

# HYDROCEPHALUS ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023



*Certified Public Accountants*

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*Certified Public Accountants*

## **Independent Auditor's Report**

To the Board of Directors  
**Hydrocephalus Association**

### **Opinion**

We have audited the accompanying financial statements of **Hydrocephalus Association** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Hydrocephalus Association** as of December 31, 2024 and 2023, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Hydrocephalus Association** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Hydrocephalus Association's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Board of Directors  
**Hydrocephalus Association**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Hydrocephalus Association's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Hydrocephalus Association's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Kositzka, Wicks and Company*

Richmond, Virginia  
May 2, 2025

# Hydrocephalus Association

## Statements of Financial Position December 31,

2024

2023

### Assets

#### Current assets

Cash and cash equivalents	\$ 656,749	\$ 1,206,278
Investments, general	887,320	1,446,626
Contributions receivable, current portion	158,202	80,500
Other receivables	4,263	-
Prepaid expenses	126,685	97,903
Inventory	39,471	40,324
Total current assets	<u>1,872,690</u>	<u>2,871,631</u>

#### Non-current assets

Investments, general	1,303,583	991,633
Investments, endowment fund	91,318	91,318
Contributions receivable, long-term portion, net	51,816	173,886
Operating lease right-of-use asset	60,346	163,777
Property and equipment, net	15,406	15,330
Intangible assets, net	49,674	51,627
Security deposit	13,192	-
Total non-current assets	<u>1,585,335</u>	<u>1,487,571</u>
Total assets	<u>\$ 3,458,025</u>	<u>\$ 4,359,202</u>

### Liabilities and net assets

#### Current liabilities

Accounts payable and accrued expenses	\$ 236,776	\$ 280,022
U.S. Small Business Administration (SBA) Loan, current portion	2,989	3,540
Operating lease liability, current portion	54,416	127,059
Total current liabilities	<u>294,181</u>	<u>410,621</u>

#### Long-term liabilities

Deferred revenue	50,000	-
U.S. Small Business Administration (SBA) Loan, long-term portion	144,022	147,386
Operating lease liability, long-term portion	-	54,415
Total long-term liabilities	<u>194,022</u>	<u>201,801</u>
Total liabilities	488,203	612,422

#### Net assets

Without donor restrictions	1,936,849	2,532,659
With donor restrictions		
Purpose and time restrictions	941,655	1,122,803
Perpetually endowed	91,318	91,318
Total net assets	<u>2,969,822</u>	<u>3,746,780</u>
Total liabilities and net assets	<u>\$ 3,458,025</u>	<u>\$ 4,359,202</u>

See accompanying notes and independent auditor's report.

# Hydrocephalus Association

## Statement of Activities for the year ended December 31, 2024

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Grants and contributions	\$ 503,257	\$ 952,973	\$ 1,456,230
Special events (net of cost of direct benefits to donors of \$159,876)	1,785,303	-	1,785,303
Conference fees, net	72,565	590	73,155
In-kind contributions	7,095	-	7,095
Merchandise sales (net of cost of merchandise of \$3,973)	6,824	-	6,824
Miscellaneous income	40,714	-	40,714
Interest and dividends	121,382	3,067	124,449
Net investment gain	122,097	10,075	132,172
Net assets released from restrictions	1,147,853	(1,147,853)	-
Total support and revenue	<u>3,807,090</u>	<u>(181,148)</u>	<u>3,625,942</u>
<b>Expenses</b>			
Program expenses			
Research	1,434,344	-	1,434,344
Public support and education	1,472,850	-	1,472,850
Advocacy	208,244	-	208,244
Conferences	672,925	-	672,925
Total program expenses	<u>3,788,363</u>	<u>-</u>	<u>3,788,363</u>
Fundraising			
Fund development	105,462	-	105,462
Administration	509,075	-	509,075
Total expenses	<u>4,402,900</u>	<u>-</u>	<u>4,402,900</u>
<b>Change in net assets</b>	(595,810)	(181,148)	(776,958)
<b>Net assets, beginning of year</b>	<u>2,532,659</u>	<u>1,214,121</u>	<u>3,746,780</u>
<b>Net assets, end of year</b>	<u>\$ 1,936,849</u>	<u>\$ 1,032,973</u>	<u>\$ 2,969,822</u>

See accompanying notes and independent auditor's report.

# Hydrocephalus Association

## Statement of Activities for the year ended December 31, 2023

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Grants and contributions	\$ 543,918	\$ 549,457	\$ 1,093,375
Special events (net of cost of direct benefits to donors of \$331,577)	1,995,981	165,652	2,161,633
Conference fees, net	5,055	-	5,055
In-kind contributions	4,067	-	4,067
Merchandise sales (net of cost of merchandise of \$1,029)	2,228	-	2,228
Miscellaneous income	15,300	-	15,300
Interest and dividends	134,134	3,293	137,427
Net investment gain	74,473	9,331	83,804
Net assets released from restrictions	609,599	(609,599)	-
Total support and revenue	<u>3,384,755</u>	<u>118,134</u>	<u>3,502,889</u>
<b>Expenses</b>			
Program expenses			
Research	829,732	-	829,732
Public support and education	1,528,519	-	1,528,519
Advocacy	145,260	-	145,260
Conferences	119,806	-	119,806
Total program expenses	<u>2,623,317</u>	<u>-</u>	<u>2,623,317</u>
Fundraising			
Fund development	199,405	-	199,405
Administration	597,636	-	597,636
Total expenses	<u>3,420,358</u>	<u>-</u>	<u>3,420,358</u>
<b>Change in net assets</b>	(35,603)	118,134	82,531
<b>Net assets, beginning of year</b>	<u>2,568,262</u>	<u>1,095,987</u>	<u>3,664,249</u>
<b>Net assets, end of year</b>	<u>\$ 2,532,659</u>	<u>\$ 1,214,121</u>	<u>\$ 3,746,780</u>

See accompanying notes and independent auditor's report.

## Hydrocephalus Association

### Statement of Functional Expenses for the year ended December 31, 2024

Expenses	Program				Total program	Fundraising		Total
	Research	Public support and education	Advocacy	Conferences		Fund development	Administration	
Grants to others	\$ 857,499	\$ -	\$ -	\$ -	\$ 857,499	\$ -	\$ -	\$ 857,499
Salaries	327,265	893,973	134,025	220,573	1,575,836	46,993	276,947	1,899,776
Meetings	44,607	38,181	4,536	176,409	263,733	487	8,108	272,328
Employee benefits	25,872	89,088	10,832	21,113	146,905	5,080	55,102	207,087
Out of town travel	50,822	51,684	4,749	68,301	175,556	3,747	-	179,303
Cost of direct benefit to donors	-	-	-	-	-	159,876	-	159,876
Payroll taxes	24,435	66,411	9,848	16,765	117,459	3,530	20,229	141,218
Software	27,297	71,340	5,391	15,827	119,855	3,616	13,450	136,921
Rent	33,190	46,005	6,709	19,698	105,602	3,480	15,691	124,773
Professional services - other	7,326	39,276	14,515	40,625	101,742	4,404	12,672	118,818
Equipment rental	819	9,621	166	69,944	80,550	86	387	81,023
Service charges	27	37	5	16	85	3	49,551	49,639
Professional service - technology	466	41,007	39	515	42,027	20	92	42,139
Printing	4,232	25,186	154	6,329	35,901	4,771	169	40,841
Site expenses	-	38,478	-	-	38,478	-	-	38,478
Depreciation and amortization	8,889	12,321	1,797	5,275	28,282	932	4,202	33,416
Dues and Subscriptions	2,437	7,204	14,140	704	24,485	1,612	2,023	28,120
Advertising	-	-	-	1,969	1,969	20,716	-	22,685
Professional service - accounting	-	-	-	71	71	-	20,080	20,151
Postage	1,191	10,911	186	827	13,115	3,114	553	16,782
Supplies	407	6,392	67	4,954	11,820	2,158	902	14,880
Prize and award	12,750	1,240	-	423	14,413	-	-	14,413
Telephone	2,840	6,464	574	1,686	11,564	298	1,342	13,204
Scholarships	-	13,000	-	-	13,000	-	-	13,000
Insurance	364	505	74	216	1,159	38	11,286	12,483
Professional services - legal	1,068	1,905	216	634	3,823	112	4,140	8,075
Bank charges	-	-	-	-	-	-	7,314	7,314
Cost of merchandise	-	2,444	-	1,529	3,973	-	-	3,973
Interest	-	-	-	-	-	-	3,778	3,778
Miscellaneous expense	94	1,617	35	30	1,776	261	832	2,869
Conference registration	362	200	-	-	562	-	-	562
Local travel	58	209	180	5	452	1	4	457
Employee education	-	358	-	-	358	-	-	358
Expendable equipment	-	200	-	-	200	-	-	200
Taxes and other fees	27	37	6	16	86	3	73	162
Repairs and maintenance	-	-	-	-	-	-	148	148
	<u>1,434,344</u>	<u>1,475,294</u>	<u>208,244</u>	<u>674,454</u>	<u>3,792,336</u>	<u>265,338</u>	<u>509,075</u>	<u>4,566,749</u>
<b>Less expenses included with revenues on the statement of activities</b>								
Cost of direct benefits to donors	-	-	-	-	-	(159,876)	-	(159,876)
Cost of merchandise sold	-	(2,444)	-	(1,529)	(3,973)	-	-	(3,973)
<b>Total expenses</b>	<u>\$ 1,434,344</u>	<u>\$ 1,472,850</u>	<u>\$ 208,244</u>	<u>\$ 672,925</u>	<u>\$ 3,788,363</u>	<u>\$ 105,462</u>	<u>\$ 509,075</u>	<u>\$ 4,402,900</u>

See accompanying notes and independent auditor's report.

## Hydrocephalus Association

### Statement of Functional Expenses for the year ended December 31, 2023

Expenses	Program				Total program	Fundraising		Total
	Research	Public support and education	Advocacy	Conferences		Fund development	Administration	
Grants to others	\$ 344,100	\$ -	\$ -	\$ -	\$ 344,100	\$ -	\$ -	\$ 344,100
Salaries	255,272	869,913	74,818	74,098	1,274,101	81,922	330,633	1,686,656
Cost of direct benefit to donors	-	-	-	-	-	331,577	-	331,577
Employee benefits	15,495	93,082	6,184	7,664	122,425	8,451	53,020	183,896
Out of town travel	32,188	73,711	3,838	2,774	112,511	26,300	8,771	147,582
Professional services - other	8,031	58,262	29,938	19,464	115,695	11,271	11,352	138,318
Software	27,141	70,364	3,772	3,262	104,539	5,567	18,512	128,618
Meetings	67,730	41,680	116	28	109,554	49	17,574	127,177
Rent	31,960	55,642	4,723	4,084	96,409	7,043	22,237	125,689
Payroll taxes	18,466	64,215	5,328	5,424	93,433	6,070	23,056	122,559
Service charges	259	451	38	33	781	5,746	49,819	56,346
Professional service - technology	6,748	41,454	283	645	49,130	1,465	1,333	51,928
Site expenses	-	42,906	-	-	42,906	112	26	43,044
Dues and Subscriptions	2,925	19,091	13,948	214	36,178	4,802	1,395	42,375
Printing	4,388	22,875	194	247	27,704	12,727	344	40,775
Advertising	-	8,559	-	570	9,129	16,909	-	26,038
Supplies	597	18,778	46	40	19,461	2,125	1,373	22,959
Postage	2,135	9,594	175	151	12,055	6,789	1,089	19,933
Professional service - accounting	-	-	-	-	-	-	18,580	18,580
Depreciation and amortization	4,199	7,310	621	537	12,667	925	2,922	16,514
Telephone	3,369	8,981	498	431	13,279	859	2,344	16,482
Insurance	-	-	-	-	-	33	12,208	12,241
Scholarships	-	12,000	-	-	12,000	-	-	12,000
Professional services - legal	-	1,590	-	-	1,590	-	7,707	9,297
Equipment rental	711	5,633	105	91	6,540	157	495	7,192
Bank charges	-	-	-	-	-	-	6,799	6,799
Interest	-	-	-	-	-	-	4,574	4,574
Prize and award	2,000	272	-	-	2,272	-	137	2,409
Conference registration	1,591	-	-	-	1,591	-	-	1,591
Miscellaneous expense	234	721	124	24	1,103	41	192	1,336
Local travel	-	754	482	-	1,236	-	-	1,236
Cost of merchandise	-	1,029	-	-	1,029	-	-	1,029
Taxes and other fees	-	-	-	-	-	-	1,010	1,010
Expendable equipment	193	336	29	25	583	42	134	759
Employee education	-	345	-	-	345	-	-	345
	<u>829,732</u>	<u>1,529,548</u>	<u>145,260</u>	<u>119,806</u>	<u>2,624,346</u>	<u>530,982</u>	<u>597,636</u>	<u>3,752,964</u>
<b>Less expenses included with revenues on the statement of activities</b>								
Cost of direct benefits to donors	-	-	-	-	-	(331,577)	-	(331,577)
Cost of merchandise sold	-	(1,029)	-	-	(1,029)	-	-	(1,029)
<b>Total expenses</b>	<u>\$ 829,732</u>	<u>\$ 1,528,519</u>	<u>\$ 145,260</u>	<u>\$ 119,806</u>	<u>\$ 2,623,317</u>	<u>\$ 199,405</u>	<u>\$ 597,636</u>	<u>\$ 3,420,358</u>

See accompanying notes and independent auditor's report.

# Hydrocephalus Association

## Statements of Cash Flows

for the years ended December 31,

2024

2023

### Cash flows from operating activities

Change in net assets	\$	(776,958)	\$	82,531
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation of property and equipment		8,470		8,796
Gain on sale of property and equipment		(91)		-
Amortization of intangible assets		24,946		7,718
Amortization of discount on contributions receivable		(11,132)		4,210
Loss on uncollectible contributions receivable		-		3,600
Realized and unrealized gains on investments		(256,621)		(221,231)
Change in operating lease liability		(23,627)		(8,376)
(Increase) decrease in operating assets:				
Contributions receivable		55,500		132,298
Other receivables		(4,263)		185
Prepaid expenses		(28,782)		(8,856)
Inventory		853		6,525
Security deposit		(13,192)		-
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses		(43,246)		58,631
Deferred revenue		50,000		-
Grants payable		-		(173,299)
Accrued interest		(926)		(3,118)
Net cash used in operating activities		<u>(1,019,069)</u>		<u>(110,386)</u>

### Cash flows from investing activities

Purchases of investments and reinvestments, general		(2,163,930)		(2,325,848)
Proceeds from sale of investments, general		2,667,907		2,282,032
Purchases of property and equipment		(9,205)		(11,303)
Proceeds from sale of property and equipment		750		-
Purchases of intangible assets		(22,993)		(59,345)
Net cash provided by (used in) investing activities		<u>472,529</u>		<u>(114,464)</u>

### Cash flows from financing activities

Repayments on U.S. Small Business Administration (SBA) Loan		(2,989)		-
Net cash used in financing activities		<u>(2,989)</u>		<u>-</u>

### Net change in cash and cash equivalents

(549,529) (224,850)

### Cash and cash equivalents - beginning of year

1,206,278 1,431,128

### Cash and cash equivalents - end of year

\$ 656,749 \$ 1,206,278

### Supplemental disclosure of cash flow information

Interest paid	\$	3,778	\$	7,692
Cash paid for U.S. Treasuries, to be converted to cash and cash equivalents within one year	\$	850,984	\$	1,408,482

See accompanying notes and independent auditor's report.

# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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### 1. Organization

The Hydrocephalus Association (the Association) was incorporated in 1986 as a nonprofit corporation under the laws of the State of California. On February 1, 2019, the Association was re-incorporated as a nonprofit corporation under the laws of the State of Delaware through merger of the California corporation into the surviving Delaware corporation.

Hydrocephalus is an abnormal accumulation of cerebrospinal fluid within cavities of the brain called ventricles. The mission of the Association is to find a cure for hydrocephalus and improve the lives of those impacted by the condition by collaborating with patients, caregivers, researchers and industry; raising awareness; and funding innovative, high-impact research to prevent, treat and ultimately cure hydrocephalus. The Association is headquartered in Bethesda, Maryland.

The Association is supported through grants, contributions, special events, and investment earnings.

### 2. Summary of significant accounting policies

#### Basis of accounting and presentation

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

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

#### Use of estimates

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

#### Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include demand deposit accounts and short term and highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents held in investment accounts are excluded from cash and cash equivalents.

#### Investments

Investments are valued at fair value, accounted for on the trade date basis and classified as current or non-current assets based on the board's intended use of the funds and the nature of any restrictions placed on the investments. Realized gains and losses on investments sold are computed using the average historical cost of the investments sold as of the trade date.

See independent auditor's report.

# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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### **Donated assets**

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

### **Receivables**

Contributions receivable represent unconditional promises to give that are expected to be collected over time. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-adjusted discount rates applicable to the years in which the receivables are expected to be collected. Amortization of the discount is included in contribution revenue in the statements of activities.

Other receivables consist of amounts that are expected to be collected within one year and are recorded at net realizable value.

Management determines an allowance for uncollectible contributions receivable and other receivables based on historical experience, an assessment of current economic conditions, reasonable and supportable forecasts of future events, and a review of subsequent collection. At December 31, 2024 and 2023, based on management's assessment, no allowance for uncollectible contributions receivable was required.

Receivables are written off when there is information that indicates there is no possibility of recovery. Balances that are deemed entirely uncollectible are written off through a charge to the allowance or bad debt expense and a credit to the respective receivable account. If any recoveries are made from any accounts previously written off, such will be recognized in income in the year of recovery, in accordance with management's accounting policy election. The total amount of contributions receivable write-offs totaled \$0 and \$3,600 during the years ended December 31, 2024 and 2023, respectively.

### **Inventory**

Inventory is stated at lower of cost or market and consists of books, Hydrocephalus Association merchandise, and other resources.

### **Property and equipment**

The Association capitalizes all expenditures in excess of \$1,000 as property and equipment with an extended useful life. Property is recorded at cost, or if donated, at fair market value on the date received. Major improvements are capitalized and depreciated; maintenance and repairs which do not significantly improve or extend the life of respective assets are expensed. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in other income in the statement of activities. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

### **Leases**

The Association determines if an arrangement is a lease at inception. Lease right-of-use (ROU) assets are included in non-current other assets and lease liabilities are included in current and long-term liabilities on the statements of financial position when lease capitalization criteria is met. ROU assets represent the Association's right to use, or control the use of, a specified asset for the lease term. Lease liabilities represent the obligation to make lease payments arising from a lease and are measured on a discounted basis. Lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date. The Association includes in the determination of the ROU assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

See independent auditor's report.

# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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The weighted-average discount rate is based on the discount rate implicit in the lease. Management has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate has been applied to the Association's office lease asset.

Management has elected the short-term lease exemption for all leases (including equipment rentals for events and other office equipment rentals) with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

As of December 31, 2024 and 2023, the Association had no finance leases.

### **Intangible assets**

Intangible assets consist of capitalized development costs of the Association's mobile application, HydroAssist. HydroAssist was developed by an adult neurologist, a pediatric neurosurgeon, and a representative from the Association and is free to its users. Amounts are recorded at cost less accumulated amortization. Expenditures for maintenance and technical support are charged to expense as incurred and costs to further develop and significantly enhance the application are capitalized. Amortization is computed using the straight-line method over an estimated useful life of 3 years. HydroAssist development costs capitalized during the years ended December 31, 2024 and 2023 totaled \$22,993 and \$59,345, respectively.

### **Compensated absences**

It is the Association's policy to permit eligible employees to accumulate earned but unused vacation subject to certain limitations. Unused vacation pay is accrued when incurred and is recorded in accounts payable and accrued expenses in the statements of financial position totaling \$94,039 and \$86,347 at December 31, 2024 and 2023, respectively.

### **Other financial assets and liabilities**

Financial assets with carrying values approximating fair value include cash and cash equivalents, contributions receivable, other receivables, prepaid expenses, and inventory. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

### **Endowment funds**

The Association's endowment consists of nine individual funds established for academic scholarships as stipulated by the donors. As required by U.S. GAAP, net assets associated with these endowment funds are classified as perpetually restricted and reported as net assets with donor restrictions based on the existence of donor-imposed restrictions.

The Association follows Delaware State Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions and the possible effect of inflation or deflation; other resources of the Association.

While UPMIFA does not require it unless the donor instrument contains an express provision, the Association generally requires the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds. Following this approach, the Association classifies as donor restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and the (c) accumulations to the perpetual endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund.

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# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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*Return objectives and risk parameters* - The Association has investment and spending policies for endowment assets that attempt to conservatively yield returns within reasonable levels of risk. Endowment assets include those assets of donor restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under an investment policy, approved by the Board of Directors in August 2021, the endowment funds are invested in a manner parallel to the Association's other investment accounts which are managed to generate annual dividend income and capital appreciation of 5-6% through a conservative mix of dividend focused equity instruments and investment grade fixed income instruments.

*Strategies employed for achieving objectives* - To satisfy its rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association utilizes conservative mix of dividend focused equity instruments and investment grade fixed income instruments to achieve its return objectives.

*Spending policy and how the investment objectives relate to spending policy* - The Association has a policy of appropriating for distribution each year the earnings on endowment funds. In establishing the policy and the annual appropriation, the Association considered the expected return on its endowment. Accordingly, the Association expects the current spending policy to show no growth in the endowment as the total growth is appropriated annually for scholarships.

### **Support and revenue recognition**

Grants, contributions, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Association 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, or if they are designated as support for future periods. 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. Donor restricted grants and contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Association recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Association recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Conference fee revenue derived from the Association's bi-annual conference is recognized at the time of purchase and presented net of registration fees and discounts. During the year ended December 31, 2024, the Association received a \$50,000 sponsorship payment in advance of the next bi-annual conference scheduled to be held in 2026; such is reported as deferred revenue on the accompanying statement of financial position.

Merchandise sales and miscellaneous income are recognized at the point of sale or when earned, at a point in time.

### **In-kind contributions**

Contributed nonfinancial assets in excess of \$1,000 are recorded at the respective fair values of the goods and services received. Contributed nonfinancial assets may include donated professional services, donated goods, and other in-kind contributions. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program and supporting services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. The Association does not sell donated gifts-in-kind.

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# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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During the years ended December 31, 2024 and 2023, the Association received donated goods and other in-kind contributions valued at \$7,095 and \$4,067, respectively. All donated goods were utilized by the Association's programs and there were no donor-imposed restrictions associated with the donated goods. The Association had no contributed services recognized during the years ended December 31, 2024 or 2023.

### **Income tax status**

The Association is a qualifying nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code and the tax statutes of Delaware and therefore is exempt from federal and state income taxes. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Association does not believe it has any uncertain tax positions as of December 31, 2024. Fiscal years ending on or after 2021 remain subject to examination by federal and state tax authorities.

### **Functional expense allocation**

The costs of providing the various programs and 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. Such allocations are determined by management on an equitable basis and allocated ratably and/or directly by function benefited.

### **Advertising**

Advertising costs are expensed as incurred. During the years ended December 31, 2024 and 2023, advertising costs totaled \$20,446 and \$26,038, respectively.

### **Fair value of financial assets and liabilities**

Financial assets with carrying values approximating fair value include cash and cash equivalents, contributions receivable, other receivables, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

### **Concentration of credit risk**

The Association is exposed to concentrations of credit and market risk through its cash and cash equivalents and investments. Cash held in federally insured institutions may, at times, exceed federally insured limits. FDIC insurance on interest bearing accounts is \$250,000 per depositor, per insured bank. The Association manages its risk by placing funds in various FDIC-insured institutions. The Association's cash balances exceeded the FDIC insured limit by \$379,524 and \$703,011 at December 31, 2024 and 2023, respectively. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that the Association's investments do not represent significant concentrations of market risk, as its investment portfolio is adequately diversified among issuers.

Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and donors supportive of the Association's mission.

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# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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### 3. Fair value measurements and investments

Accounting standards establish 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) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in inactive markets.

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. Money markets and cash equivalents, equities, and U.S. Treasuries are valued at the closing price reported on the active market on which the individual securities are traded (level 1).

During the year ended December 31, 2024, it was determined that corporate bond funds are valued at Level 2 investments due to valuations based on inputs other than quoted prices in active markets. However, these inputs are observable and can be corroborated by market data. As such, the classification in the table below has been updated for both the years ended December 31, 2024 and 2023.

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 Association 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.

Investments measured on a recurring basis are summarized as follows at December 31, 2024:

	Cost	Fair value		
		Level 1	Level 2	Total
Money markets and cash equivalents	\$ 28,537	\$ 28,537	\$ -	\$ 28,537
Equity funds and common securities	707,530	869,966	-	869,966
Preferred equity securities	271,285	250,384	-	250,384
Corporate bond funds	280,000	-	266,675	266,675
U.S. Treasuries	852,516	866,659	-	866,659
Total investments	<u>\$ 2,139,868</u>	<u>\$ 2,015,546</u>	<u>\$ 266,675</u>	<u>\$ 2,282,221</u>

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# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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Investments measured on a recurring basis are summarized as follows at December 31, 2023:

	Cost	Fair value		Total
		Level 1	Level 2	
Money markets and cash equivalents	\$ 76,321	\$ 76,321	\$ -	\$ 76,321
Equity funds and common securities	610,279	642,794	-	642,794
Preferred equity securities	191,737	171,225	-	171,225
Corporate bond funds	210,000	-	192,611	192,611
U.S. Treasuries	1,408,482	1,446,626	-	1,446,626
Total investments	<u>\$ 2,496,819</u>	<u>\$ 2,336,966</u>	<u>\$ 192,611</u>	<u>\$ 2,529,577</u>

#### 4. Contributions receivable

Unconditional contributions receivable are estimated to be collected as follows at December 31:

	2024	2023
Within one year	\$ 158,202	\$ 80,500
Within one to three years	57,000	190,202
	<u>215,202</u>	<u>270,702</u>
Less discount to net present value at 4.00% for 2024 and 2023	(5,184)	(16,316)
Total contributions receivable	<u>\$ 210,018</u>	<u>\$ 254,386</u>

At December 31, 2024, three donors accounted for 77% of total contributions receivable; of these donors, one is a related party and comprised 14% of total contributions receivable (see Note 14). At December 31, 2023, three donors accounted for 77% of total contributions receivable; of these donors, one is a related party and comprised 18% of total contributions receivable.

During the year ended December 31, 2024, two contributors accounted for approximately 32% of total grants and contributions; of these contributors, one is a related party and comprised 22% of total grants and contributions (see Note 14). During the year ended December 31, 2023, one contributor accounted for approximately 10% of total grants and contributions.

During the year ended December 31, 2023, the Association received a new \$300,000 promise as well as \$209,298 in unspent funds from a grant the Association previously awarded and paid to a grantee in 2013. These funds were applied to the promise leaving a remaining amount of \$90,702 which is expected to be collected in 2025. In accordance with management's accounting policy, management applied the returned unspent funds as an offset to grants to others expense and only recorded \$90,702 of the promise towards revenue during the year ended December 31, 2023.

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# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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### 5. Property and equipment

Property and equipment consists of the following at December 31:

	<u>2024</u>	<u>2023</u>	<u>Useful lives</u>
Office furniture and equipment	\$ 118,355	\$ 110,656	4 years
Computer software	105,495	105,495	4 years
Website	12,100	12,100	4 years
Property and equipment, cost	<u>235,950</u>	<u>228,251</u>	
Less accumulated depreciation	<u>(220,544)</u>	<u>(212,921)</u>	
Property and equipment, net	<u>\$ 15,406</u>	<u>\$ 15,330</u>	

Depreciation expense totaled \$8,470 and \$8,796 for the years ended December 31, 2024 and 2023, respectively.

### 6. Intangible assets

Intangible assets consist of the following at December 31:

	<u>2024</u>	<u>2023</u>	<u>Useful life</u>
Software development costs - HydroAssist	\$ 82,338	\$ 59,345	3 years
Less: accumulated amortization	<u>(32,664)</u>	<u>(7,718)</u>	
Intangible assets, net	<u>\$ 49,674</u>	<u>\$ 51,627</u>	

Amortization expense totaled \$24,946 and \$7,718 for the years ended December 31, 2024 and 2023, respectively.

The following summarizes the expected future amortization of the Association's intangible assets during the years ended December 31:

2025	\$ 27,446
2026	19,728
2027	2,500
	<u>\$ 49,674</u>

### 7. U.S. Small Business Administration loan

In June 2020, the Association received a loan for \$150,000 from the U.S. Small Business Administration (SBA). The loan is collateralized by substantially all of the Association's assets. The note requires monthly principal and interest payments of \$641 through July 2050 (if not repaid sooner) at a fixed rate of 2.75% per year. Payments were deferred until April 2022 and were first applied to accrued interest. At December 31, 2024 and 2023, the outstanding balances due on the loan, including accrued interest, were \$147,011 and \$150,926, respectively; accrued interest totaled \$0 and \$926, respectively. Repayment on the principal balance commenced in April 2024, with interest only payments until that time.

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# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

Future payments of interest and principal on the SBA loan are as follows during the years ended December 31:

	Interest	Principal	Total
2025	\$ 3,996	\$ 3,696	\$ 7,692
2026	3,894	3,798	7,692
2027	3,788	3,904	7,692
2028	3,679	4,013	7,692
2029	3,567	4,125	7,692
Thereafter	42,609	127,475	170,084
	<u>\$ 61,533</u>	<u>\$ 147,011</u>	<u>\$ 208,544</u>

### 8. Line of credit

During 2020, the Association entered into a line of credit with a financial institution. The line of credit provides for maximum borrowings of \$500,000, bearing interest at a floating rate equal to the lender's prime rate plus 1.0% and is secured by all inventory, accounts receivable and equipment. There was no outstanding balance on the line of credit as of December 31, 2024 or 2023.

### 9. Net assets with donor restrictions

Donor-restricted net assets consisted of the following at December 31, 2024:

	2023	Additions /transfers	Releases	2024
Research	\$ 838,768	\$ 744,255	\$ (867,977)	\$ 715,046
Time restricted contributions receivable	254,386	(41,868)	(2,500)	210,018
Support and education	29,649	264,318	(277,376)	16,591
Endowment funds	91,318	-	-	91,318
	<u>\$ 1,214,121</u>	<u>\$ 966,705</u>	<u>\$ (1,147,853)</u>	<u>\$ 1,032,973</u>

Donor-restricted net assets consisted of the following at December 31, 2023:

	2022	Additions /transfers	Releases	2023
Research	\$ 588,082	\$ 792,642	\$ (541,956)	\$ 838,768
Time restricted contributions receivable	394,494	(115,108)	(25,000)	254,386
Support and education	33,867	38,425	(42,643)	29,649
Endowment funds	79,544	11,774	-	91,318
	<u>\$ 1,095,987</u>	<u>\$ 727,733</u>	<u>\$ (609,599)</u>	<u>\$ 1,214,121</u>

Time restricted contributions receivable with donor-imposed purpose restrictions are transferred from time restriction to purpose restriction upon collection. Time restricted contributions receivable without donor restrictions are released from time restriction upon collection.

See independent auditor's report.

# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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### 10. Endowment funds

Perpetually restricted net assets consist of donor restricted endowment funds with an original gift value totaling \$91,318. Earnings on the perpetual endowment funds are to be used for academic scholarships as stipulated by the donors.

From time to time, the fair value of assets associated with the donor restricted endowment funds may fall below the level that the donor or UPMIFA require the Association to retain as a fund of perpetual duration. Deficiencies of this nature did not exist at December 31, 2024 or 2023 and previous deficiencies were fully restored in 2023.

A summary of the activity in endowment funds is as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Endowment funds, beginning of year	\$ 91,318	\$ 79,544
Investment return (loss), net	13,142	12,624
Amounts transferred to purpose restriction	<u>(13,142)</u>	<u>(850)</u>
Endowment funds, end of year	<u>\$ 91,318</u>	<u>\$ 91,318</u>

### 11. Liquidity and availability of resources

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, research grants to others, liabilities, and other obligations come due. In addition, the Association invests cash in excess of routine requirements in short-term investments, and the Association can draw on investments to help manage unanticipated liquidity needs.

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, include the following assets as of December 31:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash and cash equivalents	\$ 656,749	\$ 1,206,278
Investments	2,282,221	2,529,577
Contributions receivable, current portion	158,202	95,595
Other receivables	<u>4,263</u>	<u>-</u>
Total financial assets	<u>3,101,435</u>	<u>3,831,450</u>
Less amounts unavailable for general expenditures within one year due to:		
Donor-imposed purpose restrictions	(731,637)	(868,417)
Perpetual endowment	<u>(91,318)</u>	<u>(91,318)</u>
	<u>(822,955)</u>	<u>(959,735)</u>
Financial assets available to meet cash needed for general expenditures within one year	<u>\$ 2,278,480</u>	<u>\$ 2,871,715</u>

As mentioned in Note 8, the Association also has availability to \$500,000 in its line of credit.

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# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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### 12. Operating lease

In April 2019, the Association amended and extended a noncancelable operating lease agreement for its Bethesda, Maryland headquarters office through May 2025. The operating lease provides for increases in future minimum annual rental payments, adjusted annually for inflation at a rate of 2.75%. Additionally, the operating lease agreement requires the Association to pay real estate taxes, insurance, and other operating costs; such non-lease components are expensed as incurred.

The amounts reported within operating lease right-of-use asset and operating lease liabilities on the accompanying statements of financial position are summarized as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Operating lease right-of-use asset	\$ 48,536	\$ 163,777
Prepaid rent	11,810	-
Total operating lease right-of-use asset	<u>\$ 60,346</u>	<u>\$ 163,777</u>
Operating lease liability, current portion	\$ 54,416	\$ 127,059
Operating lease liability, long-term portion	-	54,415
Total operating lease liability	<u>\$ 54,416</u>	<u>\$ 181,474</u>

The Association had the following cash and non-cash activities associated with its operating lease during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 128,607	\$ 125,165

Lease expense was comprised of the following during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Operating lease expense	116,789	116,789
Other short-term lease costs	7,984	8,900
	<u>\$ 124,773</u>	<u>\$ 125,689</u>

The operating lease term and discount rate was as follows at December 31:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term (in years)	0.42	1.42
Weighted-average discount rate	1.37%	1.37%

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# Hydrocephalus Association

## Notes to Financial Statements December 31, 2024 and 2023

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The future payments due under the operating lease are as follows during the year ending December 31:

2025	\$ 54,541
Less: present value discount	<u>(125)</u>
Total lease liabilities	<u>\$ 54,416</u>

In November 2024, the Association executed a new operating lease for office space. The lease will commence June 1, 2025 and continue for 41 months. The lease will require monthly payments in advance comprised of base rent starting at \$6,596 and increasing 2.5% per annum plus an allocated share of overhead costs at 0.33%. Base rent and the Association's allocated share of overhead rent will be abated for the first five months. At lease execution, the Association was required to pay a security deposit of \$13,192 and prepay first month's base rent of \$6,596. Upon lease maturity, the Association has the option to extend the lease for an additional 60-month period.

### 13. Retirement plan

The Association has a contributory 403(b) plan which is funded by voluntary participant salary deferrals and an employer match of 1% for the first 3% of contributions and 1/2% for the next 2% of contributions. For the years ended December 31, 2024 and 2023, matching contributions totaled \$59,842 and \$55,378, respectively, and are included in employee benefits in the accompanying statements of functional expenses.

### 14. Related party transactions

Members of the Association's Board of Directors and staff made contributions totaling approximately \$68,000 and \$214,000 during the years ended December 31, 2024 and 2023, respectively. Additionally, an affiliate group to the Association, made contributions totaling approximately \$320,000 and \$100,000 during the years ended December 31, 2024 and 2023, respectively.

### 15. Subsequent events

The Association has assessed events occurring subsequent to December 31, 2024 through May 2, 2025, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

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