HYDROCEPHALUS ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024



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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, 2025 and 2024, 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, 2025 and 2024, 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.

To the 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 5, 2026

Hydrocephalus Association

Statements of Financial Position

December 31,	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 2,156,745	$ 656,749
Investments, general	7,888	887,320
Contributions receivable, current portion	325,250	158,202
Other receivables	2,081	4,263
Prepaid expenses	28,963	126,685
Inventory	90,477	39,471
Total current assets	2,611,404	1,872,690
Non-current assets		
Investments, general	1,397,972	1,303,583
Investments, endowment fund	91,318	91,318
Contributions receivable, long-term portion, net	101,278	51,816
Operating lease right-of-use asset	198,098	60,346
Property and equipment, net	11,511	15,406
Intangible assets, net	22,228	49,674
Security deposit	13,192	13,192
Total non-current assets	1,835,597	1,585,335
Total assets	$ 4,447,001	$ 3,458,025
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$ 280,002	$ 236,776
Grants payable	200,000	-
Deferred revenue, current portion	75,000	-
U.S. Small Business Administration (SBA) Loan, current portion	3,793	2,989
Operating lease liability, current portion	73,083	54,416
Total current liabilities	631,878	294,181
Long-term liabilities		
Deferred revenue, long-term portion	-	50,000
U.S. Small Business Administration (SBA) Loan, long-term portion	139,736	144,022
Operating lease liability, long-term portion	147,223	-
Total long-term liabilities	286,959	194,022
Total liabilities	918,837	488,203
Net assets		
Without donor restrictions	2,300,497	1,936,849
With donor restrictions		
Purpose and time restrictions	1,136,349	941,655
Perpetually endowed	91,318	91,318
Total net assets	3,528,164	2,969,822
Total liabilities and net assets	$ 4,447,001	$ 3,458,025

See accompanying notes and independent auditor's report.

Hydrocephalus Association

Statement of Activities
for the year ended December 31, 2025

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Grants and contributions	$ 1,254,275	$ 1,090,242	$ 2,344,517
Special events (net of cost of direct benefits to donors of $179,063)	1,807,333	-	1,807,333
In-kind contributions	8,726	-	8,726
Merchandise sales (net of cost of merchandise of $15,264)	(6,218)	-	(6,218)
Miscellaneous income	11,694	-	11,694
Interest and dividends	71,884	3,137	75,021
Net investment gain	88,246	6,143	94,389
Net assets released from restrictions	904,828	(904,828)	-
Total support and revenue	4,140,768	194,694	4,335,462
Expenses			
Program expenses			
Research	1,312,106	-	1,312,106
Public support and education	1,606,110	-	1,606,110
Advocacy	133,949	-	133,949
Conferences	113,811	-	113,811
Total program expenses	3,165,976	-	3,165,976
Fundraising			
Fund development	83,861	-	83,861
Administration	527,283	-	527,283
Total expenses	3,777,120	-	3,777,120
Change in net assets	363,648	194,694	558,342
Net assets, beginning of year	1,936,849	1,032,973	2,969,822
Net assets, end of year	$ 2,300,497	$ 1,227,667	$ 3,528,164

See accompanying notes and independent auditor's report.

Hydrocephalus Association

Statement of Activities
for the year ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
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 $1,029)	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	3,807,090	(181,148)	3,625,942
Expenses			
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	3,788,363	-	3,788,363
Fundraising			
Fund development	105,462	-	105,462
Administration	509,075	-	509,075
Total expenses	4,402,900	-	4,402,900
Change in net assets	(595,810)	(181,148)	(776,958)
Net assets, beginning of year	2,532,659	1,214,121	3,746,780
Net assets, end of year	$ 1,936,849	$ 1,032,973	$ 2,969,822

See accompanying notes and independent auditor's report.

Hydrocephalus Association

Statement of Functional Expenses
for the year ended December 31, 2025

	Program					Fundraising		
	Research	Public support and education	Advocacy	Conferences	Total program	Fund development	Administration	Total
Expenses								
Salaries	$ 371,268	$ 993,896	$ 89,744	$ 72,423	$ 1,527,331	$ 53,709	$ 291,982	$ 1,873,022
Grants to others	690,580	-	-	-	690,580	-	-	690,580
Employee benefits	28,222	98,014	7,653	6,925	140,814	6,047	45,385	192,246
Cost of direct benefit to donors	-	-	-	-	-	179,063	-	179,063
Payroll taxes	26,467	73,449	7,039	5,370	112,325	3,995	21,361	137,681
Software	38,548	74,858	3,817	2,760	119,983	2,222	14,516	136,721
Out of town travel	25,464	90,842	2,434	628	119,368	169	9,823	129,360
Meetings	57,402	41,763	407	24	99,596	19	3,666	103,281
Professional services - other	11,492	33,973	11,976	18,857	76,298	1,836	12,536	90,670
Rent	28,126	36,773	3,324	2,403	70,626	1,936	12,125	84,687
Service charges	-	-	-	-	-	-	55,926	55,926
Depreciation and amortization	11,671	15,259	1,379	997	29,306	803	5,032	35,141
Site expenses	-	33,827	-	-	33,827	110	-	33,937
Printing	1,087	15,869	99	2,258	19,313	8,305	1,106	28,724
Professional service - accounting	-	-	-	-	-	-	22,080	22,080
Professional service - technology	5,091	12,904	602	435	19,032	350	2,194	21,576
Dues and subscriptions	3,539	6,321	4,405	90	14,355	72	1,784	16,211
Supplies	710	12,946	84	61	13,801	1,089	583	15,473
Cost of merchandise	-	15,264	-	-	15,264	-	-	15,264
Insurance	666	870	79	57	1,672	46	12,867	14,585
Postage	1,616	10,427	191	138	12,372	839	843	14,054
Scholarships	-	13,000	-	-	13,000	-	-	13,000
Telephone	3,421	7,020	404	292	11,137	235	1,475	12,847
Professional services - legal	-	8,714	-	-	8,714	1,500	-	10,214
Advertising	3,685	5,369	-	-	9,054	444	-	9,498
Equipment rental	878	7,498	104	75	8,555	60	379	8,994
Cost of program inventory distributed	-	8,929	-	-	8,929	-	-	8,929
Bank charges	-	-	-	-	-	-	6,875	6,875
Interest	-	-	-	-	-	-	4,210	4,210
Miscellaneous expense	23	2,157	3	18	2,201	1	292	2,494
Prize and award	1,750	1,259	-	-	3,009	-	-	3,009
Conference registration	400	-	-	-	400	-	-	400
Local travel	-	115	205	-	320	-	-	320
Taxes and other fees	-	-	-	-	-	-	243	243
Expendable equipment	-	58	-	-	58	74	-	132
	1,312,106	1,621,374	133,949	113,811	3,181,240	262,924	527,283	3,971,447
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(179,063)	-	(179,063)
Cost of merchandise sold	-	(15,264)	-	-	(15,264)	-	-	(15,264)
Total expenses	$ 1,312,106	$ 1,606,110	$ 133,949	$ 113,811	$ 3,165,976	$ 83,861	$ 527,283	$ 3,777,120

See accompanying notes and independent auditor's report.

Hydrocephalus Association

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

	Program					Fundraising		
	Research	Public support and education	Advocacy	Conferences	Total program	Fund development	Administration	Total
Expenses								
Salaries	$ 327,265	$ 893,973	$ 134,025	$ 220,573	$ 1,575,836	$ 46,993	$ 276,947	$ 1,899,776
Grants to others	857,499	-	-	-	857,499	-	-	857,499
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
	1,434,344	1,475,294	208,244	674,454	3,792,336	265,338	509,075	4,566,749
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(159,876)	-	(159,876)
Cost of merchandise sold	-	(2,444)	-	(1,529)	(3,973)	-	-	(3,973)
Total expenses	$ 1,434,344	$ 1,472,850	$ 208,244	$ 672,925	$ 3,788,363	$ 105,462	$ 509,075	$ 4,402,900

See accompanying notes and independent auditor's report.

Hydrocephalus Association

Statements of Cash Flows
for the years ended December 31,

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 558,342	$ (776,958)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation of property and equipment	7,695	8,470
Gain on sale of property and equipment	-	(91)
Amortization of intangible assets	27,446	24,946
Amortization of discount on contributions receivable	4,538	(11,132)
Realized and unrealized gains on investments	(154,403)	(256,621)
Change in operating lease liability	28,138	(23,627)
(Increase) decrease in operating assets:		
Contributions receivable	(221,048)	55,500
Other receivables	2,182	(4,263)
Prepaid expenses	22,851	(28,782)
Inventory	23,865	853
Security deposit	-	(13,192)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	43,226	(43,246)
Deferred revenue	25,000	50,000
Grants payable	200,000	-
Accrued interest	(732)	(926)
Net cash provided by (used in) operating activities	567,100	(1,019,069)
Cash flows from investing activities		
Purchases of investments and reinvestments	(53,927)	(2,163,930)
Proceeds from sale of investments	993,373	2,667,907
Purchases of property and equipment	(3,800)	(9,205)
Proceeds from sale of property and equipment	-	750
Purchases of intangible assets	-	(22,993)
Net cash provided by investing activities	935,646	472,529
Cash flows from financing activities		
Repayments on U.S. Small Business Administration (SBA) Loan	(2,750)	(2,989)
Net cash used in financing activities	(2,750)	(2,989)
Net change in cash and cash equivalents	1,499,996	(549,529)
Cash and cash equivalents - beginning of year	656,749	1,206,278
Cash and cash equivalents - end of year	$ 2,156,745	$ 656,749
Supplemental disclosure of cash flow information		
Interest paid	$ 4,210	$ 3,778
Cash paid for U.S. Treasuries, to be converted to cash and cash equivalents within one year	$ -	$ 850,984

See accompanying notes and independent auditor's report.

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 donor or grantor restrictions. 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 or grantor restrictions.

Net assets with donor restrictions are net assets subject to donor or grantor restrictions. Some donor or grantor 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. The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

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
Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position 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. Net investment gain or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

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, 2025 and 2024, 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. There were no contributions receivable written off during the years ended December 31, 2025 and 2024, respectively.

Inventory
Inventory is stated at lower of cost or net realizable value and consists of books, Hydrocephalus Association merchandise, and other resources. Inventory is both held for sale and available for distribution in program activities. The Association recognizes the cost of inventory distributed in program activities as program expense at the time of distribution.

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 statements 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.

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.

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, 2025 and 2024, 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 reported 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, 2025 and 2024 totaled $0 and $22,993, 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 $104,270 and $94,039 at December 31, 2025 and 2024, respectively.

Grants payable
Grants payable represent unconditional grants that have been approved and communicated to grantees but remain unpaid at year-end. Unconditional grants payable are recognized as liabilities when the grant agreement is approved, regardless of the timing of payment.

Conditional grants payable, that is, grants that contain one or more measurable performance or other barriers and a right of return or release, are not recognized as liabilities until the conditions on which they depend have been substantially met by the grantee. As of December 31, 2025 and 2024, grants approximating $100,000 and $50,000, respectively, were not recognized in the accompanying statements of financial position and functional expenses because the conditions on which they depend were not yet met; the funded research had not commenced as of the respective year-end date.

Other financial assets and liabilities
Financial assets with carrying values approximating fair value include cash and cash equivalents, contributions receivable, and other receivables. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses and grants payable. 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.

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, 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 and contributions to give are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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 on the date the conference is held and presented net of registration fees and discounts. Sponsorships received in advance of the conference are deferred to the applicable period. As of December 31, 2025 and 2024, deferred revenue totaled $75,000 and $50,000, respectively, and consists of sponsorship payments received in advance of the next bi-annual conference scheduled to be held in 2026.

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.

During the years ended December 31, 2025 and 2024, the Association received donated goods and other in-kind contributions valued at $8,726 and $7,095, 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, 2025 or 2024.

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. Expenses that are allocated ratably on the basis of estimates of time and effort include: salaries, employee benefits, payroll taxes, software, out of town travel, meetings, professional services - other, rent, depreciation and amortization, printing, professional services - technology, dues and subscriptions, supplies, insurance, postage, telephone, equipment rental, and miscellaneous expense. Other expenses are allocated directly by function benefited.

Advertising
Advertising costs are expensed as incurred. During the years ended December 31, 2025 and 2024, advertising costs totaled $9,498 and $20,446, respectively.

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, 2025. Fiscal years ending on or after 2022 remain subject to examination by federal and state tax authorities.

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 $1,817,610 and $379,524 at December 31, 2025 and 2024, 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.

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, equity funds and common securities, preferred equity securities, and U.S. Treasuries are valued at the closing price reported on the active market on which the individual securities are traded (level 1). Corporate bond funds are valued based on inputs other than quoted prices in active markets, however, these inputs are observable and can be corroborated by market data (level 2).

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, 2025:

	Cost	Fair value		
		Level 1	Level 2	Total
Money markets and cash equivalents	$ 13,217	$ 13,217	$ -	$ 13,217
Equity funds and common securities	713,542	972,892	-	972,892
Preferred equity securities	265,631	240,625	-	240,625
Corporate bond funds	280,000	-	270,444	270,444
Total investments	$ 1,272,390	$ 1,226,734	$ 270,444	$ 1,497,178

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	$ 2,139,868	$ 2,015,546	$ 266,675	$ 2,282,221

4. Contributions receivable

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

	2025	2024
Within one year	$ 325,250	$ 158,202
Within one to three years	111,000	57,000
	436,250	215,202
Less discount to net present value at 4.00% for 2025 and 2024	(9,722)	(5,184)
Total contributions receivable	$ 426,528	$ 210,018

At December 31, 2025, two donors accounted for 82% of total contributions receivable; of these donors, one is a related party and comprised 35% of total contributions receivable (see Note 14). 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).

During the year ended December 31, 2025, two contributors accounted for approximately 47% of total grants and contributions. During the year ended December 31, 2024, two contributors accounted for approximately 32% of total grants and contributions; of these contributors, one is related party and comprise 22% of total grants and contributions (see Note 14).

5. Property and equipment

Property and equipment consists of the following at December 31:

	2025	2024	Useful lives
Office furniture and equipment	$ 122,155	$ 118,355	4 years
Computer software	105,495	105,495	4 years
Website	12,100	12,100	4 years
Property and equipment, cost	239,750	235,950	
Less accumulated depreciation	(228,239)	(220,544)	
Property and equipment, net	$ 11,511	$ 15,406	

Depreciation expense totaled $7,695 and $8,470 for the years ended December 31, 2025 and 2024, respectively.

6. Intangible assets

Intangible assets consist of the following at December 31:

	2025	2024	Useful life
Software development costs - HydroAssist	$ 82,338	$ 82,338	3 years
Less: accumulated amortization	(60,110)	(32,664)	
Intangible assets, net	$ 22,228	$ 49,674	

Amortization expense totaled $27,446 and $24,946 for the years ended December 31, 2025 and 2024, respectively.

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

2026	$ 19,728
2027	2,500
	$ 22,228

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, 2025 and 2024, the outstanding balances due on the loan, including accrued interest, were $143,529 and $147,011, respectively. Repayment on the principal balance commenced in April 2024, with interest only payments until that time.

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

	Interest	Principal	Total
2026	$ 3,899	$ 3,793	$ 7,692
2027	3,794	3,898	7,692
2028	3,685	4,007	7,692
2029	3,574	4,118	7,692
2030	3,459	4,233	7,692
Thereafter	39,331	123,480	162,811
	$ 57,742	$ 143,529	$ 201,271

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, receivables, and property and equipment. There was no outstanding balance on the line of credit as of December 31, 2025 or 2024.

9. Net assets with donor restrictions

Donor-restricted net assets consisted of the following at December 31, 2025:

	2024	Additions /transfers	Releases	2025
Research	$ 715,046	$ 811,913	$ (867,328)	$ 659,631
Time restricted contributions receivable	210,018	221,760	(5,250)	426,528
Support and education	16,591	65,849	(32,250)	50,190
Endowment funds	91,318	-	-	91,318
	$ 1,032,973	$ 1,099,522	$ (904,828)	$ 1,227,667

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
	$ 1,214,121	$ 966,705	$ (1,147,853)	$ 1,032,973

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.

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, 2025 or 2024 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:

	2025	2024
Endowment funds, beginning of year	$ 91,318	$ 91,318
Investment return, net	9,280	13,142
Amounts transferred to purpose restriction	(9,280)	(13,142)
Endowment funds, end of year	$ 91,318	$ 91,318

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:

	2025	2024
Financial assets		
Cash and cash equivalents	$ 2,156,745	$ 656,749
Investments	1,497,178	2,282,221
Contributions receivable, current portion	325,250	158,202
Other receivables	2,081	4,263
Total financial assets	3,981,254	3,101,435
Less amounts unavailable for general expenditures within one year due to:		
Donor-imposed purpose restrictions	(709,821)	(731,637)
Perpetual endowment	(91,318)	(91,318)
	(801,139)	(822,955)
Financial assets available to meet cash needed for general expenditures within one year	$ 3,180,115	$ 2,278,480

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

12. Operating leases

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

In November 2024, the Association executed a new operating lease for office space. The lease commenced June 1, 2025, with a 41-month term. The lease requires 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 was abated for the first five months. At lease execution in 2024, the Association was required to pay a security deposit of $13,192. Upon lease maturity, the Association has the option to extend the lease for an additional 60-month period.

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:

	2025	2024
Operating lease right-of-use asset	$ 191,502	$ 48,536
Prepaid rent	6,596	11,810
Total operating lease right-of-use asset	$ 198,098	$ 60,346
Operating lease liability, current portion	$ 73,083	$ 54,416
Operating lease liability, long-term portion	147,223	-
Total operating lease liability	$ 220,306	$ 54,416

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

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 67,733	$ 128,607
ROU asset recognized in exchange for operating lease liability	$ 228,185	$ -

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

	2025	2024
Operating lease expense	$ 84,687	$ 116,789
Other short-term lease costs	-	7,984
	$ 84,687	$ 124,773

The operating lease terms and discount rates were as follows at December 31:

	2025	2024
Weighted-average remaining lease term (in years)	2.83	0.42
Weighted-average discount rate	4.00%	1.37%

The future payments due under the current operating lease are as follows for the years ending December 31:

2026	$ 80,306
2027	82,312
2028	70,160
	232,778
Less: present value discount	(12,472)
Total lease liabilities	$ 220,306

13. Other commitment

The Association has entered into a software subscription agreement with a term through September 2028, requiring quarterly payments over the remaining contract term. As of December 31, 2025, future payments committed under this agreement are approximately $62,000 for 2026, $55,000 for 2027, and $44,000 for 2028.

14. 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, 2025 and 2024, matching contributions totaled $54,912 and $59,842, respectively, and are included in employee benefits in the accompanying statements of functional expenses.

15. Related party transactions

During the years ended December 31, 2025 and 2024, members of the Association's Board of Directors and staff made contributions totaling approximately $40,000 and $68,000, respectively. Additionally during the years ended December 31, 2025 and 2024, an affiliate group to the Association made contributions totaling approximately $150,000 and $320,000, respectively.

16. Subsequent events

The Association has assessed events occurring subsequent to December 31, 2025 through May 5, 2026, 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.