

Hereditary Neuropathy

Foundation, Inc.

Financial Statements and Auditor's Report

for year ended

June 30, 2017



**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, 2017, 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, 2017, 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 11, 2017

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS	2017	2016
Cash and cash equivalents	\$ 865,828	\$ 965,574
Contributions receivable (net)	2,627	-
Prepaid expense	434	7,005
Security deposit	3,000	2,100
Other Current Assets	50	
Property and equipment(net)	4,441	3,689
Total assets	876,381	978,368
LIABILITIES AND NET ASSETS		
Liabilities		
Credit cards	4,631	10,539
Accounts payable and accrued expenses	4,808	4,618
Total liabilities	9,439	15,158
Net Assets		
Unrestricted	554,777	733,809
Temporarily restricted	312,165	229,402
Total net assets	866,942	963,211
Total liabilities and net assets	\$ 876,381	\$ 978,368

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Change in net assets:				
Revenue and support				
Contributions				
Foundation and corporations	\$ 61,510	\$ 199,940	\$ 261,450	\$ 293,519
Individuals	123,371		123,371	143,877
In-kind	109,615		109,615	109,293
Legacies and bequests	13,600		13,600	162,690
Allowance for doubtful accounts	-		-	(2,815)
Total Contributions	308,095	199,940	508,035	706,564
Contract Services	30,607		30,607	19,393
Interest income	56		56	43
Special events	32,725		32,725	35,196
Miscellaneous	1,173		1,173	1,045
Unrealized/realized Gain	13,456		13,456	5,846
Total revenue and support	386,111	199,940	586,051	768,087
Net assets released from program activities	117,277	(117,277)	-	-
Expenses:				
Program services	600,096		600,096	366,975
Management and general	50,748		50,748	45,321
Fundraising	31,476		31,476	45,255
Total expenses	682,320		682,320	457,551
Change in net assets	(178,932)	82,663	(96,269)	310,537
Net assets, beginning	733,809	229,402	963,211	652,724
Prior Period Adjustment				(50)
Net assets, ending	\$ 554,877	\$ 312,065	\$ 866,942	\$ 963,211

HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

Cash Flows From Operating Activities	
Change in net assets	\$ (96,269)
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	
Prepaid expense	6,571
Account receivables	(2,627)
Security deposit and Other assets	(950)
Other asset	
Accounts payable and accrued expense	(5,719)
Grant payable - current	
Due to	
	<hr/>
Net cash increased by operating activities	(98,994)
Cash Flows From Investing Activities	
Accumulated Depreciation	(752)
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Net cash decreased by Investing activities	(752)
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Net increase in cash and cash equivalents	(99,746)
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Cash and cash equivalents, beginning July 01, 2016	965,574
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Cash and cash equivalents, ending June 30, 2017	\$ 865,828
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HEREDITARY NEUROPATHY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

(With Summarized Financial
Information for the Year Ended
June 30, 2016)

	Program	Supporting Services		2017	2016
	Research and Education	Management and General	Fundraising	Total	Total
Personnel Costs					
Salaries	\$ 30,769	\$ 8,000		\$ 38,769	\$ 40,308
Payroll taxes and benefits	31,363	3,347		34,710	35,223
Total Personnel Costs	62,132	11,347	-	73,479	75,531
Grants and allocations	108,369			108,369	52,736
Professional fees	292,322	1,831	2,691	296,844	154,464
Legal fees				-	2,341
Accounting fees	3,046	5,082		8,128	7,804
Supplies	825	123	247	1,194	1,292
Telephone	1,677	469		2,146	1,567
Postage	894	139	566	1,599	1,346
Occupancy	1,806	14,655	108	16,569	16,629
Printing and reproduction	2,730	71	866	3,667	3,565
Travel	58,165	176	1,848	60,189	32,256
Conferences and meetings	47,480			47,480	1,997
Special events	-		25,150	25,150	26,587
Bank and service fees	-	2,542		2,542	2,882
Depreciation	-	956		956	1,708
Website	17,927	1,430		19,357	14,513
Advertising	901			901	55,013
Equipment and maintenance	-			-	1,276
Insurance				-	250
Other expenses	1,824	11,927		13,750	3,796
Total Expenses	\$ 600,096	\$ 50,748	\$ 31,476	\$ 682,320	\$ 457,551

Hereditary Neuropathy Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 \$312,065 temporarily restricted net assets as of June 30, 2017 and \$229,402 June 30, 2016.

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.

Hereditary Neuropathy Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017, HNF had \$556,179 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 accounts	<u>(26,815)</u>
Net Pledge Receivables	<u>\$2,627</u>

Advertising costs: Advertising costs are expensed in the period they are incurred and \$900 as of June 30, 2017.

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, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Hereditary Neuropathy Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 \$4,441 as of June 30, 2017 and \$3,689 at June 30, 2016.

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 \$109,615 and \$109,293 were contributed as of June 30, 2017 and June 30, 2016 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, 2016, from which summarized information was derived.

Note 2: Fixed Assets

Fixed assets consist of the following:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful lives</u>
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>(\$21,245)</u>	<u>(\$21,996)</u>	
Fixed Assets (net)	<u>\$4,441</u>	<u>\$3,690</u>	

Note 3: Subsequent events,

In preparing these financial statements, HNF has evaluated events and transactions for potential recognition or disclosure through May 11, 2018, the date the financial statements were issued.

Hereditary Neuropathy Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 \$312,065 for the year ended June 30, 2017 and June 30, 2016. Total asset released from restrictions for purpose restrictions amounted to \$117,277 for the year ended June 30, 2017 and \$229,402 June 30, 2016.

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

Investments stated at fair value, at June 30, 2017, include the following:

Interest income and unrealized gain comprise of the following for the year ended June 30, 2017:

	<u>Unrestricted</u>
Interest income	\$ 56
Unrealized gain	<u>13,456</u>
Total Investment income	<u>13,512</u>

Investments were measured at fair value level two valuation inputs under the market approach as of June 30, 2017.

Note 8: Occupancy

HNF leases it administrative office space and entered into its current lease agreement commencing November 10, 2016 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 \$14,543 and \$13,963 for years ended June 30, 2017 and 2016, respectively.

Hereditary Neuropathy Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Future Lease Commitments: The following is a schedule by years of future minimum lease payments under the leases at June 30, 2017:

2017	<u>8,624</u>
Total	<u>\$8,624</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 \$4,070 for period ended June 30, 2017 and \$4,907 for June 30, 2016.

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 \$556,179 exceed FDIC limits for insurance as of June 30, 2017 and \$715,474 as of June 30, 2016.

At June 30, 2017 one contributor accounted for 34% of total support and 40% of contributed support.