

**National Down
Syndrome Society**
Financial Statements
March 31, 2018 and 2017



National Down Syndrome Society

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Independent Auditors' Report

Board of Directors
National Down Syndrome Society

We have audited the accompanying financial statements of National Down Syndrome Society, which comprise the statement of financial position as of March 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Down Syndrome Society as of March 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited National Down Syndrome Society's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

September 17, 2018

National Down Syndrome Society

Statements of Financial Position

March 31, 2018

(With Summarized Comparative Information for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 754,279	\$ 479,112
Contributions receivable	158,226	1,831,612
Investments, at fair value	11,140,611	9,813,396
Prepaid expenses and other assets	136,614	115,091
Property and equipment, net	<u>67,865</u>	<u>24,752</u>
 Total assets	 <u>\$ 12,257,595</u>	 <u>\$ 12,263,963</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 253,164	\$ 263,800
Deferred rent	109,875	86,193
Deferred revenue	<u>9,936</u>	<u>52,980</u>
 Total liabilities	 <u>372,975</u>	 <u>402,973</u>
 Net Assets		
Unrestricted:		
Undesignated	3,612,902	4,116,024
Board designated:		
Endowment	6,792,652	6,200,000
Temporarily restricted	405,625	471,525
Permanently restricted	<u>1,073,441</u>	<u>1,073,441</u>
 Total net assets	 <u>11,884,620</u>	 <u>11,860,990</u>
 Total liabilities and net assets	 <u>\$ 12,257,595</u>	 <u>\$ 12,263,963</u>

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

National Down Syndrome Society

Statements of Activities

Year Ended March 31, 2018

(With Summarized Comparative Information for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Revenue and Other Support					
Contributions	\$ 1,778,444	\$ 187,991	\$ -	\$ 1,966,435	\$ 2,559,795
National Buddy Walk	-	419,790	-	419,790	481,173
In-kind contributions	792,637	-	-	792,637	121,860
Special events	\$ 808,011	-	-	-	-
Less: direct benefit costs	<u>(420,395)</u>	-	-	387,616	377,851
Gain on sale of office condominium	-	-	-	-	5,926,413
Rental income, net	-	-	-	-	22,740
Conference income	35,911	-	-	35,911	17,221
Miscellaneous income	32,013	-	-	32,013	6,003
Net assets released from restrictions	673,681	(673,681)	-	-	-
Total revenue and other support	<u>3,700,302</u>	<u>(65,900)</u>	<u>-</u>	<u>3,634,402</u>	<u>9,513,056</u>
Expenses					
Program services					
Public policy	401,621	-	-	401,621	410,260
Public awareness	1,960,055	-	-	1,960,055	332,515
Buddy Walks	284,759	-	-	284,759	301,395
Community relations	853,028	-	-	853,028	515,281
Total program services	<u>3,499,463</u>	<u>-</u>	<u>-</u>	<u>3,499,463</u>	<u>1,559,451</u>
Support services					
Management and general	326,168	-	-	326,168	329,392
Fund raising	681,030	-	-	681,030	229,600
Total supporting services	<u>1,007,198</u>	<u>-</u>	<u>-</u>	<u>1,007,198</u>	<u>558,992</u>
Total expenses	<u>4,506,661</u>	<u>-</u>	<u>-</u>	<u>4,506,661</u>	<u>2,118,443</u>
Change in net assets before investment income	(806,359)	(65,900)	-	(872,259)	7,394,613
Investment income	895,889	-	-	895,889	810,533
Change in net assets	89,530	(65,900)	-	23,630	8,205,146
Net assets, beginning of year	<u>10,316,024</u>	<u>471,525</u>	<u>1,073,441</u>	<u>11,860,990</u>	<u>3,655,844</u>
Net assets, end of year	<u>\$ 10,405,554</u>	<u>\$ 405,625</u>	<u>\$ 1,073,441</u>	<u>\$ 11,884,620</u>	<u>\$ 11,860,990</u>

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

National Down Syndrome Society

Statements of Functional Expenses

Year Ended March 31, 2018

(With Summarized Comparative Information for 2017)

	Program Services				Supporting Services		Total	
	Public Policy	Public Awareness	Buddy Walks	Community Relations	Management and General	Fund Raising	2018	2017
Salaries	\$ 138,037	\$ 239,612	\$ 128,881	\$ 364,710	\$ 56,834	\$ 109,662	\$ 1,037,736	\$ 914,690
Payroll taxes and employee benefits	21,264	36,449	19,949	54,281	8,430	16,328	156,701	160,648
Total personnel costs	159,301	276,061	148,830	418,991	65,264	125,990	1,194,437	1,075,338
Printing publication and films, media space	29,566	598,720	13,587	76,504	3,152	130,492	852,021	68,976
Website	76	22,821	-	-	18,864	6,787	48,548	71,222
Grants and awards	480	97	-	25,688	186	3,612	30,063	21,928
Affiliate support	-	2,000	1,010	22,612	-	2,612	28,234	21,769
Consultants	1,073	670,576	19,992	55,000	2,398	76,310	825,349	176,733
Professional fees	303	519	284	773	175,469	233	177,581	104,305
Travel, meetings and related expenses	80,006	251,025	57,776	106,411	14,695	177,120	687,033	151,958
Conferences	66,703	50,421	58	30,574	158	5,449	153,363	60,513
Equipment leasing	1,355	2,323	1,271	3,459	537	1,040	9,985	4,681
Supplies	1,157	2,336	1,646	3,626	424	8,562	17,751	9,568
Computer and technology	-	200	-	-	17,540	1,655	19,395	5,631
Direct mail	-	-	-	-	-	-	-	11,517
Postage and delivery	1,806	4,138	5,172	13,946	900	16,288	42,250	31,102
Telephone and internet	4,529	7,661	4,339	12,371	1,769	4,769	35,438	23,572
Occupancy charges	21,661	37,129	20,319	55,293	8,587	16,633	159,622	136,119
Repairs and service contracts	1,367	2,344	1,283	3,489	541	1,049	10,073	13,177
Insurance	1,076	4,839	742	2,019	2,298	2,228	13,202	9,481
Bank and credit card fees	-	-	-	10	4,398	55,845	60,253	36,563
Dues and subscriptions	14,709	4,580	1,863	5,629	775	7,800	35,356	18,484
Miscellaneous	13,908	17,903	4,200	10,138	7,204	34,602	87,955	52,553
Depreciation and amortization	2,545	4,362	2,387	6,495	1,009	1,954	18,752	13,253
Total expenses	\$ 401,621	\$ 1,960,055	\$ 284,759	\$ 853,028	\$ 326,168	\$ 681,030	\$ 4,506,661	\$ 2,118,443

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

National Down Syndrome Society

Statements of Cash Flows

Year Ended March 31, 2018

(With Summarized Comparative Information for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 23,630	\$ 8,205,146
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	18,752	13,253
Gain on sale of office condominium	-	(5,926,413)
Net realized and unrealized gain on investments	(669,441)	(642,234)
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Contributions receivable	1,673,386	(1,747,260)
Accrued interest receivable	-	3,022
Prepaid expenses and other assets	(21,523)	(21,037)
Accounts payable and accrued expenses	(10,636)	86,047
Deferred revenue	(43,044)	39,666
Deferred rent	23,682	86,193
Other liabilities	-	(13,110)
Net cash provided by operating activities	<u>994,806</u>	<u>83,273</u>
Cash flows from investing activities		
Purchases of investments	(870,820)	(10,196,999)
Proceeds from sales of investments	213,046	4,201,522
Purchases of property and equipment	(61,865)	(18,256)
Cash proceeds from sale of office condominium, net	-	6,165,050
Net cash (used in) provided by investing activities	<u>(719,639)</u>	<u>151,317</u>
Net increase in cash and cash equivalents	275,167	234,590
Cash and cash equivalents		
Beginning	<u>479,112</u>	<u>244,522</u>
Ending	<u>\$ 754,279</u>	<u>\$ 479,112</u>

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

Notes to Financial Statements

Years Ended March 31, 2018 and 2017

1. Nature of Organization

Business Description

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

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

- National Advocacy & Public Policy Center creates systemic change through legislative advocacy and focuses on issues across the lifespan of an individual with Down syndrome. Our comprehensive legislative agenda is centered around five important areas: Healthcare & Research, Education, Economic Self-Sufficiency, Community Integration and Employment. These priorities have been shaped by self-advocates, families, affiliate leaders and others under the direction of the NDSS Board of Directors.
- National Inclusive Health and Sports Program promotes health and wellness throughout the Down syndrome community and features the National Buddy Walk® Program, Athlete Ambassador Team, Premier Charity Racing Teams and Our Healthy Community initiative. The National Buddy Walk® Program is the world’s most widely recognized public awareness program for the Down syndrome community and includes more than 250 walks across the US and Internationally.
- #DSWORKS® Campaign was established in 2016 to break down legislative barriers to allow all individuals with Down syndrome to pursue meaningful employment in an inclusive workplace. #DSWORKS® is comprised of three key components; employment resources, Federal & State Legislative agenda and Employer Roundtable partnerships. With these three key components, NDSS partners with like-minded organizations in all shapes and sizes from Main Street to Wall Street to aide in educating, marketing and employing individuals with Down syndrome.
- Down Syndrome Community Outreach & Support is proud to work with a network of more than 380 local Down syndrome affiliates across the country to provide an array of benefits to help better service the Down syndrome community. Through our Information and Referral Center, NDSS receives more than 10,000 requests a year for information on Down syndrome, and responds to questions from parents, professionals, self-advocates and other interested individuals. Our toll-free helpline and email service is supported by a translation service that can be accessed in more than 150 languages. NDSS provides the most up-to-date and comprehensive information that addresses the lifespan of individuals with Down syndrome, and publishes guides and information brochures in both English and Spanish. NDSS also conducts informational webinars, and has annual scholarships programs that provide awards to self-advocates.
- Public awareness initiatives brings positive presentations of Down syndrome to the public, combats stereotypes and ignites a new way for the public to think about people with Down syndrome. NDSS proactively works through television, radio, print, newspaper, online, as well as various forms of social media to promote awareness, acceptance and inclusion of people with Down syndrome. NDSS manages a monthly e-newsletter that is dissimilated to 35,000 supporters, and NDSS' website receives roughly 30 million page views per year.

National Down Syndrome Society

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

The organization is funded primarily by contributions and special events.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

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

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

- Unrestricted net assets - undesignated – are those assets that are available for the support of operations and whose use is not externally restricted.
- Unrestricted net assets – board designated – NDSS Board of Directors and Leadership designated funds with the goal of investing significant resources into NDSS’s mission and programs and allowing local Down syndrome affiliates and Buddy Walks to maintain additional local resources and expand their programs in advocacy and employment for all people with Down syndrome.
- Temporarily restricted net assets – are these assets whose use by the organization has been limited by donors to a specific time period or purpose.
- Permanently restricted net assets – are those assets whose use by the organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Contributions

NDSS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

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

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

Investments

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

National Down Syndrome Society

Property and Equipment

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

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

Contributions Receivable

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

At March 31, 2018, all contributions receivable are expected to be collected within one year.

Contributed Goods and Services

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

The amount applicable to in-kind contributions is reflected in the financial statements as both support and expenses as follows for the years ended March 31, 2018 and 2017:

	2018	2017
Consultation and personnel fees	\$ 642,527	\$ -
Golf outing	33,705	23,863
NYC Buddy Walk advertising	24,000	25,024
Annual benefit auction items	80,930	57,077
Other	11,475	5,896
Legal fees on sale of condominium	-	10,000
	<hr/>	<hr/>
Total in-kind contributions	<u>\$ 792,637</u>	<u>\$ 121,860</u>

Functional Allocation of Expenses

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

Concentrations

Contributions from one donor represent 28% and 64% of contributions for the year ending March 31, 2018 and 2017, respectively. A contribution from one donor represents 90% of contributions receivable at March 31, 2017.

National Down Syndrome Society

Fair Value of Financial Instruments

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

	Fair Value Measurements at March 31, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Mutual Funds - Fixed Income	\$ 4,731,946	\$ 4,731,946	\$ -	\$ -
Mutual Funds - Equities (a)	6,408,665	6,408,665	-	-
	<u>\$ 11,140,611</u>	<u>\$ 11,140,611</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Comparative Financial Information

The 2017 financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the NDSS's financial statements for the year ended March 31, 2017, from which the information was derived.

National Down Syndrome Society

3. Investments

Investments consist of the following at March 31,:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ -	\$ -	\$ 6	\$ 6
Equities - common stocks and mutual funds	5,185,803	6,408,665	5,067,057	5,608,707
Mutual Funds - fixed income	4,860,938	4,731,946	4,292,735	4,204,683
	<u>\$ 10,046,741</u>	<u>\$ 11,140,611</u>	<u>\$ 9,359,798</u>	<u>\$ 9,813,396</u>

As of March 31, 2018, the following NDSS's investments were in excess of 10% of the fair value of its portfolio:

Vanguard Total Stock Market Index Fund Admiral Shares	35%
Vanguard Total International Stock Index Fund Admiral Shares	23%
Vanguard Total Bond Market Index Fund Admiral Shares	13%
Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares	12%
Vanguard Total International Bond Index Fund Admiral Shares	11%

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

	2018	2017
Interest and dividends	\$ 244,143	\$ 193,139
Unrealized gain	640,272	367,448
Realized gain	29,169	274,786
Investment fees	(17,695)	(24,840)
	<u>\$ 895,889</u>	<u>\$ 810,533</u>

National Down Syndrome Society

4. Property and Equipment, Net

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

	<u>2018</u>	<u>2017</u>	Depreciation/ Amortization Period
Furniture, fixtures and equipment	\$ 30,062	\$ 26,010	3-5 years
Computer software/website	<u>89,704</u>	<u>31,891</u>	3-5 years
	119,766	57,901	
Less: accumulated depreciation and amortization	<u>(51,901)</u>	<u>(33,149)</u>	
	<u><u>\$ 67,865</u></u>	<u><u>\$ 24,752</u></u>	

Depreciation and amortization amounted to approximately \$19,000 and \$13,000 for the years ended March 31, 2018 and 2017, respectively.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at March 31, 2018 and 2017 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Endowment Funds:		
Hamilton Testamentary Trust	\$ 213,332	\$ 142,477
Weaver Fund	6,926	4,703
Total Endowment Funds	<u>220,258</u>	<u>147,180</u>
Research - Innovation and Discovery Fund	72,816	177,493
O'Neill - Tabani Scholarship Program	108,076	121,208
#DSWORKS	1,708	11,987
Ethan Saylor Memorial Fund	1,078	65
Texas Relief Fund	1,689	-
Research - General	-	13,592
	<u><u>\$ 405,625</u></u>	<u><u>\$ 471,525</u></u>

National Down Syndrome Society

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

	<u>2018</u>	<u>2017</u>
National Buddy Walks	\$ 419,790	\$ 481,173
Wasily Family Foundation - Research	63,592	50,000
Research Innovation and Discovery Fund	104,887	44,698
Hamilton Testamentary Trust	46,675	45,625
O'Neill - Tabani Scholarship Program	22,000	22,822
#DSWORKS	11,987	2,738
Texas Relief Fund	4,250	-
Ethan Saylor Memorial Fund	500	500
Able Act Implementation	-	25,000
Stephen Beck Memorial Fund	-	19,585
Time Restrictions	-	7,500
Research	-	2,500
	<u>\$ 673,681</u>	<u>\$ 702,141</u>

6. Permanently Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Hamilton Testamentary Trust (1)	\$ 1,052,625	\$ 1,052,625
William B. Weaver Conference Scholarship Fund	<u>20,816</u>	<u>20,816</u>
	<u>\$ 1,073,441</u>	<u>\$ 1,073,441</u>

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

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

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The Board of Directors of NDSS has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NDSS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NDSS in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

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

Endowment Net Assets by Type of Fund as of March 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 6,792,652</u>	<u>\$ 220,258</u>	<u>\$ 1,073,441</u>	<u>\$ 8,086,351</u>

Changes in Endowment Net Assets for the Year Ended March 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	<u>\$ 6,200,000</u>	<u>\$ 147,180</u>	<u>\$ 1,073,441</u>
Investment return:			
Interest and dividends	152,157	30,133	-
Net appreciation (realized and unrealized)	451,253	92,307	-
Investment fees	(10,758)	(2,687)	-
Total investments return	<u>592,652</u>	<u>119,753</u>	<u>-</u>
Appropriation of endowment expenditure	<u>-</u>	<u>(46,675)</u>	<u>-</u>
Net appropriations	<u>-</u>	<u>(46,675)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 6,792,652</u>	<u>\$ 220,258</u>	<u>\$ 1,073,441</u>

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

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

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

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

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

7. Sale of Office Condominium

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

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

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8. Pension

NDSS established a non-contributory defined contribution profit sharing plan covering all eligible employees. The pension expense for the years ended March 31, 2018 and 2017 was \$24,249 and \$26,500, respectively.

9. Deferred Revenue

Deferred revenue represents conditional contributions and sponsorships for future events that will occur after March 31, 2018. These conditional contributions and sponsorships will have to be refunded if the events do not occur. Deferred revenue as of March 31, 2018 and 2017 were \$9,936 and \$52,980, respectively.

10. Operating Leases

NDSS is under non-cancellable operating leases for office space in Washington D.C. and New York, expiring on June 30, 2020 and April 15, 2026, respectively. Rent expenses under the leases are subject to escalations for increases in electricity and real estate taxes. The Washington D.C. and New York leases contain rent abatements for two months of the first year, and twelve months of the first year, respectively. Future minimum rental payments under these leases, exclusive of the required payments for increases in electricity and real estate taxes for the next five years and in the aggregate are as follows:

Years Ending March 31,

2019	\$	100,000
2020		102,625
2021		105,704
2022		108,875
2023		112,141
Thereafter		<u>372,388</u>
	\$	<u>901,733</u>

Rent expense is incurred on a straight-line basis over the terms of the lease, including the free rent period. Rent expense for the year ended March 31, 2018 and 2017 was approximately \$153,000 and \$116,000, respectively.

11. Subsequent Events

NDSS has evaluated subsequent events through September 17, 2018, the date the financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been included in these financial statements.

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