value at the date of donation. During the years ended February 28, 2017 and February 29, 2016, in-kind contributions included the following:

	2017	2016
Contributed legal services	\$ 148,575	\$ 307,944
Donated securities	8,149	3,650
Total in-kind contributions	\$ 156,724	\$ 311,594

G. Contributions receivable are recorded at net realizable value. Unless material, the Association does not discount them to present value. Grants receivable consist of receivables from CDC. As of February 28, 2017 and February 29, 2016, the Association determined that no allowance for uncollectible receivables was necessary. The determination is based on a combination of factors, such as management’s assessment of the aged basis of its government funding sources, estimates of the creditworthiness of its donors, current economic conditions and historical information.

H. Revenue from government grants and contracts designated for use toward specific activities is recognized in the period when expenses have been incurred in compliance with the grantor’s conditions. Cash received in excess of revenue recognized is recorded as deferred revenue. Registration income for conferences are deferred and will be applied to expense to be incurred in the next year. Cash received in excess of revenue recognized is recorded as deferred revenue. As of February 28, 2017 and February 29, 2016, the Association received \$55,550 and \$51,348, respectively, of advances for conferences that will be applied to expenses to be incurred in the next year.

I. The preparation of financial statements in conformity with U.S. GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

J. The Association recognizes bequests when the bequests become known and when the individual’s will is declared valid by the probate court.

K. The direct cost of special events includes expenses for the benefit of the donor. For example, meals, facilities and rental are considered direct costs of special events.

L. The cost of providing the various program and other activities of the Association have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

M. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 3.

N. Reclassification - Certain statement of functional expense line items in the February 29, 2016 financial statements have been reclassified to conform to the February 28, 2017 financial statement presentation.

TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
Money market	\$ 703	\$ 145,813
Certificates of deposit	5,691,277	7,255,277
Equity securities:		
Domestic Corporate Equity	44,439	1,633,966
International Equity	<u>-</u>	<u>627,148</u>
Total equity securities	44,439	2,261,114
Mutual funds:		
US – Mid Cap	202,634	154,713
US – Small Cap	420,940	153,722
US – Large Value	918,107	656,178
US – Large Growth	840,396	755,405
International Developed Markets	<u>-</u>	<u>183,933</u>
Total equity securities	2,382,077	1,903,951
Total investments	<u>\$ 8,118,496</u>	<u>\$ 11,566,155</u>

Certain of the Association's investments are subject to market volatility that could substantially change their fair values in the near term.

Investment activity consists of the following for the years ended February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 189,751	\$ 244,479
Realized gain	131,317	240,075
Unrealized gain (loss)	<u>559,836</u>	<u>(923,189)</u>
	<u>\$ 880,904</u>	<u>\$ (438,635)</u>

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. The Association does not have investments in Level 2.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. The Association does not have investments in Level 3.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

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NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets are carried at fair value at February 28, 2017 are classified in the table below as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>
Investments:	
Money market funds	\$ 703
Equity securities	44,439
Mutual funds	<u>2,382,077</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 2,427,219</u>

Financial assets are carried at fair value at February 29, 2016 are classified in the table below as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>
Investments:	
Money market funds	\$ 145,813
Equity securities	2,261,114
Mutual funds	<u>1,903,951</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 4,310,878</u>

The Association's policy is to recognize transfers in and transfers out between fair value levels as of the beginning of the period in which the transfer takes place. During the years ended February 28, 2017 and February 29, 2016, no such transfers between fair value levels occurred.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Office equipment	\$ 110,995	\$ 110,995	5 Years
Computer equipment	<u>145,841</u>	<u>145,991</u>	3 Years
Total cost	256,836	256,986	
Less: accumulated depreciation	<u>(231,501)</u>	<u>(223,938)</u>	
Net book value	<u>\$ 25,335</u>	<u>\$ 33,048</u>	

During the years ended February 28, 2017 and February 29, 2016, the Association wrote-off fully depreciated equipment in the amount of \$12,260 and \$10,880 respectively. Depreciation expense amounted to \$19,823 and \$25,817 for the years ended February 28, 2017 and February 29, 2016, respectively.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are scheduled to be received as of February 28, 2017 and February 29, 2016 as follows:

	<u>2017</u>	<u>2016</u>
Amounts due in less than one year	\$ 198,294	\$ 207,885
Amounts due in one to five years	<u>100,000</u>	<u>200,000</u>
	298,294	407,885
Discount (at 1.57%)	<u>(1,545)</u>	<u>(4,613)</u>
	<u>\$ 296,749</u>	<u>\$ 403,272</u>

The discount is reflected as a reduction to grants, contributions and bequest in the accompanying statements of activities.

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NOTE 6 – PENSION PLAN

The Association sponsors a qualified defined contribution pension plan for substantially all of its full-time employees. Eligibility requirements include a minimum of two years of employment with the Association or two years in the non-profit health field, social service field or with a nonprofit educational institution. Contributions paid to the pension plan are made monthly by the Association at a rate of 6% of each employee's monthly salary. In addition, the Association maintains a voluntary contribution 403(b) plan covering all eligible employees with no matching contributions. Effective February 1, 2016, the pension plan was revised. Under the new revised plan, eligibility for enrollment is one year of service. The Association will match up to 3% of employee deferrals. Matching will vest ratably over a 5 year period.

Pension expense for the years ended February 28, 2017 and February 29, 2016 amounted to \$40,350 and \$107,674, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

- A. The Association believes it has no uncertain tax positions as of February 28, 2017 and February 29, 2016 in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- B. The Association has a five year lease for real property through December 2017. In addition, the Association is obligated under various lease agreements for the use of equipment through September 2020. Following are the future minimum lease payments under the lease for real property and the leases for the equipment for the years ending after February 28, 2017:

	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2018	\$ 149,938	\$ 13,634	\$ 163,572
2019	-	7,402	7,402
2020	-	4,286	4,286
2021	-	4,286	4,286
2022	-	2,500	2,500
	<u>\$ 149,938</u>	<u>\$ 32,108</u>	<u>\$ 182,046</u>

Rent expense for the years ended February 28, 2017 and February 29, 2016 amounted to \$188,245 and \$177,680, respectively, and is included in occupancy expense in the accompanying financial statements.

NOTE 8 – AFFILIATED CHAPTERS

Affiliates of the Association include 32 chapters in the United States operating pursuant to a group exemption letter as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Affiliates operate as chapters of the Association pursuant to chapter agreements. Each chapter adopts by-laws which conform to the standard chapter by-laws provided by the Association. Each chapter elects its own Board of Directors in accordance with the adopted by-laws. Accordingly, management has determined that these chapters are not to be consolidated under current U.S. GAAP and therefore operations of these chapters are not included in the accompanying financial statements. For the years ended February 28, 2017 and February 29, 2016, the Association distributed \$63,971 and \$17,874, respectively, to various chapters. The distributions are based on an agreement between the chapters and the Association and calls for 50% to be paid to the chapters from the membership dues received by the Association.

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NOTE 9 – RESEARCH GRANTS

Research grants payable consists of the following as of February 28, 2017 and February 29, 2016:

	2017	2016
Board approved research grants to be paid subsequent to year end	\$ <u>827,553</u>	\$ <u>757,646</u>
	\$ <u>827,553</u>	\$ <u>757,646</u>

Direct research grant expenses amounted to \$819,856 and \$875,157, for the years ended February 28, 2017 and February 29, 2016, respectively. The Association's direct research grant program continues to fund studies in many areas of specialty, such as, epidemiology, neuropathology, imaging, behavioral studies and general science.

General research expenses amounted to \$311,312 and \$307,012, for the years ended February 28, 2017 and February 28, 2016, respectively. The Association has funded research projects in the areas of deep brain stimulation (DBS), a brain bank, clinical trials, and centers of excellence programs

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

As of February 28, 2017 and February 29, 2016, temporarily restricted net assets were available for the following purposes:

	2017	2016
Public Education and Support	\$ 134,355	\$ 180,429
For future periods	<u>198,455</u>	<u>300,387</u>
Total	<u>\$ 332,810</u>	<u>\$ 480,816</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of other events specified by donors or the passage of time during the years ended February 28, 2017 and February 29, 2016:

	2017	2016
Public Education and Support	\$ 310,057	\$ 132,504
Research	<u>383,988</u>	<u>680,522</u>
Total	<u>\$ 694,045</u>	<u>\$ 813,026</u>

NOTE 11 – CONCENTRATION

Cash and cash equivalents that potentially subject the Association to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits of up to \$250,000 per depositor. As of February 28, 2017 and February 29, 2016, there were approximately \$394,000 and \$567,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

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NOTE 12 – ENDOWMENT NET ASSETS

The Association's Board recognizes that NYPMIFA permits the Board to appropriate for expenditure all earnings of such endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of such earnings.

The Board explicitly appropriated all earnings of the endowment fund as of and prior to February 28, 2011, whether deemed spent or not as temporarily restricted, to be used to fund the Public Education program.

The Association's endowment investment policy is to invest in certificates of deposit and equities based on an asset allocation with the objective of the preservation of capital as well as to provide for long term growth of principal without undue risk. Annual spending from the endowment fund for the education program is established by the donor and unless authorized by the donor, the appropriations from the endowment fund should not deplete the real dollar value of the endowment fund. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted.

Changes in endowment net assets for the year ended February 28, 2017 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:			
Interest and dividends	\$ <u>5,989</u>	\$ <u>-</u>	\$ <u>5,989</u>
Total investment activity	5,989	-	5,989
Expenditures for Public Education program	<u>(5,989)</u>	<u>-</u>	<u>(5,989)</u>
Total change in endowment net assets	-	-	-
Endowment net assets, beginning of year	<u>-</u>	<u>326,000</u>	<u>326,000</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 326,000</u>	<u>\$ 326,000</u>

Changes in endowment net assets for the year ended February 29, 2016 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:			
Interest and dividends	\$ <u>4,604</u>	\$ <u>-</u>	\$ <u>4,604</u>
Total investment activity	4,604	-	4,604
Expenditures for Public Education program	<u>(4,604)</u>	<u>-</u>	<u>(4,604)</u>
Total change in endowment net assets	-	-	-
Endowment net assets, beginning of year	<u>-</u>	<u>326,000</u>	<u>326,000</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 326,000</u>	<u>\$ 326,000</u>

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NOTE 13 – SUSTAINABILITY PLAN

The Association experienced significant progress over the course of the past fiscal year. The Association has installed a new President & CEO and, accordingly, has significantly upgraded the Association's fundraising capacity by implementing a structure that focuses on TAA's programming and donor experience. There has been an increase in revenue and a large decrease to longstanding annual deficits year over year.

The Association has established a consistent drumbeat of multi-channel communications that will be incorporated into donor engagement pathways, such as messaging, cultivation, stewardship, and collateral development. These elements are essential toward supporting sustainable growth that incorporates organizational assets, including the ongoing Awareness Campaign, Centers of Excellence, Chapters, Membership, and Youth Ambassador Programs.

While the Association pursues a bold and aggressive plan to reactivate past members and attract new ones, the Association will continue with the work that made the Association the most respected source and resource in the Tourette and Tic Disorder community. The Association will continue to advance research and treatment options, provide local support, advocate for policies that are supportive, and raise awareness, educate professionals, and foster social acceptance.

NOTE 14 – SUBSEQUENT EVENTS

The Association has evaluated for potential recognition and disclosure, events subsequent to the date of the statements of financial position through June 21, 2017, the date the financial statements were available to be issued.