

Hereditary Neuropathy

Foundation, Inc.

Financial Statements and Auditor's Report

for year ended

June 30, 2018



**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, 2018, 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, 2018, 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

Accounting Strategies to Solutions, LLC

Richmond, Virginia
May 10, 2019

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS	2018	2017
Cash and cash equivalents	\$ 905,369	\$ 865,828
Contributions receivable (net)	-	2,627
Prepaid expense	434	434
Security deposit	3,000	3,000
Other Current Assets	50	50
Property and equipment(net)	251	4,441
Total assets	909,104	876,381
LIABILITIES AND NET ASSETS		
Liabilities		
Credit cards	32,058	4,631
Accounts payable and accrued expenses	39,812	4,808
Total liabilities	71,870	9,439
Net Assets		
Unrestricted	453,893	554,777
Temporarily restricted	383,342	312,165
Total net assets	837,235	866,942
Total liabilities and net assets	\$ 909,104	\$ 876,381

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

			2018	2017
	Unrestricted	Temporarily Restricted	Total	Total
Change in net assets:				
Revenue and support				
Contributions				
Foundation and corporations	\$ 84,975	\$ 199,990	\$ 284,965	\$ 261,450
Individuals	118,696		118,696	123,371
In-kind	39,492		39,492	109,615
Legacies and bequests	1,080		1,080	13,600
Allowance for doubtful accounts	(2,627)		(2,627)	-
Total Contributions	241,616	199,990	441,606	508,035
Contract Services	50,000		50,000	30,607
Interest income	51		51	56
Special events	30,228		30,228	32,725
Miscellaneous	1,408		1,408	1,173
Unrealized/realized Gain	5,378		5,378	13,456
Total revenue and support	328,681	199,990	528,671	586,051
Net assets released from program activities	128,813	(128,813)	-	-
Expenses:				
Program services	469,043		469,043	600,096
Management and general	57,020		57,020	50,748
Fundraising	32,315		32,315	31,476
Total expenses	558,378		558,378	682,320
Change in net assets	(100,884)	71,177	(29,707)	(96,269)
Net assets, beginning	554,777	312,165	866,942	963,211
Prior Period Adjustment				-
Net assets, ending	\$ 453,893	\$ 383,342	\$ 837,235	\$ 866,942

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

Cash Flows From Operating Activities	
Change in net assets	\$ (29,707)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	-
Unrealized/Realized Gains	-
Decrease (increase) in assets	
Allowance for doubtful accounts	2,627
Prepaid expense	-
Account receivables	-
Credit Card	27,427
Security deposit and Other assets	-
Other asset	
Accounts payable and accrued expense	35,004
Grant payable - current Due to	
	<hr/>
Net cash increased by operating activities	35,351
Cash Flows From Investing Activities	
Accumulated Depreciation	<hr/> 4,190
Net cash decreased by Investing activities	4,190
	<hr/>
Net increase in cash and cash equivalents	39,541
Cash and cash equivalents, beginning July 01, 2017	<hr/> 865,828
Cash and cash equivalents, ending June 30, 2018	<hr/> <u>\$ 905,369</u>

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(With Summarized Financial
Information for the Year Ended
June 30, 2017)

	Program			Supporting Services		2018	2017
	Research and Education	Management and General	Fundraising	Total	Total		
Personnel Costs							
Salaries	\$ 41,231	\$ 10,308		\$ 51,539	\$ 38,769		
Payroll taxes and benefits	33,320	4,304		37,624	34,710		
Total Personnel Costs	74,551	14,612	-	89,163	73,479		
Grants and allocations	111,139			111,139	108,369		
Professional fees	206,523	4,460	809	211,792	296,844		
Legal fees	1,221			1,221	-		
Accounting fees		8,710		8,710	8,128		
Supplies	3,155	174	327	3,656	1,194		
Telephone	960	541		1,501	2,146		
Postage	2,257	154	543	2,954	1,599		
Occupancy	527	16,967	36	17,530	16,569		
Membership and dues		1,012	300	1,312			
Printing and reproduction	5,525	220	483	6,228	3,667		
Travel	53,647	1,465	3,066	58,178	60,189		
Conferences and meetings	885	-	-	885	47,480		
Special events	-		25,714	25,714	25,150		
Bank and service fees	69	3,444		3,513	2,542		
Depreciation		4,190		4,190	956		
Website	683	409	427	1,519	19,357		
Advertising	1,794	-	-	1,794	901		
Equipment and maintenance	6,107	76	450	6,633	-		
Other expenses		586	160	746	13,750		
Total Expenses	\$ 469,043	\$ 57,020	\$ 32,315	\$ 558,378	\$ 682,320		

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's revolutionary research program, designed to encourage innovative research at a progressive pace. HNF Therapeutic Research In Accelerated Discovery (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 has develop a targeted and comprehensive research plan to now include gene therapy development and 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 \$383,342 temporarily restricted net assets as of June 30, 2018 and \$312,065 June 30, 2017.

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, 2018, HNF had \$590,291 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	\$29,442
Less allowance for doubtful account	<u>(29,442)</u>
Net Pledge Receivables	<u>\$0</u>

Advertising costs: Advertising costs are expensed in the period they are incurred and \$1,794 as of June 30, 2018.

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 Foundation. 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, 2015 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 had in property and equipment \$251 as of June 30, 2018 and \$4,441 at June 30, 2017.

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 \$39,492 and \$109,615 were contributed as of June 30, 2018 and June 30, 2017 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, 2017, from which summarized information was derived.

Note 2: Fixed Assets

Fixed assets consist of the following:

	<u>2018</u>	<u>2017</u>	Estimated Useful lives
Computers and equipment	\$23,990	\$23,990	3 years
Furniture and fixtures	<u>1,696</u>	<u>1,696</u>	5 years
Total Fixed Assets	25,686	25,686	
Less accumulated depreciation	<u>(\$25,435)</u>	<u>(\$21,245)</u>	
Fixed Assets (net)	<u>\$251</u>	<u>\$4,441</u>	

Note 3: Subsequent events,

In preparing these financial statements, HNF has evaluated events and transactions for potential recognition or disclosure through May 10, 2019 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 \$383,342 for the year ended June 30, 2018 and \$312,065 June 30, 2017. Total asset released from restrictions for purpose restrictions amounted to \$128,813 for the year ended June 30, 2018 and \$117,277 June 30, 2017.

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

Investments stated at fair value, at June 30, 2018, include the following:

Interest income and unrealized gain comprise of the following for the year ended June 30, 2018:

	<u>Unrestricted</u>
Interest income	\$ 51
Unrealized gain	<u>5,378</u>
Total Investment income	\$5,429

Investments were measured at fair value level two valuation inputs under the market approach as of June 30, 2018.

Note 8: Occupancy

HNF leases it administrative office space and entered into its current lease agreement 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 \$16,967 and \$14,543 for years ended June 30, 2018 and 2017, respectively.

Future Lease Commitments: The following is a schedule by years of future minimum lease payments under the leases at June 30, 2018:

2018	<u>\$0</u>
Total	<u>\$0</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 \$1,205 for period ended June 30, 2018 and \$4,070 for June 30, 2017.

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 \$590,291 exceed FDIC limits for insurance as of June 30, 2018 and \$556,179 as of June 30, 2017.

At June 30, 2018 one contributor accounted for 38% of total support and 45% of contributed support.

Note 11: Future accounting pronouncements

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update, (ASU) No. 2016-14, "Not for Profit Entities: Presentation of Not-for-Profit Entities", which both simplifies certain aspects of reporting required by non-for-profit organizations and increases disclosures with a goal to improve the usefulness of non-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Significant changes include the following: replaces the existing three classes of net assets, with two classes of net assets, net assets with donor restrictions, and without donor restrictions; requires all not-for-profits to provides expenses by nature and function; requires expansive disclosures of information about liquidity and availability of resources.

The amendments are effective for fiscal years beginning after December 15, 2018.