



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended February 28, 2019 and 2018

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, 2019 AND 2018

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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, 2019 and 2018, 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 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 Tourette Association of America Inc. as of February 28, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2N to the financial statements, during the year ended February 28, 2019, the Association adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
July 16, 2019

TOURETTE ASSOCIATION OF AMERICA INC.
STATEMENTS OF FINANCIAL POSITION
AS OF FEBRUARY 28, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C and 13)	\$ 883,685	\$ 1,495,482
Grants receivable (Note 2G)	70,952	80,693
Contributions receivable, net (Notes 2G and 6)	1,459,189	1,647,188
Investments (Notes 2D, 2F, 2M, and 4)	8,766,094	8,713,044
Investments - with donor restrictions (Notes 2B, 2M, 4 and 12)	334,000	326,000
Prepaid expenses and other assets	236,238	249,219
Property and equipment, net (Notes 2E and 5)	42,264	23,336
TOTAL ASSETS	\$ 11,792,422	\$ 12,534,962
LIABILITIES		
Accounts payable and accrued expenses (Note 7)	\$ 268,991	\$ 286,819
Research grants payable (Note 10)	497,398	601,214
Deferred revenue (Note 2H)	16,412	144,048
TOTAL LIABILITIES	782,801	1,032,081
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Notes 2B, 11 and 12)		
Without Donor Restrictions	9,339,693	9,424,547
With Donor Restrictions:		
Restricted for time and purpose (Note 11)	1,335,928	1,752,334
Perpetual in nature (Note 12)	334,000	326,000
Total net assets with donor restrictions	1,669,928	2,078,334
TOTAL NET ASSETS	11,009,621	11,502,881
TOTAL LIABILITIES AND NET ASSETS	\$ 11,792,422	\$ 12,534,962

TOURETTE ASSOCIATION OF AMERICA INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

	For the Year Ended February 28, 2019			For the Year Ended February 28, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
SUPPORT AND REVENUE:						
Public Support:						
Fund raising events revenue	\$ 1,296,944	\$ -	\$ 1,296,944	\$ 5,894,893	\$ -	\$ 5,894,893
Less: direct benefits to donors (Note 2K)	<u>(171,355)</u>	<u>-</u>	<u>(171,355)</u>	<u>(3,577,726)</u>	<u>-</u>	<u>(3,577,726)</u>
Net fundraising events revenue	1,125,589	-	1,125,589	2,317,167	-	2,317,167
Grants, contributions and bequests (Notes 2F and 2J)	1,539,978	543,780	2,083,758	994,337	2,230,008	3,224,345
Membership dues	<u>41,990</u>	<u>-</u>	<u>41,990</u>	<u>73,521</u>	<u>-</u>	<u>73,521</u>
Total Public Support	<u>2,707,557</u>	<u>543,780</u>	<u>3,251,337</u>	<u>3,385,025</u>	<u>2,230,008</u>	<u>5,615,033</u>
Government Support:						
C.D.C. grant	<u>1,082,899</u>	<u>-</u>	<u>1,082,899</u>	<u>861,296</u>	<u>-</u>	<u>861,296</u>
Total Government Support	<u>1,082,899</u>	<u>-</u>	<u>1,082,899</u>	<u>861,296</u>	<u>-</u>	<u>861,296</u>
Revenue:						
Investment activity (Note 4)	199,694	6,701	206,395	450,604	6,521	457,125
Conference income	<u>174,766</u>	<u>-</u>	<u>174,766</u>	<u>53,100</u>	<u>-</u>	<u>53,100</u>
Total Revenue	<u>374,460</u>	<u>6,701</u>	<u>381,161</u>	<u>503,704</u>	<u>6,521</u>	<u>510,225</u>
Net assets released from restrictions (Notes 2B and 11)	<u>958,887</u>	<u>(958,887)</u>	<u>-</u>	<u>817,005</u>	<u>(817,005)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>5,123,803</u>	<u>(408,406)</u>	<u>4,715,397</u>	<u>5,567,030</u>	<u>1,419,524</u>	<u>6,986,554</u>
EXPENSES:						
Program services	4,037,844	-	4,037,844	3,953,223	-	3,953,223
Management and general	639,807	-	639,807	667,254	-	667,254
Fundraising	<u>531,006</u>	<u>-</u>	<u>531,006</u>	<u>648,492</u>	<u>-</u>	<u>648,492</u>
TOTAL EXPENSES	<u>5,208,657</u>	<u>-</u>	<u>5,208,657</u>	<u>5,268,969</u>	<u>-</u>	<u>5,268,969</u>
CHANGE IN NET ASSETS (Notes 11 and 12)	(84,854)	(408,406)	(493,260)	298,061	1,419,524	1,717,585
Net assets - beginning of year	<u>9,424,547</u>	<u>2,078,334</u>	<u>11,502,881</u>	<u>9,126,486</u>	<u>658,810</u>	<u>9,785,296</u>
NET ASSETS - END OF YEAR	<u>\$ 9,339,693</u>	<u>\$ 1,669,928</u>	<u>\$ 11,009,621</u>	<u>\$ 9,424,547</u>	<u>\$ 2,078,334</u>	<u>\$ 11,502,881</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 28, 2019
(With Comparative Totals for the year ended February 28, 2018)

	Program Services				Support Services			TOTAL 2019	TOTAL 2018
	Public Education	Professional Education	Center for Disease Control Program	Research	Total Program Services	Management and General	Fundraising		
Salaries	\$ 688,211	\$ 8,605	\$ 317,965	\$ 236,550	\$ 1,251,331	\$ 265,953	\$ 212,470	\$ 1,729,754	\$ 1,791,768
Payroll taxes and employee benefits (Note 7)	<u>127,762</u>	<u>2,621</u>	<u>55,498</u>	<u>56,870</u>	<u>242,751</u>	<u>42,698</u>	<u>36,101</u>	<u>321,550</u>	<u>327,972</u>
Total Salaries and Related Costs	815,973	11,226	373,463	293,420	1,494,082	308,651	248,571	2,051,304	2,119,740
Occupancy (Note 8)	93,487	-	14,396	25,817	133,700	44,035	34,272	212,007	201,718
Repairs and maintenance	4,006	-	-	1,093	5,099	1,740	1,446	8,285	7,066
Depreciation	7,348	-	-	2,005	9,353	3,191	2,652	15,196	15,089
Telephone and internet	7,785	-	91,138	3,889	102,812	1,935	1,190	105,937	16,352
Information technology	43,993	-	-	17,351	61,344	22,668	13,937	97,949	105,620
Postage and mail services	26,297	18	197,209	19,748	243,272	11,941	50,347	305,560	227,012
Printing and publications	8,480	-	26,198	46,385	81,063	-	81,872	162,935	315,965
Supplies	25,393	10	58,418	6,612	90,433	10,797	23,422	124,652	99,369
Insurance	25,269	135	-	1,834	27,238	17,846	2,126	47,210	46,892
Professional fees	16,264	-	-	12,477	28,741	5,284	6,175	40,200	39,001
Legal expense (Note 2F)	35,825	-	-	72,821	108,646	67,371	4,403	180,420	231,827
Consultants	111,827	-	29,800	21,363	162,990	29,822	18,070	210,882	181,314
Travel expenses	19,197	10,215	117,479	4,358	151,249	29,917	25,771	206,937	171,891
Registration, filing fees and membership	10,961	-	146	4,375	15,482	7,345	339	23,166	16,349
Other conferences and meetings	56,040	-	95,484	25,026	176,550	-	111	176,661	199,026
National conference	184,940	-	-	-	184,940	-	-	184,940	-
Chapter support (Note 9)	42,873	-	28,245	-	71,118	-	-	71,118	52,967
Promotional expenses	102,618	-	1,846	-	104,464	-	8,563	113,027	159,557
Recruitment and training	32,069	-	-	31,064	63,133	21,778	6,466	91,377	8,309
Research grants (Note 10)	-	-	-	506,605	506,605	-	-	506,605	563,332
Genetic analysis and lab pathology (Note 10)	-	-	31,840	133,570	165,410	-	-	165,410	385,584
Miscellaneous	12,416	19,382	17,240	1,082	50,120	28,236	1,273	79,629	52,555
Uncollectible receivables	-	-	-	-	-	27,250	-	27,250	52,434
TOTAL EXPENSES	<u>\$ 1,683,061</u>	<u>\$ 40,986</u>	<u>\$ 1,082,902</u>	<u>\$ 1,230,895</u>	<u>\$ 4,037,844</u>	<u>\$ 639,807</u>	<u>\$ 531,006</u>	<u>\$ 5,208,657</u>	<u>\$ 5,268,969</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 28, 2018**

	<u>Program Services</u>				<u>Support Services</u>			TOTAL 2018
	Public Education	Professional Education	Center for Disease Control Program	Research	Total Program Services	Management and General	Fundraising	
Salaries	\$ 661,328	\$ 9,766	\$ 250,085	\$ 306,828	\$ 1,228,007	\$ 269,697	\$ 294,064	\$ 1,791,768
Payroll taxes and employee benefits (Note 7)	118,918	2,705	49,899	59,630	231,152	50,259	46,561	327,972
Total Salaries and Related Costs	780,246	12,471	299,984	366,458	1,459,159	319,956	340,625	2,119,740
Occupancy (Note 8)	58,093	-	16,788	20,656	95,537	56,567	49,614	201,718
Repairs and maintenance	2,383	-	-	852	3,235	1,758	2,073	7,066
Depreciation	5,090	-	-	1,819	6,909	3,753	4,427	15,089
Telephone and internet	6,443	-	20	3,542	10,005	2,349	3,998	16,352
Information technology	43,395	-	-	18,710	62,105	24,443	19,072	105,620
Postage and mail services	10,102	-	129,840	21,870	161,812	11,078	54,122	227,012
Printing and publications	-	-	164,910	57,519	222,429	-	93,536	315,965
Supplies	15,153	-	52,226	6,047	73,426	8,790	17,153	99,369
Insurance	25,480	131	-	1,802	27,413	17,415	2,064	46,892
Professional fees	12,091	-	-	15,983	28,074	4,529	6,398	39,001
Legal expense (Note 2F)	76,974	-	-	78,267	155,241	74,460	2,126	231,827
Consultants	120,803	-	1,000	22,258	144,061	18,511	18,742	181,314
Travel expenses	2,104	17,715	93,912	8,208	121,939	26,324	23,628	171,891
Registration, filing fees and membership	9,446	-	-	900	10,346	4,921	1,082	16,349
Other conferences and meetings	111,618	-	32,332	55,076	199,026	-	-	199,026
Chapter support (Note 9)	52,967	-	-	-	52,967	-	-	52,967
Promotional expenses	64,575	20,000	67,451	7,500	159,526	-	31	159,557
Recruitment and training	299	-	2,824	-	3,123	2,772	2,414	8,309
Research grants (Note 10)	-	-	-	563,332	563,332	-	-	563,332
Genetic analysis and lab pathology (Note 10)	-	-	-	385,584	385,584	-	-	385,584
Miscellaneous	979	6,373	11	611	7,974	37,194	7,387	52,555
Uncollectible receivables	-	-	-	-	-	52,434	-	52,434
TOTAL EXPENSES	\$ 1,398,241	\$ 56,690	\$ 861,298	\$ 1,636,994	\$ 3,953,223	\$ 667,254	\$ 648,492	\$ 5,268,969

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (493,260)	\$ 1,717,585
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	15,196	15,089
Provision for doubtful accounts	27,250	25,000
Endowment contribution	(8,000)	-
Realized loss (gain) on investments	1,302	(194,709)
Unrealized gain on investments	(46,023)	(118,314)
Discount on contributions net of amortization	(27,926)	69,182
Subtotal	(531,461)	1,513,833
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	9,741	(19,948)
Contributions receivable	188,675	(1,444,621)
Prepaid expenses and other assets	12,981	(28,036)
Increase (decrease) increase in liabilities:		
Accounts payable and accrued expenses	(17,828)	(148,928)
Research grants payable	(103,816)	(226,339)
Deferred revenue	(127,636)	88,498
Net Cash Used in Operating Activities	(569,344)	(265,541)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(34,124)	(13,090)
Proceeds from sales of investments	1,321,966	2,426,702
Purchases of investments	(1,338,295)	(3,034,227)
Net Cash Used in Investing Activities	(50,453)	(620,615)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contribution	8,000	-
Net Cash Provided by Financing Activities	8,000	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(611,797)	(886,156)
Cash and cash equivalents - beginning of year	1,495,482	2,381,638
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 883,685	\$ 1,495,482

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

**TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2019 AND 2018**

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 31 local affiliates operating as chapters and 80 support groups that provide local support services for people living with Tourette Syndrome. Chapters and support groups are located across the country and offer emotional support, educational workshops and the chance to participate in community, group and awareness activities. 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 the Center for Disease Control and Prevention (the “CDC”) is in its fifteenth year of a health 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. This is accomplished through a variety of projects, including, but not limited to: in-service educational workshops, a webinar series, online support groups, small grant programs for the Centers of Excellence and Chapters/support groups, development of educational materials and videos, and other education and awareness activities deemed appropriate.

TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Research

- The Association actively manages a diverse portfolio of research and medical programs for Tourette and Tic Disorders. The centerpiece of this portfolio is an annual grants program that supports career development, basic and clinical research aimed at increasing our understanding of Tourette Syndrome and related disorders. The Association's research grant programs are overseen by an external Scientific Advisory Board comprised of top researchers and doctors with diverse expertise. Many of the researchers who receive seed funding from us for proof of concept go on to secure major funding from the National Institute of Health (NIH).
- In addition, the Association manages a Center of Excellence program which recognizes medical institutions that offer the highest level of care. These institutions are undertaking groundbreaking research, are leaders in training and education and/or provide exceptional community outreach and advocacy for Tourette Syndrome and other Tic Disorders.
- Lastly, the Association provides funding to research consortia, a Tourette brain bank, and deep brain stimulation registry. For these projects, the Association works proactively with our prestigious Medical Advisory Board to guide these strategic funding efforts and determine new opportunities to impact care and treatment for those with Tourette and Tic Disorders.

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 net assets with donor restrictions and net assets without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Net assets without donor restrictions are resources available for support of the Association's operations over which the Board has discretionary control.

Net assets with donor restrictions are released by incurring expenses satisfying the restricted purpose of providing program services or the passage of time. As of February 28, 2019 and 2018, net assets with donor restrictions are available for public and professional education services, and include certain time restricted contributions.

Net assets with donor restrictions perpetual in nature 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 net assets with donor restrictions that are perpetual in nature of \$334,000 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 net assets with donor restrictions until appropriated for expenditure. Net assets with donor restrictions that are perpetual in nature are invested as part of the Association's investment portfolio (See Note 4).

**TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 stock is 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 are stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Property and equipment are 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.
- 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. In-kind contributions included the following as of February 28:

	2019	2018
Contributed legal services	\$ 153,657	\$ 218,865
Donated securities	39,779	140,205
Total in-kind contributions	\$ 193,436	\$ 359,070

- 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 the CDC. As of February 28, 2019 and 2018, the Association determined that an allowance for uncollectible contribution receivables of \$25,000 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 are 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, 2019 and 2018, the Association received \$5,885 and \$144,048, respectively, of advances for conferences that will be applied to expenses to be incurred in the next year.

In addition, the Association recognizes rent expense using the straight-line method over the length of the lease. For the years ended February 28, 2019 and 2018, the Association recorded adjustments to rent expense in the amounts of \$(8,938) and \$(1,589), and recorded such amounts in occupancy expense to reflect the difference between the rent paid and the average rent to be paid over the term of the lease. As of February 28, 2019 and 2018, these rent adjustments resulted in a deferred rent payable in the amounts of \$10,527 and \$1,589, respectively.

- I. 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 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.

**TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. The Association recognizes bequests when the bequests become known and when the individuals have been 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 costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis. Salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other expenses are allocated on the basis of time and effort.

- 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 4.
- N. On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. Temporarily restricted net assets of \$1,752,334 and permanently restricted net assets of \$326,000 as of February 28, 2018 were reclassified to conform to the new presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 883,685
Contributions receivable due in less than one year	529,643
Interest receivable	27,585
Investments	<u>8,774,094</u>
Total financial assets	10,215,007
Donor imposed restrictions:	
Subject to passage of time greater than one year	(997,347)
Endowments perpetual in nature	<u>(334,000)</u>
Financial assets available for general expenditure net of donor-imposed restrictions	<u>\$ 8,883,660</u>

TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2019 AND 2018

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

As part of the Association’s liquidity management plan, the Association invests cash in excess of daily requirements in short-term investments, certificates of deposit, government bonds, money market funds and mutual funds.

Investments consist of the following at February 28, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Money market	\$ 16,287	\$ 44,968
Certificates of deposit	6,475,000	6,767,558
Government Bonds	333,295	-
Equity securities:		
Domestic Corporate Equity	<u>78,146</u>	<u>69,635</u>
Mutual funds:		
US – Mid Cap	214,153	208,836
US – Small Cap	228,135	215,830
US – Large Value	644,482	644,482
US – Large Growth	892,785	849,590
International Developed Markets	<u>217,811</u>	<u>238,145</u>
	<u>2,197,366</u>	<u>2,156,883</u>
Total investments	<u>\$ 9,100,094</u>	<u>\$ 9,039,044</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, 2019 and 2018:

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 172,044	\$ 6,701	\$ 178,745
Realized loss on investments	(1,302)	-	(1,302)
Unrealized gain on investments	46,023	-	46,023
Less: Investment fees	<u>(17,071)</u>	<u>-</u>	<u>(17,071)</u>
Net investment income	<u>\$ 199,694</u>	<u>\$ 6,701</u>	<u>\$ 206,395</u>

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 152,422	\$ 6,521	\$ 158,943
Realized gain on investments	194,709	-	194,709
Unrealized gain on investments	118,314	-	118,314
Less: Investment fees	<u>(14,841)</u>	<u>-</u>	<u>(14,841)</u>
Net investment income	<u>\$ 450,604</u>	<u>\$ 6,521</u>	<u>\$ 457,125</u>

**TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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 the 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.

Financial assets are carried at fair value and at February 28, 2019 are classified as Level 1 in the table below as follows:

ASSETS CARRIED AT FAIR VALUE:

Investments:

Money market funds	\$ 16,287
Equity securities	78,146
Mutual funds	2,197,366
Government bonds	<u>333,295</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	\$ <u>2,625,094</u>

Financial assets are carried at fair value at February 28, 2018 are classified as Level 1 in the table below as follows:

ASSETS CARRIED AT FAIR VALUE:

Investments:

Money market funds	\$ 44,968
Equity securities	69,635
Mutual funds	<u>2,156,883</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	\$ <u>2,271,486</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, 2019 and 2018, no such transfers between fair value levels occurred.

TOURETTE ASSOCIATION OF AMERICA INC.
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NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of February 28:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Office equipment	\$ 116,695	\$ 110,995	5 Years
Computer equipment	<u>169,499</u>	<u>141,075</u>	3 Years
Total cost	286,194	252,070	
Less: accumulated depreciation	<u>(243,930)</u>	<u>(228,734)</u>	
Net book value	<u>\$ 42,264</u>	<u>\$ 23,336</u>	

During the year ended February 28, 2018, the Association wrote-off fully depreciated equipment in the amount of \$17,856. There were no write-offs during the year ended February 28, 2019. Depreciation expense amounted to \$15,196 and \$15,089 for the years ended February 28, 2019 and 2018, respectively.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are scheduled to be received as of February 28 as follows:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 529,643	\$ 100,000
Amounts due in one to five years	<u>997,347</u>	<u>1,642,915</u>
	1,526,990	1,742,915
Less: Unamortized discount	(42,801)	(70,727)
Allowance for doubtful accounts	<u>(25,000)</u>	<u>(25,000)</u>
	<u>\$ 1,459,189</u>	<u>\$ 1,647,188</u>

The pledges to be received after one year are discounted to present value at interest rates ranging from 2.42% to 2.65% and are reflected as a reduction to grants, contributions and bequests in the year pledged in the accompanying statements of activities.

NOTE 7 – PENSION PLAN

The Association sponsors a qualified defined contribution pension plan for substantially all of its full-time employees. 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 five-year period.

Pension expense for the years ended February 28, 2019 and 2018 amounted to \$36,234 and \$29,711, respectively.

**TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – COMMITMENTS AND CONTINGENCIES

- A. The Association believes it has no uncertain tax positions as of February 28, 2019 and 2018 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 2022. 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, 2019:

	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 181,871	\$ 4,286	\$ 186,157
2021	187,327	2,500	189,827
2022	192,947	-	192,947
2023	<u>198,736</u>	<u>-</u>	<u>198,736</u>
	<u>\$ 760,881</u>	<u>\$ 6,786</u>	<u>\$ 767,667</u>

Rent expense for the years ended February 28, 2019 and 2018 amounted to \$191,647 and \$176,723, respectively, and is included in occupancy expense in the accompanying financial statements.

NOTE 9 – AFFILIATED CHAPTERS

The Association has 31 affiliated 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, 2019 and 2018, the Association distributed \$71,118 and \$52,967, respectively, to various chapters based on an agreement between the chapters and the Association that calls for 50% to be paid to the chapters from the membership dues received by the Association.

NOTE 10 – RESEARCH GRANTS

Research grants payable consists of the following as of February 28:

	<u>2019</u>	<u>2018</u>
Board approved research grants to be paid subsequent to year end	<u>\$ 497,398</u>	<u>\$ 601,214</u>

Direct research grant expenses amounted to \$506,605 and \$563,332, for the years ended February 28, 2019 and 2018, 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 \$165,410 and \$385,584, for the years ended February 28, 2019 and 2018, 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.

TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS FOR PURPOSE AND TIME

Net assets with donor restrictions were available for the following purposes as of February 28:

	<u>2019</u>	<u>2018</u>
Public Education and Support	\$ 282,127	\$ 298,533
For future periods	<u>1,053,801</u>	<u>1,453,801</u>
Total	<u>\$ 1,335,928</u>	<u>\$ 1,752,334</u>

Net assets with donor restrictions were released 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:

	<u>2019</u>	<u>2018</u>
Public Education and Support	\$ 622,968	\$ 257,695
Research	<u>335,919</u>	<u>559,310</u>
Total	<u>\$ 958,887</u>	<u>\$ 817,005</u>

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 with donor restrictions, to be used to fund the Public Education program.

The Association's endowment investment policy is to invest in certificates of deposit, government bonds 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 without restriction by the donor will be reflected as with donor restriction.

Changes in endowment net assets are as follows for the years ended February 28:

	<u>2019</u>	<u>2018</u>
Investment activity:		
Interest and dividends	\$ <u>6,701</u>	\$ <u>6,521</u>
Total investment activity	6,701	6,521
Expenditures for Public Education program	(6,701)	(6,521)
Contributions	<u>8,000</u>	-
Total change in endowment net assets	<u>8,000</u>	-
Endowment net assets, beginning of year	<u>326,000</u>	<u>326,000</u>
Endowment net assets, end of year	<u>\$ 334,000</u>	<u>\$ 326,000</u>

NOTE 13 – CONCENTRATION

Cash and cash equivalents that potentially subject the Association to a concentration of credit risk include cash accounts with a financial institution that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits of up to \$250,000 per depositor. As of February 28, 2019 and 2018, there were approximately \$657,000 and \$712,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

TOURETTE ASSOCIATION OF AMERICA INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – SUSTAINABILITY PLAN

The Association has transformed the way it does business in the last year. The Association has installed a new President & CEO with a strong focus on revenue building, program delivery, efficiency and cost effectiveness. As a result, The Association has seen a change in its revenue streams, increased awareness and improved program delivery. The changes were achieved by focusing on TAA's programming and donor experience. The work performed thus far has The Association well under way to sustainability, as we are closing the budget gap and are moving away from the deficits of the past.

The consistent drumbeat of multi-channel communications that the Association has established 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.

The Association has also increased efficiency and effectiveness of its programs by upgrading their technology and making necessary upgrades to the website. However, despite the changes, the Association will continue to advance research and treatment options, provide local support, advocate for policies that are supportive, and raise awareness, educate professionals, foster social acceptance and the work that made the Association the most respected source and resource in the Tourette and Tic Disorder community.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statements of financial position through July 16, 2019, the date the financial statements were available to be issued.