

NATIONAL PARKINSON FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015



CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

NATIONAL PARKINSON FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Parkinson Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of National Parkinson Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2016 and 2015 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016 and 2015 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.

Morrison, Brown, Argiz & Farra

Ft. Lauderdale, Florida
November 22, 2016

NATIONAL PARKINSON FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2016	2015
Cash and cash equivalents	\$ 1,294,375	\$ 1,512,748
Estate receivables	610,000	261,380
Pledges receivable, net	689,010	344,903
Other receivables	160,878	196,154
Prepaid expenses and other assets	507,689	222,891
Investments	14,285,543	14,964,926
Property and equipment, net	436,372	508,884
TOTAL ASSETS	\$ 17,983,867	\$ 18,011,886
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,344,591	\$ 824,561
Deferred revenue	363,933	503,900
Grants payable	519,882	289,129
Annuities payable	461,205	518,744
TOTAL LIABILITIES	2,689,611	2,136,334
NET ASSETS		
Unrestricted	14,005,144	14,568,430
Temporarily restricted	53,740	71,750
Permanently restricted	1,235,372	1,235,372
TOTAL NET ASSETS	15,294,256	15,875,552
TOTAL LIABILITIES AND NET ASSETS	\$ 17,983,867	\$ 18,011,886

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

NATIONAL PARKINSON FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and public support:				
Contributions:				
Private individuals, corporations and private foundations	\$ 9,954,656	\$ 1,361	\$ -	\$ 9,956,017
Legacies and bequests	2,741,332	-	-	2,741,332
Chapter acquisition contributions (NOTE 8)	217,706	-	-	217,706
Special events (less direct costs of \$19,766)	465,839	-	-	465,839
Investment loss, net	(149,347)	-	-	(149,347)
Change in value of split interest agreements	-	12,435	-	12,435
Net assets released from restriction	31,806	(31,806)	-	-
Total revenue and public support	<u>13,261,992</u>	<u>(18,010)</u>	<u>-</u>	<u>13,243,982</u>
Expenses:				
Program services:				
Research	2,348,209	-	-	2,348,209
Public education	2,358,507	-	-	2,358,507
Patient care services	2,383,744	-	-	2,383,744
Chapter services	2,918,758	-	-	2,918,758
Total program services	<u>10,009,218</u>	<u>-</u>	<u>-</u>	<u>10,009,218</u>
Supporting services:				
Management and general	827,190	-	-	827,190
Fundraising	2,324,967	-	-	2,324,967
Total supporting services	<u>3,152,157</u>	<u>-</u>	<u>-</u>	<u>3,152,157</u>
Total expenses	<u>13,161,375</u>	<u>-</u>	<u>-</u>	<u>13,161,375</u>
Change in net assets before non-operating expenses	100,617	(18,010)	-	82,607
Legal fees related to merger (NOTE 1)	300,000	-	-	300,000
Personnel retention bonus related to merger (NOTE 1)	363,903	-	-	363,903
Change in net assets after non-operating expenses	(563,286)	(18,010)	-	(581,296)
Net assets, beginning of year	<u>14,568,430</u>	<u>71,750</u>	<u>1,235,372</u>	<u>15,875,552</u>
Net assets, end of year	<u>\$ 14,005,144</u>	<u>\$ 53,740</u>	<u>\$ 1,235,372</u>	<u>\$ 15,294,256</u>

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

NATIONAL PARKINSON FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and public support:				
Contributions:				
Private individuals, corporations and private foundations	\$ 8,748,467	\$ 109,387	\$ -	\$ 8,857,854
Legacies and bequests	1,767,104	-	155,556	1,922,660
Special events (less direct costs of \$65,184)	268,686	-	-	268,686
Investment income (loss), net	234,440	(113)	-	234,327
Change in value of split interest agreements	-	18,763	-	18,763
Net assets released from restriction	1,283,668	(1,283,668)	-	-
Total revenue and public support	<u>12,302,365</u>	<u>(1,155,631)</u>	<u>155,556</u>	<u>11,302,290</u>
Expenses:				
Program services:				
Research	2,116,110	-	-	2,116,110
Public education	2,355,400	-	-	2,355,400
Patient care services	2,596,337	-	-	2,596,337
Chapter services	2,062,091	-	-	2,062,091
Total program services	<u>9,129,938</u>	<u>-</u>	<u>-</u>	<u>9,129,938</u>
Supporting services:				
Management and general	1,008,425	-	-	1,008,425
Fundraising	2,236,579	-	-	2,236,579
Total supporting services	<u>3,245,004</u>	<u>-</u>	<u>-</u>	<u>3,245,004</u>
Total expenses	<u>12,374,942</u>	<u>-</u>	<u>-</u>	<u>12,374,942</u>
Change in net assets	(72,577)	(1,155,631)	155,556	(1,072,652)
Net assets, beginning of year	14,641,007	1,227,381	1,079,816	16,948,204
Net assets, end of year	<u>\$ 14,568,430</u>	<u>\$ 71,750</u>	<u>\$ 1,235,372</u>	<u>\$ 15,875,552</u>

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

NATIONAL PARKINSON FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Research</u>	<u>Public Education</u>	<u>Patient Care Services</u>	<u>Chapter Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 286,889	\$ 688,475	\$ 308,594	\$ 927,395	\$ 325,503	\$ 837,317	\$ 3,374,173
Temporary services	6,487	2,275	5,440	61	1,895	18,880	35,038
Payroll taxes and benefits	77,790	187,058	93,293	222,792	56,737	206,565	844,235
Total salaries and related expenses	<u>371,166</u>	<u>877,808</u>	<u>407,327</u>	<u>1,150,248</u>	<u>384,135</u>	<u>1,062,762</u>	<u>4,253,446</u>
Grants	1,616,638	399,127	1,417,390	736,831	-	-	4,169,986
Conference and symposium fees	4,590	7,260	10,000	2,388	988	26,649	51,875
Legal and accounting	-	-	-	39,119	64,886	-	104,005
Professional services	182,054	232,683	180,450	135,748	168,099	81,202	980,236
Outside services	19,058	117,704	28,739	90,727	16,967	307,228	580,423
Printing and publications	1,318	270,116	4,454	47,669	820	183,320	507,697
Public awareness	-	77,051	-	29,771	-	-	106,822
Postage, freight and courier services	8,936	214,146	11,607	29,702	4,166	204,102	472,659
Food, beverages and meetings	1,756	3,331	60,212	104,219	4,739	14,871	189,128
Telephone	4,675	5,020	5,781	13,516	4,442	5,678	39,112
Repairs and maintenance	5,879	13,631	8,458	70,789	21,436	91,571	211,764
Office supplies	10,053	10,616	6,906	34,875	17,402	46,079	125,931
General insurance	16,939	17,615	29,135	20,446	7,341	22,131	113,607
Interest paid to annuitants	-	-	-	-	50,985	-	50,985
Travel and transportation	41,820	31,937	92,587	73,607	16,358	70,545	326,854
Lease and rentals	41,297	49,606	76,585	278,920	46,420	61,508	554,336
Bank and brokerage fees	30	114	-	311	6,842	86,241	93,538
Miscellaneous	716	834	473	41,232	2,036	32,259	77,550
Total other expenses	<u>1,955,759</u>	<u>1,450,791</u>	<u>1,932,777</u>	<u>1,749,870</u>	<u>433,927</u>	<u>1,233,384</u>	<u>8,756,508</u>
Depreciation and amortization	21,284	29,908	43,640	18,640	9,128	28,821	151,421
TOTAL EXPENSES	<u>\$ 2,348,209</u>	<u>\$ 2,358,507</u>	<u>\$ 2,383,744</u>	<u>\$ 2,918,758</u>	<u>\$ 827,190</u>	<u>\$ 2,324,967</u>	<u>\$ 13,161,375</u>

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

NATIONAL PARKINSON FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Research	Public Education	Patient Care Services	Chapter Services	Management and General	Fundraising	Totals
Salaries	\$ 282,578	\$ 703,547	\$ 320,538	\$ 859,829	\$ 327,477	\$ 852,947	\$ 3,346,916
Temporary services	4,935	5,599	16,381	4,361	57,307	15,467	104,050
Payroll taxes and benefits	66,898	171,743	82,015	190,295	74,392	199,143	784,486
Total salaries and related expenses	<u>354,411</u>	<u>880,889</u>	<u>418,934</u>	<u>1,054,485</u>	<u>459,176</u>	<u>1,067,557</u>	<u>4,235,452</u>
Grants	1,413,843	275,000	1,604,556	166,493	-	-	3,459,892
Conference and symposium fees	4,309	4,553	8,393	923	1,169	195	19,542
Legal and accounting	-	-	-	11,190	106,556	-	117,746
Professional services	169,094	258,334	230,404	97,636	136,499	45,642	937,609
Outside services	21,830	183,331	7,652	82,290	44,905	493,219	833,227
Printing and publications	1,331	266,977	8,100	42,689	4,324	8,343	331,764
Public awareness	110	147,265	2,970	57,529	300	8,525	216,699
Postage, freight and courier services	9,278	179,615	10,578	25,926	10,898	209,403	445,698
Food, beverages and meetings	897	1,018	13,864	77,515	18,529	5,433	117,256
Telephone	4,913	5,399	5,664	10,916	12,266	6,536	45,694
Repairs and maintenance	3,517	11,953	5,211	22,199	42,944	92,915	178,739
Office supplies	2,267	4,744	1,643	27,317	21,555	26,452	83,978
General insurance	14,143	15,228	24,796	16,087	6,122	18,548	94,924
Interest paid to annuitants	-	-	-	-	59,542	-	59,542
Travel and transportation	61,227	46,255	148,462	109,642	45,203	87,019	497,808
Lease and rentals	38,065	51,438	69,616	225,246	16,220	49,821	450,406
Bank and brokerage fees	-	12	-	326	6,443	87,543	94,324
Miscellaneous	842	554	2,345	19,885	8,902	7,677	40,205
Total other expenses	<u>1,745,666</u>	<u>1,451,676</u>	<u>2,144,254</u>	<u>993,809</u>	<u>542,377</u>	<u>1,147,271</u>	<u>8,025,053</u>
Depreciation and amortization	<u>16,033</u>	<u>22,835</u>	<u>33,149</u>	<u>13,797</u>	<u>6,872</u>	<u>21,751</u>	<u>114,437</u>
TOTAL EXPENSES	<u>\$ 2,116,110</u>	<u>\$ 2,355,400</u>	<u>\$ 2,596,337</u>	<u>\$ 2,062,091</u>	<u>\$ 1,008,425</u>	<u>\$ 2,236,579</u>	<u>\$ 12,374,942</u>

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

NATIONAL PARKINSON FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (581,296)	\$ (1,072,652)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	151,421	114,437
Net unrealized and realized loss on investments	440,043	227,285
Change in value of split interest agreements	(12,435)	(18,763)
Permanently restricted gifts	-	(155,556)
Changes in assets and liabilities:		
Increase in estate receivables	(348,620)	(261,380)
(Increase) decrease in pledges receivable	(344,107)	56,249
Decrease (increase) in other receivables	35,276	(162,091)
Increase in prepaid expenses and other assets	(284,798)	(118,563)
Increase in accounts payable and accrued expenses	520,030	168,240
Decrease in deferred revenue	(139,967)	(9,065)
Increase (decrease) in grants payable	230,753	(304,775)
(Decrease) increase in annuities payable	(843)	6,822
TOTAL ADJUSTMENTS	246,753	(457,160)
NET CASH USED IN OPERATING ACTIVITIES	(334,543)	(1,529,812)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(78,909)	(137,545)
Proceeds from investments, net	239,340	1,372,099
NET CASH PROVIDED BY INVESTING ACTIVITIES	160,431	1,234,554
CASH FLOWS FROM FINANCING ACTIVITIES:		
Annuity payments to beneficiaries	(44,261)	(47,835)
Permanently restricted gifts	-	155,556
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(44,261)	107,721
NET DECREASE IN CASH AND CASH EQUIVALENTS	(218,373)	(187,537)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,512,748	1,700,285
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,294,375	\$ 1,512,748

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

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. GENERAL

Organization

The National Parkinson Foundation, Inc. (the "Foundation") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation's mission is to make life better for people with Parkinson's through expert care and research.

Major services of the Foundation include:

- Patient Care Services: The Foundation provides grants to Centers of Excellence, which comprises of an international network that focuses on improving care delivered to Parkinson's patients. The Foundation drives and sets standard of expert care through the network. The Centers are chosen from the top ranks of academic medical centers where dedication to exemplar patient care is paired with groundbreaking research.
- Research: The Foundation funds research programs, including the *Parkinson's Outcomes Project*, clinical research study of Parkinson's disease designed to change the course of the disease.
- Public Education: The Foundation helps people with Parkinson's by providing support, education and free resources such as: the toll-free Helpline, 1-800-4PD-INFO (1-800-473-4636), online support networks and free educational materials. The *Aware In Care* life-saving hospitalization kit provides patients and caregivers the tools they need to get the best and safest care in the hospital.
- Chapter Services: The Foundation helps people with Parkinson's by providing community grants, programs and activities through its chapter network. *Moving Day*[®], a Walk for Parkinson's, brings local communities together to raise awareness about the disease and to promote exercise, which is critical for Parkinson's patients.

Combination Agreement

On July 7, 2016, a Combination Agreement (the "Agreement") was entered into by the Foundation and Parkinson's Disease Foundation, Inc. ("PDF"), a New York not-for-profit corporation. Effective upon closing, PDF acquired and accepted from the Foundation all of the Foundation's rights, title and interests. Furthermore, PDF assumed and became liable for and thereafter, paid and fully will satisfy when due any liability or obligation of the Foundation. A new legal entity named Parkinson Foundation, Inc. was formed as a result of the merger.

As a result of combination, the Foundation incurred legal and personnel costs of approximately \$664,000, which have been reflected as non-operating expenses in the accompanying Statement of Activities for the year ended June 30, 2016.

We have presented below the pro-forma of the statement of financial position and statement of activities, which show how the financial statements of the new merged entity would appear as of June 30, 2016. The information presented for the Foundation was extracted from the accompanying financial statements for the year ended June 30, 2016. The information for PDF is based on unaudited financial statements.

The combined statement of financial position as of June 30, 2016 is as follows:

	National Parkinson Foundation, Inc.	Parkinson's Disease Foundation, Inc.	Parkinson Foundation, Inc.
Total assets	\$ 17,984,000	\$ 9,406,000	\$ 27,390,000
Total liabilities	2,690,000	2,416,000	5,106,000
Total net assets	15,294,000	6,990,000	22,284,000
Total liabilities and net assets	\$ 17,984,000	\$ 9,406,000	\$ 27,390,000

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. GENERAL (CONTINUED)

Combination Agreement (Continued)

The combined statement of activities for the year ended June 30, 2016 is as follows:

	<u>National Parkinson Foundation, Inc.</u>	<u>Parkinson's Disease Foundation, Inc.</u>	<u>Parkinson Foundation, Inc.</u>
Total revenues	\$ 13,244,000	\$ 9,989,000	\$ 23,233,000
Total expenses	13,825,000	10,479,000	24,304,000
Change in net assets	<u>\$ (581,000)</u>	<u>\$ (490,000)</u>	<u>\$ (1,071,000)</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three classes of net asset categories are as follows:

Unrestricted – Net assets which are free of donor-imposed restrictions; all revenues, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted – Net assets where the use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.

Permanently Restricted – Net assets where the use by the Foundation 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 Foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates, including those regarding fair value, and assumptions that affect reported asset amounts and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist primarily of cash deposits and investment securities. The Foundation's investment securities consist mainly of investment grade securities and cash deposits with major financial institutions and brokerage firms. By policy, the Foundation limits the amount of exposure to any one financial institution. Although cash balances may exceed federally insured limits at times during the year, the Foundation has not experienced and does not expect to incur any losses in such accounts.

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include all demand deposit accounts with an original maturity of three months or less which are used in daily operations. Investments in money market funds have been included as a component of investments in the accompanying statements of financial position.

Investments

The Foundation reports its investments under an accounting standard issued by the Financial Accounting Standards Board ("FASB") on accounting for certain investments held by not-for-profit organizations. Under the standard, a not-for-profit organization is required to report investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position.

Purchased securities are stated at fair market value based on the most recently traded price of the security at the financial statement date. Donated securities are recorded at fair value and sold immediately. Investment gains and losses including realized and unrealized gains and losses on investments, interest and dividends are included in the accompanying statements of activities.

Property and Equipment, Net

Property and equipment is stated at historical cost less accumulated depreciation, except that donated property and equipment used in the normal course of business is stated at the approximate market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives, varying from 3 to 15 years, of the respective assets. Repairs and maintenance costs are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are credited or charged to operations. Effective during the year ended June 30, 2016, it is the Foundation's policy to capitalize all property and equipment greater than \$5,000.

Impairment of Long-Lived Assets

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes in the business climate, indicate that they may be impaired. The Foundation performs its review by comparing the carrying amounts of long-lived assets to the estimated undiscounted cash flows relating to such assets. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows.

Deferred Revenue

Deferred revenue consists of funds received from grantors to fund programs for which expenses will be incurred in future periods. Revenue will be recognized when funds under the program have been expended. Deferred revenue totaled \$363,933 and \$503,900, as of June 30, 2016 and 2015, respectively.

Grants Payable

The Foundation has made conditional promises to give to several institutions for various purposes. Conditional promises to give are not recorded as an expense until the conditions are substantially met. At each annual anniversary date of the agreement with these institutions, the Foundation determines whether the institution has substantially met the conditions and then grants the next annual funding commitment to the institution. Grants payable totaled \$519,882 and \$289,129 as of June 30, 2016 and 2015, respectively.

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split Interest Agreements

The Foundation receives contributions in which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by the Foundation and distributions are made to the beneficiaries under the terms of the agreement. Charitable gift annuities are recorded at fair value at the date received. The Foundation records a liability for the present value of the annuities payable using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate at the date of the gift, ranging from 1.4% to 9.4%.

A contribution is recorded for the difference between the fair value of the gift and the liability recorded. Investment income and gains or losses are credited or charged to the appropriate investment account, and annuity payments are charged to the liability account. Periodically, an adjustment is made to the liability to record the gain or loss due to re-computation of the liability based upon the revised life expectancy. These adjustments are recorded in the accompanying financial statements as "Change in value of split interest agreements." Upon the death of the donor annuitant, the Foundation recognizes the existing liability as a change in the value of the annuity and the related asset is available for use by the Foundation.

Charitable lead trusts and charitable remainder trusts, in which the Foundation is not the trustee, are recorded in the temporarily restricted net assets class as a receivable at the present value of the expected future cash inflows and contribution revenue is recognized for the same amount. In the event that the trust has an income beneficiary other than the Foundation, the contribution revenue is reduced by the amount of the present value of the estimated liability due to the income beneficiary.

The fair value of assets held under split interest agreements was approximately \$421,000 and \$564,000 at June 30, 2016 and 2015, respectively.

Public Support

All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor.

Contributions

Contributions received or made, including unconditional promises to give, are recognized as revenues or expenses in the period received or made at their estimated fair value. Contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. The Foundation records 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 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." However, if a restriction is fulfilled in the same period in which the contribution is received, the Foundation reports the support as unrestricted.

Functional Allocation of Expenses

The costs of the Foundation's programs and supporting services have been reported on a functional basis. This requires the allocation of costs among the various programs and supporting services based on estimates made by management.

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint Cost Allocation

The Foundation conducted activities that included requests for contributions, as well as program components. Those activities included direct mail campaigns. Joint costs for the direct mail campaigns included printing, agency fees and postage totaling \$528,515 and \$727,418 as of June 30, 2016 and 2015, respectively. These joint costs were allocated as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Fundraising	\$ 332,900	\$ 502,539
Public education	195,615	224,879
Total joint costs for mail campaigns	<u>\$ 528,515</u>	<u>\$ 727,418</u>

Net Assets Released from Restrictions

Net assets released from restrictions attributable to satisfied time and purpose restrictions totaled \$31,806 and \$1,283,668 for the years ended June 30, 2016 and 2015, respectively.

Tax Status

The Foundation qualifies as a tax-exempt organization under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for income taxes has been recorded.

The Foundation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction is the major tax jurisdiction where the Foundation files income tax returns. The Foundation is generally no longer subject to U.S. Federal examinations by tax authorities for years before 2013.

Recent Accounting Pronouncements

Lease accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Foundation is currently evaluating the effect the update will have on its financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Foundation is currently evaluating the effect the update will have on its financial statements.

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation has evaluated subsequent events through November 22, 2016 which is the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the 2015 financial statements were reclassified to conform to the 2016 presentation.

3. ESTATE RECEIVABLES

The Foundation has estate receivables of \$610,000 and \$261,380 from various trusts and estates at June 30, 2016 and 2015, respectively. The Foundation subsequently collected the majority of the receivables due from trusts and estates.

4. PLEDGES RECEIVABLE, NET

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 the estimated future cash flows. The discounts on those amounts are computed using rates ranging from .07% to .16% for the years ended June 30, 2016 and 2015. Amortization of the discount is included in contribution revenue.

Pledges receivable, net, consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 205,767	\$ 147,225
One to five years	462,233	155,775
More than five years	64,000	91,000
Total	732,000	394,000
Less: Allowance for uncollectible pledges	24,400	25,800
Present value discount	18,590	23,297
Net pledges receivable	<u>\$ 689,010</u>	<u>\$ 344,903</u>

There was no bad debt expense for the years ended June 30, 2016 and 2015.

5. INVESTMENTS

Investments are presented at their fair market values and consist of the following at June 30:

<u>Asset Description</u>	<u>2016</u>	<u>2015</u>
Money market funds	\$ 1,584,612	\$ 604,583
U.S. government agencies (GNMA/FNMA)	2,053,170	12,327
Bond mutual funds	1,402,845	1,975,428
Corporate and other government securities	2,247,780	605,247
Equity securities and mutual funds	6,997,136	11,767,341
	<u>\$ 14,285,543</u>	<u>\$ 14,964,926</u>

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

5. INVESTMENTS (CONTINUED)

The Foundation's investment return, including income earned on cash deposits, consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Net realized and unrealized loss	\$ (440,043)	\$ (227,285)
Interest and dividends	290,696	461,612
	<u>\$ (149,347)</u>	<u>\$ 234,327</u>

Investment fees are included in the caption "Professional services" in the Statements of Functional Expenses.

6. FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

The Money Market Portfolio is valued at cost which approximates fair value.

The Fixed Income Portfolio consists of investments in securities issued by the U.S. Treasury, U.S. agencies, and corporate bonds through an independent investment advisor. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

The Equity Portfolio consists of exchange traded funds and mutual funds managed primarily through investments held by independent investment advisors with discretionary investment authority. Equity Portfolio investments are valued at the closing price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following table represents the Foundation's financial instruments measured at fair value on a recurring basis at June 30, 2016 for each of the fair value hierarchy levels:

Description	Fair Value Measurement at Reporting Date Using:			
	Fair Value 6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 1,584,612	\$ 1,584,612	\$ -	\$ -
Fixed income:				
U.S. government agencies (GNMA/FNMA)	2,053,170	2,053,170	-	-
Bond mutual funds	1,402,845	1,402,845	-	-
Corporate and other government securities	2,247,780	-	2,247,780	-
Total fixed income	5,703,795	3,456,015	2,247,780	-
Equity securities and mutual funds	6,997,136	6,997,136	-	-
	\$ 14,285,543	\$ 12,037,763	\$ 2,247,780	\$ -

The following table represents the Foundation's financial instruments measured at fair value on a recurring basis at June 30, 2015 for each of the fair value hierarchy levels:

Description	Fair Value Measurement at Reporting Date Using:			
	Fair Value 6/30/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 604,583	\$ 604,583	\$ -	\$ -
Fixed income:				
U.S. government agencies (GNMA/FNMA)	12,327	-	12,327	-
Bond mutual funds	1,975,428	1,975,428	-	-
Corporate and other government securities	605,247	-	605,247	-
Total fixed income	2,593,002	1,975,428	617,574	-
Equity securities and mutual funds	11,767,341	11,767,341	-	-
	\$ 14,964,926	\$ 14,347,352	\$ 617,574	\$ -

The carrying amounts for cash and cash equivalents, receivables, accounts payable and certain other assets and liabilities approximate fair value due to the short-term nature of these financial instruments.

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 225,471	\$ 225,471
Equipment, furniture and intangible assets	<u>1,838,035</u>	<u>1,759,126</u>
	2,063,506	1,984,597
Less: accumulated depreciation and amortization	<u>(1,627,134)</u>	<u>(1,475,713)</u>
	<u>\$ 436,372</u>	<u>\$ 508,884</u>

Depreciation and amortization expense was approximately \$151,000 and \$114,000 for the years ended June 30, 2016 and 2015, respectively.

8. CHAPTER ACQUISITIONS

In November 2015 and January 2016, the Foundation acquired two Chapters, the Central Ohio Parkinson Society and the National Parkinson Foundation Heartland. The Foundation did not pay any consideration for these Chapters. Once all liabilities were settled by the Chapters, the excess cash was transferred to the Foundation and was recognized as an inherent contribution by the Foundation. The total amount received by the Foundation from the chapter acquisition was approximately \$218,000.

9. RELATED PARTIES

Certain members of the Board of Directors (the "Board") have supported the Foundation financially. Below is a summary of significant transactions with members of the Board as of and for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Net pledges receivable	\$ 95,000	\$ -
Contributions	745,905	383,230

10. RETIREMENT PLAN

The Foundation has a tax deferred retirement plan available to all employees. The Foundation allows the participants to make pre-tax contributions up to defined statutory limits. The plan is a safe harbor plan with non-elective matching contributions of three percent. The Foundation's matching contribution to the plan for the years ended June 30, 2016 and 2015, amounted to approximately \$94,000 and \$98,000, respectively.

11. TEMPORARILY RESTRICTED NET ASSETS

Net assets of the Foundation of \$53,740 and \$71,750 as of June 30, 2016 and 2015, respectively, are restricted for research and other programmatic expenses as well as time. Split interest agreements are included within temporarily restricted net assets.

12. PERMANENTLY RESTRICTED NET ASSETS

Net assets in the amount of \$1,235,372 as of June 30, 2016 and 2015 are permanently restricted endowments which are to provide a source of funds predominantly for educational, research and other charitable purposes.

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

13. ENDOWMENTS

The Foundation's endowment consists of investment funds established for a variety of purposes. The endowment includes donor-restricted endowment funds and board designated quasi endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Foundation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation 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 the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with the FUPMIFA, the Foundation 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 purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The expected total return from income and the appreciation of investments
- (5) Other resources of the Foundation
- (6) The investment policies of the Foundation

For the years ended June 30, 2016 and 2015, the Foundation has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of endowment net assets at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 1,235,372	\$ 1,235,372
Board designated endowment funds	12,553,158	-	-	12,553,158
Total endowment net assets	\$ 12,553,158	\$ -	\$ 1,235,372	\$ 13,788,530

Summary of endowment net assets at June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 1,235,372	\$ 1,235,372
Board designated endowment funds	13,321,552	-	-	13,321,552
Total endowment net assets	\$ 13,321,552	\$ -	\$ 1,235,372	\$ 14,556,924

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

13. ENDOWMENTS (CONTINUED)

Change in endowment net assets during the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 13,321,552	\$ -	\$ 1,235,372	\$ 14,556,924
Contributions	59,316	-	-	59,316
Interest and dividends	276,794	-	-	276,794
Investment loss, net	(291,422)	-	-	(291,422)
Net funds transferred to operations	(813,082)	-	-	(813,082)
Endowment net assets, ending	\$ 12,553,158	\$ -	\$ 1,235,372	\$ 13,788,530

Change in endowment net assets during the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 14,516,895	\$ -	\$ 1,079,816	\$ 15,596,711
Contributions	-	-	155,556	155,556
Interest and dividends	461,869	-	-	461,869
Investment loss, net	(354,475)	-	-	(354,475)
Net funds transferred to operations	(1,302,737)	-	-	(1,302,737)
Endowment net assets, ending	\$ 13,321,552	\$ -	\$ 1,235,372	\$ 14,556,924

Summary of Endowment Assets:

Endowment assets as of June 30 are invested as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ -	\$ 77,000
Estate receivables	-	155,557
Investments	13,788,530	14,324,367
	\$ 13,788,530	\$ 14,556,924

Permanently Restricted Net Assets at June 30:

	<u>2016</u>	<u>2015</u>
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or law	\$ 1,235,372	\$ 1,235,372

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies in the endowment funds as of June 30, 2016 or 2015.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment to achieve preservation of capital while achieving long-term growth in assets consistent with reduced levels of risk and volatility of returns; maintenance of sufficient income and liquidity to meet anticipated withdrawals and to achieve a rate of return that exceeds the total return of the established indices. Endowment assets include board designated investments and those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are completely invested in fixed income and equity securities which assume a moderate level of investment risk. Actual returns in any given year may vary.

NATIONAL PARKINSON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

13. ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a distribution policy for grants that balances a realistic achievable rate of return, expenses and its financial objectives. The distribution policy for grants is reviewed annually as part of the annual budgeting process.

14. COMMITMENTS

In April 2013, the Foundation entered into an office lease agreement for its main headquarters. The lease provides for escalating rent payments and a period of free rent. The lease term began in October 2013 for a period of 130 months. The Foundation also leases certain office equipment under operating leases.

During the year ended June 30, 2016, the Foundation acquired two Chapters (NOTE 8). As a result, the Foundation inherited two operating leases for office space. These leases provide for escalating rent payments and mature in July and December 2020.

The approximate future minimum lease payments under the non-cancelable lease as of June 30, 2016, are as follows:

Years ending June 30,	
2017	\$ 414,000
2018	364,000
2019	374,000
2020	383,000
2021	359,000
Thereafter	<u>1,174,000</u>
Total	<u>\$ 3,068,000</u>