

HUNTER'S HOPE
FOUNDATION, INC.

Financial Statements with
Independent Auditors' Report

December 31, 2017 and 2016

HUNTER'S HOPE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hunter's Hope Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Hunter's Hope Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hunter's Hope Foundation, Inc. as of December 31, 2017 and 2016, 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
April 11, 2018

HUNTER'S HOPE FOUNDATION, INC.
 Statements of Financial Position
 December 31, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and equivalents	\$ 131,268	223,195
Pledges receivable, current portion	<u>132,500</u>	<u>174,034</u>
Total current assets	<u>263,768</u>	<u>397,229</u>
Investments	<u>692,723</u>	<u>628,880</u>
Property and equipment, at cost	33,541	25,536
Less accumulated depreciation	<u>(23,146)</u>	<u>(20,952)</u>
Net property and equipment	<u>10,395</u>	<u>4,584</u>
Pledges receivable, net, less current portion, less allowance for doubtful accounts of \$10,961 in 2017 and \$14,467 in 2016	<u>130,576</u>	<u>173,179</u>
Total assets	<u>\$ 1,097,462</u>	<u>1,203,872</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	6,842	11,910
Grants payable	<u>233,431</u>	<u>242,428</u>
Total current liabilities	<u>240,273</u>	<u>254,338</u>
Net assets:		
Unrestricted	193,400	86,663
Temporarily restricted	<u>663,789</u>	<u>862,871</u>
Total net assets	<u>857,189</u>	<u>949,534</u>
Total liabilities and net assets	<u>\$ 1,097,462</u>	<u>1,203,872</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Statements of Activities
For the years ended December 31, 2017 and 2016

	2017			2016		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue and other support:						
Contributions and donations	\$ 698,343	30,391	728,734	605,109	83,351	688,460
Donated investments	-	-	-	21,651	-	21,651
Gain on investments	<u>39,771</u>	<u>-</u>	<u>39,771</u>	<u>27,827</u>	<u>-</u>	<u>27,827</u>
	738,114	30,391	768,505	654,587	83,351	737,938
Net assets released from restrictions - satisfaction of donor restrictions	<u>229,473</u>	<u>(229,473)</u>	<u>-</u>	<u>162,769</u>	<u>(162,769)</u>	<u>-</u>
Total revenue and other support	<u>967,587</u>	<u>(199,082)</u>	<u>768,505</u>	<u>817,356</u>	<u>(79,418)</u>	<u>737,938</u>
Expenses:						
Program services:						
Education and awareness	247,144	-	247,144	217,717	-	217,717
Family assistance	400,748	-	400,748	309,950	-	309,950
Research	<u>47,411</u>	<u>-</u>	<u>47,411</u>	<u>90,817</u>	<u>-</u>	<u>90,817</u>
Total program services	<u>695,303</u>	<u>-</u>	<u>695,303</u>	<u>618,484</u>	<u>-</u>	<u>618,484</u>
Supporting services:						
Fundraising	104,605	-	104,605	91,065	-	91,065
General and administrative	<u>60,942</u>	<u>-</u>	<u>60,942</u>	<u>80,320</u>	<u>-</u>	<u>80,320</u>
Total supporting services	<u>165,547</u>	<u>-</u>	<u>165,547</u>	<u>171,385</u>	<u>-</u>	<u>171,385</u>
Total expenses	<u>860,850</u>	<u>-</u>	<u>860,850</u>	<u>789,869</u>	<u>-</u>	<u>789,869</u>
Change in net assets	106,737	(199,082)	(92,345)	27,487	(79,418)	(51,931)
Net assets at beginning of year	<u>86,663</u>	<u>862,871</u>	<u>949,534</u>	<u>59,176</u>	<u>942,289</u>	<u>1,001,465</u>
Net assets at end of year	<u>\$ 193,400</u>	<u>663,789</u>	<u>857,189</u>	<u>86,663</u>	<u>862,871</u>	<u>949,534</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Statement of Functional Expenses
For the year ended December 31, 2017
(with comparative totals for 2016)

	Program Services				Supporting Services			Totals	
	Education and <u>awareness</u>	Family assistance	Research	Total program services	Fundraising	General and administrative	Total supporting services	2017	2016
Salaries and wages	\$ 131,403	103,555	32,701	267,659	50,669	23,061	73,730	341,389	297,889
Payroll taxes and fringe benefits	13,689	9,433	3,417	26,539	6,000	9,620	15,620	42,159	28,948
Grants and contracts	-	43,003	-	43,003	-	-	-	43,003	51,772
Specific assistance and special events	-	32,300	-	32,300	-	-	-	32,300	42,645
Conferences and medical symposium	7,474	145,545	14	153,033	2,279	72	2,351	155,384	109,454
Outside services	58,334	29,288	7,308	94,930	23,873	4,515	28,388	123,318	120,961
Rent	8,028	8,380	2,710	19,118	2,550	1,817	4,367	23,485	23,228
Supplies	8,901	5,693	326	14,920	4,231	176	4,407	19,327	21,481
Professional fees	-	34	-	34	555	17,143	17,698	17,732	15,753
Travel and training	999	8,797	-	9,796	-	449	449	10,245	14,574
Insurance	1,758	1,094	381	3,233	799	1,307	2,106	5,339	7,834
Telephone and telecommunications	1,366	2,268	378	4,012	462	216	678	4,690	4,585
Postage, shipping and delivery	5,055	1,798	101	6,954	4,295	315	4,610	11,564	9,280
Printing and copying	8,038	8,033	-	16,071	7,992	-	7,992	24,063	21,409
Bad debt expense	-	-	-	-	-	-	-	-	14,467
Miscellaneous	2,099	1,527	75	3,701	900	57	957	4,658	4,354
Total expenses before depreciation	247,144	400,748	47,411	695,303	104,605	58,748	163,353	858,656	788,634
Depreciation	-	-	-	-	-	2,194	2,194	2,194	1,235
Total expenses	<u>\$ 247,144</u>	<u>400,748</u>	<u>47,411</u>	<u>695,303</u>	<u>104,605</u>	<u>60,942</u>	<u>165,547</u>	<u>860,850</u>	<u>789,869</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Statement of Functional Expenses
For the year ended December 31, 2016

	Program Services				Supporting Services			Totals
	Education and awareness	Family assistance	Research	Total program services	Fundraising	General and administrative	Total supporting services	
Salaries and wages	\$115,716	85,811	28,731	230,258	48,477	19,154	67,631	297,889
Payroll taxes and fringe benefits	9,979	7,973	3,050	21,002	4,169	3,777	7,946	28,948
Grants and contracts	-	26,772	25,000	51,772	-	-	-	51,772
Specific assistance and special events	-	42,645	-	42,645	-	-	-	42,645
Conferences and medical symposium	3,689	87,842	14,560	106,091	3,259	104	3,363	109,454
Outside services	47,851	17,122	6,192	71,165	15,520	34,276	49,796	120,961
Rent	8,932	7,010	2,326	18,268	3,379	1,581	4,960	23,228
Supplies	10,462	4,381	286	15,129	6,159	193	6,352	21,481
Professional fees	-	125	-	125	-	15,628	15,628	15,753
Travel and training	-	10,046	4,528	14,574	-	-	-	14,574
Insurance	1,397	1,727	551	3,675	367	3,792	4,159	7,834
Telephone and telecommunications	1,302	2,217	377	3,896	474	215	689	4,585
Postage, shipping and delivery	3,299	2,823	82	6,204	2,783	293	3,076	9,280
Printing and copying	8,341	6,678	218	15,237	6,172	-	6,172	21,409
Bad debt expense	4,822	4,822	4,823	14,467	-	-	-	14,467
Miscellaneous	1,927	1,956	93	3,976	306	72	378	4,354
Total expenses before depreciation	217,717	309,950	90,817	618,484	91,065	79,085	170,150	788,634
Depreciation	-	-	-	-	-	1,235	1,235	1,235
Total expenses	<u>\$217,717</u>	<u>309,950</u>	<u>90,817</u>	<u>618,484</u>	<u>91,065</u>	<u>80,320</u>	<u>171,385</u>	<u>789,869</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
 Statements of Cash Flows
 For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (92,345)	(51,931)
Adjustments to reconcile decrease in net assets to net cash flows used in operating activities:		
Depreciation	2,194	1,235
Contributions restricted for long-term use	(30,391)	(83,351)
Net realized and unrealized gain on investments	(17,762)	(14,144)
Change in allowance for doubtful accounts	(3,506)	14,467
Changes in:		
Accounts payable	(5,068)	859
Grants payable	<u>(8,997)</u>	<u>(2,568)</u>
Net cash used in operating activities	<u>(155,875)</u>	<u>(135,433)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	524,420	603,165
Purchases of investments	(570,501)	(657,721)
Purchases of property and equipment	<u>(8,005)</u>	<u>(2,348)</u>
Net cash used in investing activities	<u>(54,086)</u>	<u>(56,904)</u>
Cash flows from financing activities - proceeds from contributions restricted for long-term use	<u>118,034</u>	<u>110,600</u>
Decrease in cash and equivalents	(91,927)	(81,737)
Cash and equivalents at beginning of year	<u>223,195</u>	<u>304,932</u>
Cash and equivalents at end of year	<u>\$ 131,268</u>	<u>223,195</u>
Supplemental schedules of cash flow information:		
Donated investments	<u>\$ -</u>	<u>21,651</u>
Disposal of fully depreciated equipment	<u>\$ -</u>	<u>41,421</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Hunter's Hope Foundation, Inc. (the Foundation) is a New York State nonprofit corporation formed in June 1998. The purpose of the Foundation is to increase public awareness and to support and fund research efforts to find a cure for Krabbe Disease and other Leukodystrophies.

(b) Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Foundation reports 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. The Foundation had only unrestricted and temporarily restricted net assets in 2017 and 2016. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Foundation's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

(d) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

(e) Cash and Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(f) Investments

Investments are stated at fair value as determined by published market prices.

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Contributions

Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

(h) Pledges Receivable

The Foundation recognizes all contributions received as income in the period the pledge is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. The Foundation uses the allowance method to account for uncollectible pledges receivable. The total allowance for doubtful accounts amounted to \$10,961 and \$14,467 at December 31, 2017 and 2016, respectively.

(i) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

(j) Grants Payable

Grants are recorded as program expenses upon approval of a research contract by management of the Foundation.

(k) Contributed Services

During the years ended December 31, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation.

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The Foundation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Foundation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Foundation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Foundation are subject to examination by taxing authorities.

(n) Subsequent Events

The Foundation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(o) Reclassifications

Reclassifications have been made to certain 2016 balances in order to conform them to the 2017 presentation.

(2) Pledges Receivable

Pledges receivable consisted of unconditional promises to give to support funding for the Hunter James Kelly Research Institute and Legacy Campaign. Pledges receivable due beyond 2017 are discounted using a 4% rate. A summary of pledges receivables as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 295,500	387,200
Less unamortized discount at 4%	(21,463)	(25,520)
Less allowance for doubtful accounts	<u>(10,961)</u>	<u>(14,467)</u>
Unconditional promises to give, net	\$ <u>263,076</u>	<u>347,213</u>
Amounts due in:		
Less than one year	132,500	174,034
One to five years	<u>163,000</u>	<u>213,166</u>
	\$ <u>295,500</u>	<u>387,200</u>

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements, Continued

(3) Investments

Financial Instruments

The cost and fair value of investments in marketable securities at December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Exchange - traded funds	\$ 553,868	558,894	507,530	501,389
Common stocks	-	-	19,865	18,116
Mutual funds	<u>138,487</u>	<u>133,829</u>	<u>110,632</u>	<u>109,375</u>
Total investments	\$ <u>692,355</u>	<u>692,723</u>	<u>638,027</u>	<u>628,880</u>

Investments in marketable securities are stated at fair value. The fair value of securities is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation is included in investment income in the statements of activities. A summary of investment income for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 30,072	21,768
Realized gain (loss) on investments	8,247	(2,659)
Net unrealized appreciation in fair value of investments	9,515	16,803
Administrative fees	<u>(8,063)</u>	<u>(8,085)</u>
Total investment income	\$ <u>39,771</u>	<u>27,827</u>

Fair Value Measurements

A framework has been established for measuring fair value. That framework provides 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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 Foundation has the ability to access.

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements, Continued

(3) Investments, Continued

Fair Value Measurements, Continued

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

- Exchange-traded funds - Valued at the closing price as reported by the fund. These funds are required to publish their net asset value and transact at that price. The exchange-traded funds held by the Foundation are deemed to be actively traded.
- Common stocks - Valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

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 Foundation 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.

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements, Continued

(3) Investments, Continued

Fair Value Measurements, Continued

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2017 and 2016:

	<u>Assets at Fair Value as of December 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange - traded funds:				
Bonds	\$ 384,055	-	-	384,055
Mid cap funds	26,189	-	-	26,189
Large value funds	21,215	-	-	21,215
Large blend funds	127,435	-	-	127,435
Mutual funds:				
Master limited partnerships	30,387	-	-	30,387
Bonds	67,146	-	-	67,146
Medium blend funds	<u>36,296</u>	<u>-</u>	<u>-</u>	<u>36,296</u>
Total assets at fair value	<u>\$ 692,723</u>	<u>-</u>	<u>-</u>	<u>692,723</u>

	<u>Assets at Fair Value as of December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange - traded funds:				
Mortgage-backed securities	\$ 60,826	-	-	60,826
Bonds	334,729	-	-	334,729
Small cap funds	20,353	-	-	20,353
Mid cap funds	44,656	-	-	44,656
Large cap funds	21,235	-	-	21,235
Large value funds	19,590	-	-	19,590
Common stocks - precious metals	18,116	-	-	18,116
Mutual funds:				
Master limited partnerships	33,244	-	-	33,244
Bank loan	64,651	-	-	64,651
Europe stock	<u>11,480</u>	<u>-</u>	<u>-</u>	<u>11,480</u>
Total assets at fair value	<u>\$ 628,880</u>	<u>-</u>	<u>-</u>	<u>628,880</u>

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements, Continued

(4) Property and Equipment

Property and equipment at December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 26,022	18,017
Furniture, fixtures and office equipment	<u>7,519</u>	<u>7,519</u>
	33,541	25,536
Less accumulated depreciation	<u>(23,146)</u>	<u>(20,952)</u>
	\$ <u>10,395</u>	<u>4,584</u>

(5) Grants Payable

In May 2008, the Foundation entered into an agreement with the State University of New York at Buffalo (SUNY) to establish the Hunter James Kelly Research Institute (the Institute), a partnership between SUNY and the Foundation. All of the Foundation's research is coordinated through the Institute. The original agreement provided for funding from the Foundation of \$750,000 payable to University at Buffalo Foundation, Inc. in equal quarterly installments of \$37,500 through March 2013, restricted in use to solely support research conducted by SUNY faculty in the Institute. The agreement has been extended periodically and is currently being renegotiated.

The agreement, as amended in 2009, confirmed that funding is conditional upon satisfactory completion of results as described in the agreement. Future payments are to be reviewed and authorized thirty days before the end of each agreement year for payment of the subsequent agreement year. If such results are not achieved, then no future payment shall be made. The grant payable to SUNY was \$150,000 as of December 31, 2017 and 2016.

The Foundation also agreed to use its best efforts to engage in fund raising activities to raise \$3,000,000, which will be restricted in use solely to support the Institute. It was agreed that this amount would be sufficient to generate a Foundation gift of at least \$150,000 each fiscal year to fund the operations of the Institute. The Foundation conducted separate capital campaigns in 2014 and 2012 which raised \$732,700 and \$201,500, respectively.

As of December 31, 2017 and 2016, the Foundation had other research grants payable in the amount of \$83,431 and \$92,428, respectively.

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements, Continued

(5) Grants Payable, Continued

Grants payable at December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
State University of New York at Buffalo	\$ 150,000	150,000
Duke University	8,931	8,931
University of Kansas	-	16,997
University of North Carolina	25,000	50,000
University of Rochester	13,500	13,500
Randolph Carter	-	3,000
Duke University School of Medicine	9,000	-
Massachusetts General Hospital	9,000	-
Children's Research Institute	9,000	-
Children's Hospital of Philadelphia	<u>9,000</u>	<u>-</u>
	<u>\$ 233,431</u>	<u>242,428</u>

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
* Hunter's Hope Legacy	\$ 505,906	694,213
Leukodystrophy Care Network (LCN)	146,993	148,493
Kaden's Kisses	-	1,665
Ralph C. Wilson Jr. Wish Gift	10,890	-
LCN Guidelines	<u>-</u>	<u>18,500</u>
	<u>\$ 663,789</u>	<u>862,871</u>

* The Hunter's Hope Legacy is restricted for the following purposes:

- Hunter James Kelly Research Institute
- Family Care, Education and Awareness, Research
- National Awareness Campaign
- Leukodystrophy Care Network

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements, Continued

(7) Leases

The Foundation leases contract management software under an operating lease that provides for lease payments through January 2019. Future minimum lease payments required under this operating lease are as follows:

2018	\$ 8,988
2019	<u>749</u>
	\$ <u>9,737</u>

(8) Related Party Transactions

The Foundation's investments are managed by an individual who is related to certain Board members and management of the Foundation. Fees paid to the company for which the related party works amounted to \$8,063 and \$8,085 for the years ended December 31, 2017 and 2016, respectively.

The Foundation received a \$100,000 pledge receivable from a member of management during 2012. There was no balance for the pledge receivable as of December 31, 2017. As of December 31, 2016, the pledge receivable balance was \$25,200.

The Foundation received a contribution from Kelly for Kids Foundation, Inc. of \$125,000 and \$100,000 in 2017 and 2016, respectively. The Foundation shares a common board member with Kelly for Kids Foundation, Inc.

The Foundation received \$571,200 of pledges receivable from members of the Board of Directors, their families and related organizations during 2014. As of December 31, 2017 and 2016, the related pledges receivable balances were \$235,000 and \$296,000, respectively.

(9) Retirement Plan

The Foundation has a Simplified Employment Pension Plan (SEP). Eligible employees are allowed to contribute to the plan on a pre-tax basis. The Foundation does not make any contributions to the SEP.

(10) Community Foundation for Greater Buffalo

The Community Foundation for Greater Buffalo (CFGB) holds funds on behalf of the Foundation. These investments are assets of CFGB, with the Foundation being the income beneficiary in an amount which approximates the income earned on these investments. The amount of funds held by CFGB for the benefit of the Foundation was approximately \$580,000 and \$530,000 at December 31, 2017 and 2016, respectively.