

HUNTER'S HOPE
FOUNDATION, INC.

Financial Statements with
Independent Auditors' Report

December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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.

Prior Period Adjustment

As discussed in note 13 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for pledges receivable, contributions and donations and net assets without donor restrictions as of December 31, 2018, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for pledges receivable, contributions and donations and net assets without donor restrictions have been restated in the 2018 financial statements now presented. Our opinion is not modified with respect to this matter.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 10, 2020

HUNTER'S HOPE FOUNDATION, INC.
 Statements of Financial Position
 December 31, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u> <u>(As restated)</u>
Current assets:		
Cash and equivalents	\$ 373,111	317,161
Pledges receivable, current portion	45,000	67,523
Prepaid expenses	<u>7,623</u>	<u>-</u>
Total current assets	<u>425,734</u>	<u>384,684</u>
Investments	<u>646,450</u>	<u>499,727</u>
Property and equipment, at cost	41,127	41,127
Less accumulated depreciation	<u>(30,755)</u>	<u>(26,645)</u>
Net property and equipment	<u>10,372</u>	<u>14,482</u>
Pledges receivable, net, less current portion, less allowance for doubtful accounts of \$2,978 in 2019 and \$8,545 in 2018	<u>26,474</u>	<u>95,089</u>
Total assets	<u><u>\$ 1,109,030</u></u>	<u><u>993,982</u></u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	14,741	3,229
Grants payable	<u>156,625</u>	<u>76,000</u>
Total current liabilities	<u>171,366</u>	<u>79,229</u>
Net assets:		
Net assets without donor restrictions	639,435	421,424
Net assets with donor restrictions	<u>298,229</u>	<u>493,329</u>
Total net assets	<u>937,664</u>	<u>914,753</u>
Total liabilities and net assets	<u><u>\$ 1,109,030</u></u>	<u><u>993,982</u></u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
 Statements of Activities
 For the years ended December 31, 2019 and 2018

	2019			2018 (As restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:						
Contributions and donations	\$ 993,407	-	993,407	745,401	-	745,401
Investment income (loss)	<u>42,462</u>	<u>-</u>	<u>42,462</u>	<u>(20,058)</u>	<u>-</u>	<u>(20,058)</u>
	1,035,869	-	1,035,869	725,343	-	725,343
Net assets released from restrictions - satisfaction of donor restrictions	<u>195,100</u>	<u>(195,100)</u>	<u>-</u>	<u>170,460</u>	<u>(170,460)</u>	<u>-</u>
Total revenue and other support	<u>1,230,969</u>	<u>(195,100)</u>	<u>1,035,869</u>	<u>895,803</u>	<u>(170,460)</u>	<u>725,343</u>
Expenses:						
Program services:						
Education and awareness	155,609	-	155,609	210,773	-	210,773
Family assistance	700,872	-	700,872	420,405	-	420,405
Research	<u>29,692</u>	<u>-</u>	<u>29,692</u>	<u>38,861</u>	<u>-</u>	<u>38,861</u>
Total program services	<u>886,173</u>	<u>-</u>	<u>886,173</u>	<u>670,039</u>	<u>-</u>	<u>670,039</u>
Supporting services:						
Fundraising	60,511	-	60,511	89,766	-	89,766
General and administrative	<u>66,274</u>	<u>-</u>	<u>66,274</u>	<u>64,308</u>	<u>-</u>	<u>64,308</u>
Total supporting services	<u>126,785</u>	<u>-</u>	<u>126,785</u>	<u>154,074</u>	<u>-</u>	<u>154,074</u>
Total expenses	<u>1,012,958</u>	<u>-</u>	<u>1,012,958</u>	<u>824,113</u>	<u>-</u>	<u>824,113</u>
Change in net assets before other income	218,011	(195,100)	22,911	71,690	(170,460)	(98,770)
Other income - writeoff for grant conditions not met	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,431</u>	<u>-</u>	<u>177,431</u>
Change in net assets	218,011	(195,100)	22,911	249,121	(170,460)	78,661
Net assets at beginning of year, as previously stated	421,424	493,329	914,753	193,400	663,789	857,189
Prior period adjustment (note 13)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,097)</u>	<u>-</u>	<u>(21,097)</u>
Net assets at beginning of year, as restated	<u>421,424</u>	<u>493,329</u>	<u>914,753</u>	<u>172,303</u>	<u>663,789</u>	<u>836,092</u>
Net assets at end of year	<u>\$ 639,435</u>	<u>298,229</u>	<u>937,664</u>	<u>421,424</u>	<u>493,329</u>	<u>914,753</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Statement of Functional Expenses
For the year ended December 31, 2019
(with comparative totals for 2018)

	Program Services				Supporting Services			Totals	
	Education and awareness	Family assistance	Research	Total program services	Fundraising	General and administrative	Total supporting services	2019	2018
Salaries and wages	\$ 84,713	76,901	20,653	182,267	25,689	35,063	60,752	243,019	307,951
Payroll taxes and fringe benefits	9,343	9,941	2,516	21,800	4,208	5,236	9,444	31,244	37,430
Grants and contracts	-	360,636	-	360,636	-	-	-	360,636	90,000
Specific assistance and special events	-	66,875	-	66,875	-	-	-	66,875	45,946
Conferences and medical symposium	-	140,102	-	140,102	56	-	56	140,158	169,329
Outside services	26,655	16,088	1,705	44,448	11,962	3,106	15,068	59,516	42,307
Rent	11,575	9,699	3,032	24,306	3,879	5,448	9,327	33,633	33,015
Supplies	6,600	6,163	144	12,907	1,945	235	2,180	15,087	33,609
Professional fees	1,999	1,845	692	4,536	817	7,880	8,697	13,233	8,577
Travel and training	581	2,472	1	3,054	1,673	1	1,674	4,728	8,896
Insurance	1,596	1,313	481	3,390	572	4,150	4,722	8,112	8,054
Telephone and telecommunications	921	844	207	1,972	273	370	643	2,615	3,232
Postage, shipping and delivery	6,578	3,248	106	9,932	5,693	486	6,179	16,111	15,209
Printing and copying	2,988	2,315	17	5,320	2,710	23	2,733	8,053	13,360
Miscellaneous	2,060	2,430	138	4,628	1,034	166	1,200	5,828	3,699
Total expenses before depreciation	155,609	700,872	29,692	886,173	60,511	62,164	122,675	1,008,848	820,614
Depreciation	-	-	-	-	-	4,110	4,110	4,110	3,499
Total expenses	<u>\$155,609</u>	<u>700,872</u>	<u>29,692</u>	<u>886,173</u>	<u>60,511</u>	<u>66,274</u>	<u>126,785</u>	<u>1,012,958</u>	<u>824,113</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Statement of Functional Expenses
For the year ended December 31, 2018, as restated

	Program Services				Supporting Services			Totals
	Education and <u>awareness</u>	Family assistance	Research	Total program services	Fundraising	General and administrative	Total supporting services	
Salaries and wages	\$118,669	74,869	29,422	222,960	49,038	35,953	84,991	307,951
Payroll taxes and fringe benefits	13,585	8,057	3,216	24,858	6,860	5,712	12,572	37,430
Grants and contracts	-	90,000	-	90,000	-	-	-	90,000
Specific assistance and special events	-	45,946	-	45,946	-	-	-	45,946
Conferences and medical symposium	1,724	167,605	-	169,329	-	-	-	169,329
Outside services	19,864	10,013	1,453	31,330	9,339	1,638	10,977	42,307
Rent	12,181	8,242	3,386	23,809	4,924	4,282	9,206	33,015
Supplies	23,630	5,221	282	29,133	4,094	382	4,476	33,609
Professional fees	-	-	-	-	525	8,052	8,577	8,577
Travel and training	3,287	2,666	11	5,964	2,900	32	2,932	8,896
Insurance	1,894	1,300	502	3,696	735	3,623	4,358	8,054
Telephone and telecommunications	1,234	799	320	2,353	493	386	879	3,232
Postage, shipping and delivery	6,605	3,904	150	10,659	4,128	422	4,550	15,209
Printing and copying	6,486	1,298	16	7,800	5,534	26	5,560	13,360
Miscellaneous	1,614	485	103	2,202	1,196	301	1,497	3,699
Total expenses before depreciation	210,773	420,405	38,861	670,039	89,766	60,809	150,575	820,614
Depreciation	-	-	-	-	-	3,499	3,499	3,499
Total expenses	<u>\$210,773</u>	<u>420,405</u>	<u>38,861</u>	<u>670,039</u>	<u>89,766</u>	<u>64,308</u>	<u>154,074</u>	<u>824,113</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Statements of Cash Flows
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>(As restated)</u>
Cash flows from operating activities:		
Change in net assets	\$ 22,911	78,661
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	4,110	3,499
Net realized and unrealized (gain) loss on investments	(31,101)	31,227
Change in allowance for doubtful accounts	(5,567)	(2,416)
Writeoff for grant conditions not met	-	(177,431)
Changes in:		
Prepaid expenses	(7,623)	-
Accounts payable	11,512	(3,613)
Grants payable	<u>80,625</u>	<u>20,000</u>
Net cash provided by (used in) operating activities	<u>74,867</u>	<u>(50,073)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	232,353	321,782
Purchases of investments	(347,975)	(160,013)
Purchases of property and equipment	<u>-</u>	<u>(7,586)</u>
Net cash provided by (used in) investing activities	<u>(115,622)</u>	<u>154,183</u>
Cash flows from financing activities - proceeds from contributions restricted for long-term use	<u>96,705</u>	<u>81,783</u>
Change in cash and equivalents	55,950	185,893
Cash and equivalents at beginning of year	<u>317,161</u>	<u>131,268</u>
Cash and equivalents at end of year	<u>\$ 373,111</u>	<u>317,161</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(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 Foundations financial statements are presented in accordance with the provisions of Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities." As a result, the Foundation reports information regarding its net assets and changes therein in the following categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Foundation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation.

(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.

(g) Contributions

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

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

(1) Summary of Significant Accounting Policies, Continued

(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 net assets with donor restrictions. The Foundation uses the allowance method to account for uncollectible pledges receivable. The total allowance for doubtful accounts amounted to \$2,978 and \$8,545 at December 31, 2019 and 2018, 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 net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions. 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, 2019 and 2018, 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.

(l) 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.

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

(1) Summary of Significant Accounting Policies, Continued

(m) 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.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Foundation and its future results and financial position is not presently determinable.

Subsequent to December 31, 2019, the Foundation received a \$55,520 loan under the Small Business Administration Paycheck Protection Program.

(n) Recent Accounting Standards Issued

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. This guidance is effective for fiscal years beginning after December 15, 2018. These financial statements and notes reflect adoption of this new standard.

(2) Liquidity

The Foundation has \$373,111 of financial assets available within one year of the statement of financial position date consisting of cash. Of these financial assets, \$226,755 are subject to donor or contractual restrictions for the use in a donor specified program. The remaining financial asset are for general expenditures within one year of the statement of financial position date.

(3) Pledges Receivable

Pledges receivable consisted of unconditional promises to give to support funding for the Hunter James Kelly Research Institute and Legacy Campaign. A summary of pledges receivables as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Pledges receivable	\$ 82,479	202,523
Less unamortized discount at 5.25%	-	(31,366)
Less unamortized discount at 4.75%	(8,027)	-
Less allowance for doubtful accounts	<u>(2,978)</u>	<u>(8,545)</u>
Unconditional promises to give, net	\$ <u>71,474</u>	<u>162,612</u>

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

(3) Pledges Receivable, Continued

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 45,000	67,523
One to five years	<u>37,479</u>	<u>135,000</u>
	\$ <u>82,479</u>	<u>202,523</u>
Pledges receivable are reflected in the statements of financial position as:		
Current	45,000	67,523
Long-term	<u>26,474</u>	<u>95,089</u>
	\$ <u>71,474</u>	<u>162,612</u>

(4) Investments

Financial Instruments

The fair value of investments in marketable securities at December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Exchange - traded funds	\$ 576,377	473,324
Mutual funds	<u>70,073</u>	<u>26,403</u>
Total investments	\$ <u>646,450</u>	<u>499,727</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 (depreciation) is included in investment income (loss) in the statements of activities.

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.

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.

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

(4) Investments, Continued

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.

All investments held by the Foundation are classified as level 1 in the fair value hierarchy.

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, 2019 and 2018.

- 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.
- 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.

(5) Property and Equipment

Property and equipment at December 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 29,715	29,715
Furniture, fixtures and office equipment	<u>11,412</u>	<u>11,412</u>
	41,127	41,127
Less accumulated depreciation	<u>(30,755)</u>	<u>(26,645)</u>
	\$ <u>10,372</u>	<u>14,482</u>

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

(6) Grants Payable

Grants payable at December 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Children's Healthcare of Atlanta	\$ 20,000	-
Duke University	65,625	-
Beyond Boundaries Therapy for Kids	9,000	-
John R. Oishei Children's Hospital of Buffalo	20,000	-
Massachusetts General Hospital	15,000	-
Children's Research Institute	3,000	3,000
Children's Hospital of Philadelphia	-	9,000
Children's Hospital of Chicago	5,000	5,000
Children's National Health Center	9,000	9,000
Kennedy Krieger Institute	5,000	10,000
University of Rochester	5,000	20,000
University of Utah	<u>-</u>	<u>20,000</u>
	<u>\$ 156,625</u>	<u>76,000</u>

During 2018, it was decided to end an agreement with the State University of New York at Buffalo due to the grant conditions not being met. The \$150,000 grant payable from December 31, 2017 was written off for the year ended December 31, 2018 and is included as a portion of other income.

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
* Hunter's Hope Legacy	\$ 268,559	359,100
Leukodystrophy Care Network	29,670	126,266
Ralph C. Wilson Jr. Wish Gift	<u>-</u>	<u>7,963</u>
	<u>\$ 298,229</u>	<u>493,329</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

(8) Leases

The Foundation leases contract management software under an operating lease that provides for lease payments through November 2022. Future minimum lease payments required under this operating lease are as follows:

2020	\$ 8,316
2021	8,316
2022	<u>7,623</u>
Total	\$ <u>24,255</u>

Beginning October 1, 2018, the Foundation moved locations and now occupies office facilities under an operating lease agreement that expires on September 30, 2023. In addition to the rent, the Foundation is responsible for the cost of utilities serving the tenant's rental space, which includes gas, electric, water, garbage, and 15% of annual snow removal expense. Rent expense for this lease amounted to \$33,240 and \$8,250 for the years ended December 31, 2019 and 2018, respectively. The following schedule is the future minimum rental payments under the lease as of December 31, 2019:

2020	\$ 34,215
2021	35,235
2022	36,270
2023	<u>27,810</u>
Total	\$ <u>133,530</u>

(9) 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 \$8,061 and \$8,471 for the years ended December 31, 2019 and 2018, respectively.

The Foundation received a contribution from Kelly for Kids Foundation, Inc. of \$125,000 for both 2019 and 2018. 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, 2019 and 2018, the related pledges receivable balances were \$77,479 and \$187,523, respectively.

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

(10) 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.

(11) 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 \$600,000 and \$530,000 at December 31, 2019 and 2018, respectively.

(12) Functional Expenses

The Foundation's purpose is to increase public awareness and to support and fund research efforts to find a cure for Krabbe Disease and other Leukodystrophies. All expenses related to these services have been allocated to program services with the exception of certain fundraising and administrative expenses. Salaries and benefits are allocated among program and support services based on time and effort. Office and other expenses are allocated on direct usage.

(13) Prior Period Adjustment

An adjustment was recorded in the December 31, 2018 financial statements to properly reflect the pledges receivable balance in the prior year. The adjustment decreased pledges receivable by \$42,477, contributions and donations by \$21,380 and net assets without donor restrictions by \$21,097 for the year ended December 31, 2018.