

**Hereditary Neuropathy
Foundation, Inc.**

Financial Statements and Auditor's Report

for year ended

June 30, 2016



**HEREDITARY
NEUROPATHY
FOUNDATION**

Hereditary Neuropathy Foundation. Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hereditary Neuropathy Foundation
401 Park Avenue South, 10th Floor
New York, N.Y. 10016

Report on the Financial Statements

We have audited the accompanying statement of financial position of Hereditary Neuropathy Foundation ("the Foundation") as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, along with the accompanying 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; 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 audit. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hereditary Neuropathy Foundation as of June 30, 2016, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Car Bradens, CPA

Richmond, Virginia

May 07, 2017

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS	2016	2015
Cash and cash equivalents	\$ 965,574	\$ 663,298
Contributions receivable (net)	-	2,815
Prepaid expense	7,005	1,200
Security deposit	2,100	3,000
Property and equipment(net)	3,689	2,390
Total assets	978,368	672,703
LIABILITIES AND NET ASSETS		
Liabilities		
Credit cards	10,539	12,479
Accounts payable and accrued expenses	4,618	7,500
Total liabilities	15,158	19,979
Net Assets		
Unrestricted	733,809	523,312
Temporarily restricted	229,402	129,412
Total net assets	963,211	652,724
Total liabilities and net assets	\$ 978,368	\$ 672,703

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Total
Change in net assets:				
Revenue and support				
Contributions				
Foundation and corporations	\$ 93,529	\$ 199,990	\$ 293,519	\$ 278,514
Individuals	143,877		143,877	228,831
In-kind	109,293		109,293	108,781
Legacies and bequests	162,690		162,690	267,752
Allowance for doubtful accounts	(2,815)		(2,815)	-
Total Contributions	506,574	199,990	706,564	883,879
Contract Services	19,393		19,393	-
Interest income	43		43	45
Special events	35,196		35,196	92,829
Miscellaneous	1,045		1,045	1,369
Unrealized/realized Gain	5,846		5,846	1,054
Total revenue and support	568,097	199,990	768,087	979,176
Net assets released from program activities	100,000	(100,000)		(0)
Expenses:				
Program services	366,975		366,975	474,188
Management and general	45,321		45,321	42,960
Fundraising	45,255		45,255	86,108
Total expenses	457,551		457,551	603,257
Change in net assets	210,547	99,990	310,537	375,919
Net assets, beginning	523,312	129,412	652,724	259,964
Prior Period Adjustment	(50)		(50)	16,841
Net assets, ending	\$ 733,809	\$ 229,402	\$ 963,211	\$ 652,724

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	2016
Cash Flows From Operating Activities	
Change in net assets	\$ 310,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,708
Allowance for doubtful accounts	2,815
Prepaid expense	(5,805)
Security Deposit	(900)
Other asset	(50)
Accounts payable and accrued expense	(3,022)
Net cash increased by operating activities	305,283
Cash Flows From Investing Activities	
Purchase of Computer Equipment	(3,007)
Net cash decreased by Investing activities	(3,007)
Net increase in cash and cash equivalents	302,276
Cash and cash equivalents, beginning July 01, 2015	663,298
Cash and cash equivalents, ending June 30, 2016	\$ 965,574

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

(With Summarized Financial
Information for the Year Ended
June 30, 2015)

	Program			Supporting Services			2016	2015
	Research and Education	Management and General	Fundraising				Total	Total
Personnel Costs								
Salaries	\$ 32,123	\$ 8,185	\$ -	\$ 40,308	\$ 40,076			
Payroll taxes and benefits	29,957	5,266	-	35,223	32,193			
Total Personnel Costs	62,080	13,451	-	75,531	72,270			
Grants and allocations	52,736	-	-	52,736	128,886			
Professional fees	148,298	-	6,167	154,464	213,006			
Legal fees	2,341	-	-	2,341	-			
Accounting fees	2,912	4,892	-	7,804	7,321			
Supplies	993	241	58	1,292	3,311			
Telephone	1,071	497	-	1,567	630			
Postage	703	282	361	1,346	1,362			
Occupancy	557	15,976	96	16,629	15,611			
Printing and reproduction	1,271	39	2,255	3,565	5,034			
Travel	24,639	830	6,787	32,256	31,406			
Conferences and meetings	1,997	-	-	1,997	2,499			
Special events	-	-	26,587	26,587	68,403			
Bank and service fees	10	2,810	62	2,882	4,257			
Depreciation	-	1,708	-	1,708	478			
Website	10,273	3,742	498	14,513	35,994			
Advertising	53,943	-	1,070	55,013	9,333			
Equipment and maintenance	241	119	915	1,276	-			
Insurance	-	-	250	250	-			
Other expenses	2,911	735	150	3,796	3,456			
Total Expenses	\$ 366,975	\$ 45,321	\$ 45,255	\$ 457,551	\$ 603,257			

Note 1: Nature of Activities and Significant Accounting Policies

Nature of activities: Hereditary Neuropathy HNF, Inc. (“HNF”) is a not-for-profit organization exempt from federal income tax under Section 501(C)(3) of the Internal Revenue Code.

HNF has developed a revolutionary research program, designed to encourage innovative research at a progressive pace. HNF Triad Program identifies its three goals as the following – research that will lead to improved therapies for people living with Charcot-Marie-Tooth (“CMT”) disease, research that will lead to a greater understanding of CMT, and research that has considerable potential for a cure. HNF will develop a targeted and comprehensive research plan designed to identify new areas of potential research as well as areas of translational research not yet applied to CMT. Additionally, HNF will continuously scan the domestic and international horizon for important research that otherwise might not be sustained, as well as thematically relevant proposals that are currently unfunded. By providing a goal-oriented focus to the research process, HNF will be able to constantly refine and rearticulate its research strategy. HNF will also reduce the research timetable by funding a collaborative research effort that establishes defined deliverables at its inception and calls for the sharing of discovery at each stage. This will promote a truly synergistic and dynamic process.

HNF is supported primarily by contributions, grants and special events.

Financial statement presentation: The financial statement presentation conforms to the requirements of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958-205, “Not for Profit Entities Presentation of Financial Statements.” Under FASB ASC 958-205, HNF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include unrestricted and board designated funds. The unrestricted and board designated net assets include revenue and expenses used currently for the general operations and programs of HNF.

Temporarily restricted net assets include contributions restricted by donor designation and are reported as increases in temporarily restricted net assets. When a restriction expires either with the passage of time or by actions of HNF, temporarily restricted net assets are released and reclassified to unrestricted net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the donor restrictions expire in the fiscal year in which the contributions are recognized. HNF had \$229,402 temporarily restricted net assets as of June 30, 2016 and \$129,412 June 30, 2015.

Permanently restricted net assets include contributions restricted by donor imposed stipulations that they be maintained permanently by HNF. HNF currently has no permanently restricted net assets.

Use of estimates in the preparation of financial statements: The preparation of the financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of reporting the statement of cash flows, HNF includes all cash accounts, which are not subject to withdrawal restrictions or penalties. At June 30, 2016, HNF had \$715,574 in cash balances that exceeded federal depository insurance limits.

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts

HNF determines whether an allowance for uncollectible should be provided for contributions. Such estimates are based on management's assessment of the aged basis of its contributions, current economic conditions, subsequent receipts and historical information. Contributions are written off against allowances for doubtful accounts when all reasonable collection efforts have been exhausted.

Receivables for HNF, including the applicable allowance for uncollectible accounts, are as follows:

Pledge receivables	\$26,815
Less allowance for doubtful accounts	<u>(26,815)</u>
Net Pledge Receivables	\$0

Advertising costs: Advertising costs are expensed in the period they are incurred and \$55,013 as of June 30, 2016.

Income taxes: HNF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a Private HNF. HNF is subject to tax on any unrelated business income that it may generate.

Uncertainty in income taxes – HNF has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Property and equipment: Property and equipment are stated at cost. Items with a cost of \$1,000 and an estimated useful life of greater than one year are capitalized. Depreciation of property is computed on the straight-line method over the estimated useful life of the assets. HNF has \$3,689 in property and equipment as of June 30, 2016 and \$2,390 at June 30, 2015.

Functional allocation of expenses: The costs of providing programs and other activities have been summarized on functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited using both judgment and specific identification.

Donated services: Donated services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Donated services of \$109,293 and \$108,781 were contributed as of June 30, 2016 and June 30, 2015 respectively.

Summarized prior-year information: The financial statement include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2015, from which summarized information was derived.

Note 2: Fixed Assets

Fixed assets consist of the following:

	2016	2015	Estimated Useful lives
Computers and equipment	\$23,990	\$20,983	3 years
Furniture and fixtures	<u>1,696</u>	<u>1,696</u>	5 years
Total Fixed Assets	25,686	22,679	
Less accumulated depreciation	<u>(21,996)</u>	<u>(\$20,289)</u>	
Fixed Assets (net)	\$3,690	\$2,390	

Note 3: Subsequent events,

In preparing these financial statements, HNF has evaluated events and transactions for potential recognition or disclosure through May 07, 2017, the date the financial statements were issued.

Note 4: Fair value measurements

HNF adopted FASB ASC (Accounting Standards Codification) 820-10-50-2A, "Fair Value Measurements" to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This Standard clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy under this Standard are based on these three types of inputs are as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2- Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted for identical or similar assets and liabilities in less active markets, and model based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable in the market.

Level 3 – Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

Note 6: Temporarily restricted net assets

Temporarily restricted net assets include contributions related to program restrictions amounted to \$0 for the year ended June 30, 2016 and June 30, 2015. Total asset released from restrictions for purpose restrictions amounted to \$229,402 for the year ended June 30, 2016 and \$129,412 June 30, 2015.

Note 7: Investments(revise note to include change in market value)

Investments stated at fair value, at June 30, 2016, include the following:

Interest income and unrealized gain comprise of the following for the year ended June 30, 2016:

	<u>Unrestricted</u>
Interest income	\$43
Unrealized gain	<u>5,846</u>
Total Investment income	<u>5,889</u>

Investments were measured at fair value level two valuation inputs under the market approach as of June 30, 2016.

Note 8: Occupancy

HNF leases it administrative office space and entered into its current lease agreement commencing November 10, 2015 and continues for fourteen months subsequent to the effective date. Agreement renews on a month to month basis after the renewal period. Rent expense was \$13,963 and \$14,000 for years ended June 30, 2016 and 2015, respectively.

Future Lease Commitments: The following is a schedule by years of future minimum lease payments under the leases at June 30, 2016:

2017	<u>8,330</u>
Total	<u>\$8,330</u>

Note 9: Related Party Transactions

Contributions in the accompanying statements of activities, revenue, include donations from members of HNF's Board of Directors of \$4,907 for period ended June 30, 2016 and \$10,000 for June 30, 2015.

Note 10: Concentrations

HNF maintains its cash balances at banks insured by the Federal Deposit Insurance Corporation ("FDIC"). Cash balances are insured up to \$250,000 and \$715,474 exceed FDIC limits for insurance as of June 30, 2016 and \$372,511 as of June 30, 2015.