



NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Contents
December 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
National Organization for Rare Disorders, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of National Organization for Rare Disorders, Inc. (a New York corporation, not for profit) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 National Organization for Rare Disorders, Inc. as of December 31, 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.

Alexander, Brown, Penning & Co., P.C.
Westborough, Massachusetts
January 24, 2018

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.Statements of Financial Position
December 31, 2016 and 2015

Assets	2016	2015
Current Assets:		
Cash	\$ 9,350,563	\$ 7,109,928
Current portion of certificates of deposit	1,237,499	837,995
Investments	131,462	251,960
Accounts receivable, net of allowance for doubtful accounts of \$255,000 at December 31, 2016	10,806,349	2,265,308
Prepaid expenses	90,694	121,508
Total current assets	21,616,567	10,586,699
Certificates of Deposit, net of current portion	-	618,216
Property and Equipment, net	1,648,289	1,295,568
Software Under Development	-	1,251,022
Total assets	<u>\$ 23,264,856</u>	<u>\$ 13,751,505</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	\$ 58,258	\$ 55,478
Accounts payable	325,770	644,912
Accrued expenses	361,848	234,620
Current portion of research grants payable	413,025	892,752
Deferred revenue	620,910	451,600
Total current liabilities	1,779,811	2,279,362
Long-Term Debt, net of current portion	429,645	487,904
Research Grants Payable, net of current portion	533,430	-
Total liabilities	<u>2,742,886</u>	<u>2,767,266</u>
Net Assets:		
Unrestricted:		
Operating	2,442,470	2,555,053
Property, equipment and software under development	1,160,386	2,003,208
Total unrestricted	3,602,856	4,558,261
Temporarily restricted	16,919,114	6,425,978
Total net assets	<u>20,521,970</u>	<u>10,984,239</u>
Total liabilities and net assets	<u>\$ 23,264,856</u>	<u>\$ 13,751,505</u>

The accompanying notes are an integral part of these statements.

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NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue and Support:						
Program grants	\$ 1,321,401	\$ 29,839,697	\$ 31,161,098	\$ 3,499,084	\$ 12,050,073	\$ 15,549,157
Patient assistance and research program fees	3,207,451	-	3,207,451	1,576,789	-	1,576,789
Membership dues	1,310,303	-	1,310,303	1,254,505	-	1,254,505
Special events revenue	1,110,540	-	1,110,540	1,082,504	-	1,082,504
Contributions and bequests	943,379	-	943,379	885,224	-	885,224
Royalties and other	295,143	250,000	545,143	302,772	-	302,772
Federated grants	189,179	-	189,179	23,817	-	23,817
Interest and dividend income	12,987	-	12,987	23,000	-	23,000
Net assets released from purpose restrictions	19,596,561	(19,596,561)	-	10,461,107	(10,461,107)	-
Total operating revenue and support	27,986,944	10,493,136	38,480,080	19,108,802	1,588,966	20,697,768
Operating Expenses:						
Program services:						
Patient services	22,128,317	-	22,128,317	14,338,019	-	14,338,019
Advocacy	748,165	-	748,165	663,907	-	663,907
Research and medical and scientific affairs	477,486	-	477,486	646,623	-	646,623
Membership and education	924,502	-	924,502	987,419	-	987,419
Total program services	24,278,470	-	24,278,470	16,635,968	-	16,635,968
Support services:						
General and administrative	3,534,769	-	3,534,769	1,880,854	-	1,880,854
Development and communications	1,134,209	-	1,134,209	1,282,230	-	1,282,230
Total support services	4,668,978	-	4,668,978	3,163,084	-	3,163,084
Total operating expenses	28,947,448	-	28,947,448	19,799,052	-	19,799,052
Changes in net assets from operations	(960,504)	10,493,136	9,532,632	(690,250)	1,588,966	898,716
Net Gain (Loss) on Investments	5,099	-	5,099	(14,820)	-	(14,820)
Changes in net assets	(955,405)	10,493,136	9,537,731	(705,070)	1,588,966	883,896
Net Assets:						
Beginning of year	4,558,261	6,425,978	10,984,239	5,263,331	4,837,012	10,100,343
End of year	\$ 3,602,856	\$ 16,919,114	\$ 20,521,970	\$ 4,558,261	\$ 6,425,978	\$ 10,984,239

The accompanying notes are an integral part of these statements.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 9,537,731	\$ 883,896
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	980,649	177,887
Donated investments	(139,887)	(5,808)
Bad debt expense	255,000	-
Net (gain) loss on investments	(5,099)	14,820
Changes in operating assets and liabilities:		
Accounts receivable	(8,796,041)	(1,431,864)
Prepaid expenses	30,814	(47,266)
Accounts payable	(319,142)	3,111
Accrued expenses	127,228	(1,976,070)
Research grants payable	53,703	(62,344)
Deferred revenue	169,310	(320,211)
	<u>1,894,266</u>	<u>(2,763,849)</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Reinvested interest earned on certificates of deposit	(1,909)	(4,499)
Maturities of certificates of deposit	220,621	-
Proceeds from sales of investments	265,484	11,530
Investment in software under development, net	-	(268,827)
Acquisition of property and equipment	(82,348)	(2,261)
	<u>401,848</u>	<u>(264,057)</u>
Net cash provided by (used in) investing activities		
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(55,479)	(52,830)
	<u>2,240,635</u>	<u>(3,080,736)</u>
Net Change in Cash		
Cash:		
Beginning of year	<u>7,109,928</u>	<u>10,190,664</u>
End of year	<u>\$ 9,350,563</u>	<u>\$ 7,109,928</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 25,391</u>	<u>\$ 28,038</u>
Supplemental Disclosure of Non-Cash Transactions:		
Donated investments	<u>\$ 139,887</u>	<u>\$ 5,808</u>
Software under development placed in service	<u>\$ 1,251,022</u>	<u>\$ 70,494</u>

The accompanying notes are an integral part of these statements.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2016

(With Summarized Comparative Totals for the Year Ended December 31, 2015)

	2016								2015	
	Program Services				Support Services				Total	
	Patient Services	Advocacy	Research and Medical and Scientific Affairs	Membership and Education	Total Program Services	General and Administrative	Development and Communications	Total Support Services		
Program Grants	\$ 20,418,421	\$ -	\$ 339,200	\$ -	\$ 20,757,621	\$ -	\$ -	\$ -	\$ 20,757,621	\$ 13,356,507
Personnel and Related:										
Salaries	769,149	394,082	5,992	439,239	1,608,462	1,927,877	562,110	2,489,987	4,098,449	3,179,474
Payroll taxes and fringe benefits	159,738	85,375	644	91,414	337,171	375,567	131,688	507,255	844,426	711,643
Employee related costs	8,439	1,339	62	4,911	14,751	15,406	3,365	18,771	33,522	38,205
Total personnel and related	937,326	480,796	6,698	535,564	1,960,384	2,318,850	697,163	3,016,013	4,976,397	3,929,322
Occupancy:										
Rent	-	137,322	-	44,224	181,546	33,277	14,261	47,538	229,084	224,313
Utilities, equipment and storage	407	2,185	1,235	2,481	6,308	192,894	3,533	196,427	202,735	190,153
Repairs and maintenance	-	-	-	-	-	43,287	-	43,287	43,287	49,361
Property insurance	-	-	-	-	-	37,772	-	37,772	37,772	25,112
Interest	-	-	-	-	-	25,391	-	25,391	25,391	28,038
Total occupancy	407	139,507	1,235	46,705	187,854	332,621	17,794	350,415	538,269	516,977
Other:										
Travel and meeting	4,238	22,172	758	206,258	233,426	100,846	58,661	159,507	392,933	750,086
Bad debt expense	-	-	-	-	-	320,700	-	320,700	320,700	-
Professional fees	-	81,560	1,000	68,924	151,484	134,819	10,337	145,156	296,640	245,004
Special events	-	-	-	-	-	-	185,604	185,604	185,604	249,323
Office supplies	26,314	1,875	-	20,495	48,684	49,573	29,001	78,574	127,258	121,796
Marketing	254	-	1,000	22,259	23,513	500	94,030	94,530	118,043	202,113
Dues, subscriptions and registrations	1,870	16,084	-	916	18,870	55,549	14,585	70,134	89,004	58,634
Data systems	25,569	6,171	-	11,460	43,200	32,620	12,342	44,962	88,162	97,600
Miscellaneous	21,636	-	-	-	21,636	15,540	314	15,854	37,490	49,355
Conferences and patient travel	-	-	-	11,921	11,921	-	14,378	14,378	26,299	33,768
Insurance	-	-	-	-	-	12,379	-	12,379	12,379	10,680
Total other	79,881	127,862	2,758	342,233	552,734	722,526	419,252	1,141,778	1,694,512	1,818,359
Total operating expenses before depreciation	21,436,035	748,165	349,891	924,502	23,458,593	3,373,997	1,134,209	4,508,206	27,966,799	19,621,165
Depreciation	692,282	-	127,595	-	819,877	160,772	-	160,772	980,649	177,887
Total operating expenses	\$ 22,128,317	\$ 748,165	\$ 477,486	\$ 924,502	\$ 24,278,470	\$ 3,534,769	\$ 1,134,209	\$ 4,668,978	\$ 28,947,448	\$ 19,799,052

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services				Support Services				Total
	Patient Services	Advocacy	Research and Medical and Scientific Affairs	Membership and Education	Total Program Services	General and Administrative	Development and Communications	Total Support Services	
Program Grants	\$ 13,131,689	\$ -	\$ 224,818	\$ -	\$ 13,356,507	\$ -	\$ -	\$ -	\$ 13,356,507
Personnel and Related:									
Salaries	829,189	272,669	330,475	267,975	1,700,308	919,373	559,793	1,479,166	3,179,474
Payroll taxes and fringe benefits	219,737	68,436	44,906	70,006	403,085	190,873	117,685	308,558	711,643
Employee related costs	693	137	-	8,340	9,170	28,101	934	29,035	38,205
Total personnel and related	1,049,619	341,242	375,381	346,321	2,112,563	1,138,347	678,412	1,816,759	3,929,322
Occupancy:									
Rent	-	142,330	-	-	142,330	57,388	24,595	81,983	224,313
Utilities, equipment and storage	6,479	5,080	1,427	5,732	18,718	167,313	4,122	171,435	190,153
Repairs and maintenance	-	-	-	-	-	49,361	-	49,361	49,361
Property insurance	-	-	-	-	-	25,112	-	25,112	25,112
Interest	-	-	-	-	-	28,038	-	28,038	28,038
Total occupancy	6,479	147,410	1,427	5,732	161,048	327,212	28,717	355,929	516,977
Other:									
Travel and meeting	26,004	19,918	7,041	561,706	614,669	107,063	28,354	135,417	750,086
Professional fees	1,580	122,641	19,200	2,635	146,056	60,280	38,668	98,948	245,004
Special events	-	-	-	-	-	-	249,323	249,323	249,323
Office supplies	32,931	2,257	1,870	20,523	57,581	32,495	31,720	64,215	121,796
Marketing	3,497	221	1,670	10,365	15,753	190	186,170	186,360	202,113
Dues, subscriptions and registrations	1,690	21,981	250	1,005	24,926	30,260	3,448	33,708	58,634
Data systems	1,216	221	221	618	2,276	94,553	771	95,324	97,600
Miscellaneous	29,679	7	-	1,403	31,089	17,827	439	18,266	49,355
Conferences and patient travel	2	-	2,724	20,114	22,840	46	10,882	10,928	33,768
Insurance	-	-	-	-	-	10,680	-	10,680	10,680
Total other	96,599	167,246	32,976	618,369	915,190	353,394	549,775	903,169	1,818,359
Total operating expenses before depreciation	14,284,386	655,898	634,602	970,422	16,545,308	1,818,953	1,256,904	3,075,857	19,621,165
Depreciation	53,633	8,009	12,021	16,997	90,660	61,901	25,326	87,227	177,887
Total operating expenses	\$ 14,338,019	\$ 663,907	\$ 646,623	\$ 987,419	\$ 16,635,968	\$ 1,880,854	\$ 1,282,230	\$ 3,163,084	\$ 19,799,052

The accompanying notes are an integral part of these statements.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Notes to Financial Statements
December 31, 2016 and 2015

1. OPERATIONS AND NONPROFIT STATUS

National Organization for Rare Disorders, Inc. (NORD) is a not-for-profit organization incorporated on May 4, 1983, under the laws of the State of New York.

NORD was formed to provide information on rare disorders and related resources, to aid government agencies in activities pursuant to the Orphan Drug Act, to encourage and promote increased scientific and clinical research on rare disorders, to support and mentor disease-specific patient organizations, and to provide services to patients and their families, especially to enhance their access to medical treatment for their diseases. NORD manages both indigent care drug programs that provide medication at no cost to those in need and financial hardship relief programs to provide individuals who meet objective criteria with insurance premium and co-payment assistance through funds raised by NORD from grants and donations from foundations, corporations and individuals.

NORD's main office is in Danbury, Connecticut, with additional offices in Massachusetts and Washington, D.C.

NORD is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). NORD is also exempt from state income taxes. Donors may deduct contributions made to NORD within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

NORD's financial statements have been prepared in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable at December 31, 2016 and 2015, consist mainly of amounts due in the next year for program grants. An allowance for doubtful accounts is based on collection experience and other circumstances which may affect the ability of NORD to collect. The allowance for doubtful accounts at December 31, 2016, was \$255,000. No allowance was deemed necessary at December 31, 2015.

Fair Value Measurements

NORD follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that NORD would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Notes to Financial Statements
December 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

NORD uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of NORD. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Certificates of Deposit

The certificates of deposit at December 31, 2016 and 2015, mature at various dates through March 2017 and earn interest at rates ranging from .15% to .5%. Certificates of deposit that mature within one year are shown as current assets in the accompanying statements of financial position. Certificates of deposit are measured at fair value using Level 1 inputs within the fair value hierarchy.

Investments

Investments are recorded in the financial statements at fair value using Level 1 inputs. If an investment is directly held by NORD and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

The primary investment objective is to earn a total rate of return modestly greater than provided by general savings accounts and protecting assets while earning a return. Investment allocations are reviewed by NORD on a semi-annual basis and adjustments are made when necessary.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Notes to Financial Statements
December 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Building and improvements	20 - 40 years
Furniture and fixtures	5 - 10 years
Computers and computer software	3 - 5 years
Leasehold improvements	Term of lease

Software Under Development

Software under development includes the cost of developing a system to track and monitor patient expenses, website changes, and a registry of rare diseases. The cost related to software or modules not placed in service as of December 31, 2015, was \$1,251,022 and is reflected as software under development in the accompanying statements of financial position. These amounts were transferred to property and equipment - computer software when placed in service during 2016.

Research Grants Payable

Research grants are recorded when awarded by NORD. Payments are made when research is considered substantially complete. Research grants expected to be paid during the subsequent fiscal year are shown as current liabilities in the accompanying statements of financial position.

Deferred Revenue

Deferred revenue consists of membership revenue received in advance of the membership effective date and contract advances which will be recognized as revenue when the services are provided.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by NORD. NORD has grouped its unrestricted net assets into the following categories:

Operating - Represents resources available to carry on the operations of NORD.

Property, equipment and software under development - Represents the activities relating to NORD's property, equipment and software under development, net of related debt.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Notes to Financial Statements
December 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use in future periods (time restricted). As of December 31, 2016 and 2015, all amounts included in temporarily restricted net assets were purpose restricted.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and support and operating expenses in the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating expenses. Gains and losses on investments, consistent with industry practice, are shown as non-operating activity.

Revenue Recognition

NORD reports gifts and grants of cash and other assets as temporarily restricted revenue and net assets if they are received or unconditionally committed with donor stipulations that limit the use of the asset. 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 and changes in net assets as net assets released from restrictions. Revenue from unrestricted grants and contributions is recorded when received or committed.

Patient assistance and research program administration fees revenue is recorded as services are provided and revenue is earned. Royalty income is recorded annually in accordance with a contract agreement from publication of certain curricula and software developed by NORD. Special events revenue is recognized in the year the event occurs. Membership dues revenue is recorded when earned at the beginning of the year the membership is effective. All other revenue is recorded when earned.

NORD is and may be named beneficiary of trusts and wills. The amounts to be received, if any, cannot always be determined and are therefore not reflected in the accompanying financial statements because the donors' wills have not yet been declared valid by the probate court, and the value of the amounts to be received is not yet determinable. NORD received bequests of \$146,018 and \$480,716 for the years ended December 31, 2016 and 2015, respectively, which are included in contributions and bequests in the accompanying statements of activities and changes in net assets.

Marketing and Advertising Costs

NORD expenses marketing and advertising costs as they are incurred.

Expense Allocation

Expenses related directly to a program are allocated to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Notes to Financial Statements
December 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

NORD accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. NORD has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2016 and 2015. NORD's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through January 24, 2018, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements, except as noted in Note 3.

3. INVESTMENTS

Investments are not insured and are subject to ongoing market fluctuations. Investments have been classified as short-term in the accompanying statements of financial position based upon management's intent for the investments. As of December 31, 2016 investments consist of two money market funds. As of December 31, 2015, investments consist of a loan-based mutual fund.

Net gain (loss) on investments consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Unrealized gain (loss) on investments	\$ 49,724	\$ (15,230)
Realized gain (loss) on investments	<u>(44,625)</u>	<u>410</u>
Net gain (loss) on investments	<u>\$ 5,099</u>	<u>\$ (14,820)</u>

Subsequent to year-end, all investments were sold, and all proceeds were transferred to money market accounts.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

Notes to Financial Statements
December 31, 2016 and 2015

4. PROPERTY AND EQUIPMENT

Net property and equipment consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 505,203	\$ 505,203
Building and improvements	767,812	767,812
Furniture and fixtures	1,008,541	1,316,360
Computers and computer software	1,653,538	320,168
Leasehold improvements	-	11,910
	<u>3,935,094</u>	<u>2,921,453</u>
Less - accumulated depreciation	<u>2,286,805</u>	<u>1,625,885</u>
Net property and equipment	<u>\$ 1,648,289</u>	<u>\$ 1,295,568</u>

5. LONG-TERM DEBT

NORD has a mortgage note payable to a bank which is secured by certain property. Payments of principal and interest at 4.9% are due in monthly installments of \$6,739 through February 2024, the note's maturity. The balance outstanding on the note was \$487,903 and \$543,382 as of December 31, 2016 and 2015, respectively.

The note agreement contains various covenants with which NORD must comply. At December 31, 2016 and 2015, NORD was in compliance with the covenants.

The future principal payments are as follows:

2017	\$ 58,258
2018	\$ 61,178
2019	\$ 64,244
2020	\$ 67,464
2021	\$ 70,845
Thereafter	\$ 165,914

6. LEASE AGREEMENTS

NORD leases office space under operating leases in Massachusetts and Washington D.C., which expire in January 2018 and April 2019, respectively. Monthly payments under the terms of the agreement ranged from \$6,093 to \$7,646. In future years, payments range from \$6,093 to \$7,952. The facility leases require NORD to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses, as defined in the agreement. Rent expense was \$229,084 and \$224,313 for the years ended December 31, 2016 and 2015, respectively.

Future minimum base lease payments under these agreements are as follows:

2017	\$ 152,628
2018	\$ 73,111
2019	\$ 24,370

Both lease agreements contain renewal options, which have not been exercised.

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7. EMPLOYMENT BENEFIT PLANS

NORD has adopted a tax-deferred pension plan under Section 403(b) of the IRC for all eligible employees. NORD contributes 5% of each participant's annual salary to the plan. NORD's contributions for the years ended December 31, 2016 and 2015, totaled \$143,881 and \$112,479, respectively, which is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

8. CONCENTRATIONS

NORD maintains its operating cash balances in various banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the years ended December 31, 2016 and 2015, cash balances exceeded the insured amounts. NORD has not experienced any losses in such accounts. NORD believes it is not exposed to any significant credit risk on its operating cash balance.

Accounts receivable and operating revenue and support concentrations are comprised of the following private donors at December 31:

Donor	2016		2015	
	Percentage of Accounts Receivable	Percentage of Operating Revenue and Support	Percentage of Accounts Receivable	Percentage of Operating Revenue and Support
A	- %	28%	76%	30%
B	45%	23%	- %	13%
C	30%	15%	- %	14%
D	- %	- %	16%	2%

9. CONTINGENCY

In the ordinary course of NORD's business, NORD is from time-to-time involved in disputes concerning business and employment matters of NORD. While damages in connection with these disputes are possible, NORD denies any wrong doing in these cases and is taking the appropriate legal steps in defense of these disputes. It is management's opinion that any potential settlement would not be material to the accompanying financial statements.

10. RECLASSIFICATIONS

Certain amounts in the fiscal year 2015 financial statements have been reclassified to conform with the fiscal year 2016 presentation.