

THE MPN RESEARCH FOUNDATION

FINANCIAL STATEMENTS

NOVEMBER 30, 2016 AND 2015

THE MPN RESEARCH FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2016 AND 2015

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Board of Directors
The MPN Research Foundation
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of **THE MPN RESEARCH FOUNDATION** (a nonprofit organization) which comprise the statements of financial position as of November 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related 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 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 entity'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 entity'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 **THE MPN RESEARCH FOUNDATION** as of November 30, 2016 and 2015, 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.

Sassetti LLC

Oak Park, Illinois
July 20, 2017

THE MPN RESEARCH FOUNDATION
STATEMENTS OF FINANCIAL POSITION

NOVEMBER 30, 2016 AND 2015

ASSETS	2016	2015
Cash and cash equivalents	\$ 1,349,335	\$ 144,265
Certificates of deposit	407,207	1,007,049
Investments	90,000	735,881
Pledges receivable	70,000	176,609
Other receivable	2,706	-
Prepaid expenses	12,426	6,635
Security deposits	5,450	3,200
Property and equipment, net accumulated depreciation of \$24,675 and \$21,472, respectively	10,290	10,844
Total Assets	\$ 1,947,414	\$ 2,084,483
LIABILITIES		
Accounts payable	\$ 20,405	\$ 23,583
Rent abatement liability	968	2,742
Grants payable	450,000	598,617
Total Liabilities	471,373	624,942
NET ASSETS		
Unrestricted	1,271,477	992,231
Temporarily restricted	204,564	467,310
Total Net Assets	1,476,041	1,459,541
Total Liabilities and Net Assets	\$ 1,947,414	\$ 2,084,483

The accompanying notes are an integral part
of the financial statements.

THE MPN RESEARCH FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED NOVEMBER 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES AND OTHER SUPPORT						
Contributions	\$ 760,020	\$ 632,340	\$ 1,392,360	\$ 881,302	\$ 1,057,984	\$ 1,939,286
Investment income	6,419	-	6,419	6,849	-	6,849
In-kind	116,945	-	116,945	118,450	-	118,450
Net assets released from restrictions	895,086	(895,086)	-	1,257,902	(1,257,902)	-
Total Revenues and Other Support	<u>1,778,470</u>	<u>(262,746)</u>	<u>1,515,724</u>	<u>2,264,503</u>	<u>(199,918)</u>	<u>2,064,585</u>
EXPENSES						
Program	1,126,060	-	1,126,060	1,320,621	-	1,320,621
General and administrative	190,647	-	190,647	159,614	-	159,614
Fundraising	182,517	-	182,517	178,828	-	178,828
Total Expenses	<u>1,499,224</u>	<u>-</u>	<u>1,499,224</u>	<u>1,659,063</u>	<u>-</u>	<u>1,659,063</u>
CHANGE IN NET ASSETS	279,246	(262,746)	16,500	605,440	(199,918)	405,522
NET ASSETS -						
Beginning of year	<u>992,231</u>	<u>467,310</u>	<u>1,459,541</u>	<u>386,791</u>	<u>667,228</u>	<u>1,054,019</u>
End of year	<u>\$ 1,271,477</u>	<u>\$ 204,564</u>	<u>\$ 1,476,041</u>	<u>\$ 992,231</u>	<u>\$ 467,310</u>	<u>\$ 1,459,541</u>

The accompanying notes are an integral part of the financial statements.

THE MPN RESEARCH FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED NOVEMBER 30, 2016 AND 2015

	2016				2015			
	Program	General and Administrative	Fundraising	Totals	Program	General and Administrative	Fundraising	Totals
Grants	\$ 522,062	\$ -	\$ -	\$ 522,062	\$ 798,167	\$ -	\$ -	\$ 798,167
Salaries, taxes and benefits	144,484	64,525	107,225	316,234	101,123	57,734	90,151	249,008
Outreach and marketing	82,593	125	10,167	92,885	68,310	199	27,051	95,560
Professional fees	25,695	34,217	3,571	63,483	42,869	27,758	-	70,627
Administration	-	12,603	5,683	18,286	-	14,374	-	14,374
Depreciation	-	3,203	-	3,203	-	2,839	-	2,839
Dues and publications	5,304	1,353	1,575	8,232	5,125	1,184	2,000	8,309
Filing fees	-	30	8,203	8,233	-	63	9,859	9,922
Insurance	3,393	9,558	1,696	14,647	-	13,374	-	13,374
In-kind	116,945	-	-	116,945	118,450	-	-	118,450
Miscellaneous	4,365	28,308	478	33,151	-	4,580	777	5,357
Postage and mailing	27,729	8,760	7,580	44,069	14,607	6,130	8,723	29,460
Meetings	43,259	11	1,858	45,128	68,838	187	1,937	70,962
Printing and production	23,043	5,377	8,202	36,622	18,860	6,804	15,115	40,779
Supplies	6,564	1,889	1,991	10,444	1,228	7,564	209	9,001
Research advocacy	49,457	-	40	49,497	30,747	833	-	31,580
Rent	29,028	8,781	13,195	51,004	30,029	4,290	8,580	42,899
Travel	31,843	3,592	5,485	40,920	14,565	3,038	12,479	30,082
Utilities	10,296	8,315	5,568	24,179	7,703	8,663	1,947	18,313
	<u>\$ 1,126,060</u>	<u>\$ 190,647</u>	<u>\$ 182,517</u>	<u>\$ 1,499,224</u>	<u>\$ 1,320,621</u>	<u>\$ 159,614</u>	<u>\$ 178,828</u>	<u>\$ 1,659,063</u>

The accompanying notes are an integral part
of the financial statements.

THE MPN RESEARCH FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED NOVEMBER 30, 2016 AND 2015

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2016</u>	<u>2015</u>
Change in net assets	\$ 16,500	\$ 405,522
Adjustment to reconcile change in net assets to net cash provided (used in) by operating activities -		
Depreciation	3,203	2,839
Unrealized losses on securities	5,575	3,044
Changes in operating assets and liabilities -		
(Increase) decrease in prepaid expense	(5,791)	3,198
Decrease (increase) in pledges receivable	106,609	(127,170)
Increase in other receivables	(2,706)	-
Increase in security deposits	(2,250)	-
(Decrease) increase in accounts payable	(3,178)	3,467
Decrease in rent abatement liabilities	(1,774)	(1,627)
Decrease in grants payable	<u>(148,617)</u>	<u>(176,383)</u>
 Net Cash (Used In) Provided By Operating Activities	 <u>(32,429)</u>	 <u>112,890</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,649)	(6,475)
Sales (purchases) of investments, net	640,306	(310,414)
Maturity of certificates of deposit	<u>599,842</u>	<u>92,554</u>
 Net Cash Provided By (Used In) Investing Activities	 <u>1,237,499</u>	 <u>(224,335)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 1,205,070	 (111,445)
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>144,265</u>	<u>255,710</u>
 End of year	 <u>\$ 1,349,335</u>	 <u>\$ 144,265</u>

The accompanying notes are an integral part
of the financial statements.

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Foundation - The MPN Research Foundation (Foundation), a not-for-profit corporation, supports innovative efforts to advance scientific understanding and potential treatments for Myeloproliferative Neoplasms (MPNs). The primary mission of MPN Research Foundation is to promote, fund and support the most innovative and effective research into the causes, treatments, and potentially the cure for 3 specific MPNs; essential thrombocythemia, polycythemia vera, and primary myelofibrosis.

Basis of Presentation - As required by the generally accepted accounting principles for Not-for-Profit accounting, the Foundation 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. There were no permanently restricted net assets at November 30, 2016 and 2015.

Pledges Receivable - Unconditional promises/pledges to give are recognized as revenue in the period pledged at their present value. The Foundation reviews receivables and determines the need for an allowance for doubtful accounts based on management's experience and information. As of November 30, 2016 and 2015, no allowance for uncollectible accounts was considered necessary.

Property and Equipment - Property and equipment are valued at cost, or if donated, at the fair market value at the date of donation. The Foundation capitalizes equipment and other fixed assets with a cost greater than \$2,500.

Depreciation - Property and equipment are being depreciated over their estimated useful lives, from their date of acquisition, using straight-line depreciation. Useful lives are estimated to be 5 years for equipment and 7 years for furniture and fixtures. Depreciation charges totaled \$3,203 and \$2,839 for the years ended November 30, 2016 and 2015, respectively.

Use of Accounting Estimates - The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - The Foundation is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code; thus, no provision for income tax has been provided for in the financial statements. The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending November 30, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Certificates of Deposit - Certificates of deposit are recorded at cost. Interest income is included in the statements of activities.

Cash Flow Information - For purposes of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. No cash was paid for income taxes or interest during the years ended November 30, 2016 and 2015.

Grants Payable - Accounting for grants requires that promises to give be recognized as expenditures in the year of the commitment by donor.

In-kind Contributions - Contribution of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. It is the policy of the Foundation to record the estimated fair market value of certain in-kind contributions as an expense in its financial statements, and similarly increase donations by a like amount. During the years ended November 30, 2016 and 2015, the Foundation received donated advertising valued at \$116,945 and \$118,450, respectively.

Advertising - The Foundation's policy is to expense advertising costs as they are incurred. Total advertising costs included in expenses were \$92,885 and \$95,560, for the years ended November 30, 2016 and 2015, respectively.

Subsequent Events - The Foundation has evaluated subsequent events through July 20, 2017, the date which the financial statements were available to be issued.

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recent Accounting Pronouncements - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in August 2016. This standard requires changes to the financial statement presentation of not-for-profit entities, including changing from three net asset classes to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will require changes in the way certain information is disclosed by the Foundation, including quantitative and qualitative disclosures about liquidity and the Foundation's ability to meet cash needs for general expenditures within one year of the balance sheet. The new standard is effective for the Foundation's year ending November 30, 2019 and thereafter, with retroactive application. The Foundation is currently evaluating the impact this standard will have on the financial statements.

Effective February 25, 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease recording requirements in Topic 842. The ASU looks to increase transparency and comparability by conforming US GAAP with International Accounting Standards as it relates to leases. The new standard will require, among other things, that all leases, including operating leases, be included on the balance sheet as a "right of use" asset with an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Foundation's year ending November 30, 2021, with early application permitted. The Foundation has significant lease payments committed through 2020. However, the full extent of the potential effects of the new standard, including disclosures, have not been fully determined.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at November 30, 2016 and 2015, respectively.

	2016	2015
Amounts receivable in less than one year	\$ 35,000	\$ 71,609
Amounts receivable in greater than one year	35,000	105,000
Total receivable	\$ 70,000	\$ 176,609

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016 AND 2015

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at November 30, 2016 and 2015, stated at cost:

	2016	2015
Furniture and equipment	\$ 34,965	\$ 32,316
Less accumulated depreciation	(24,675)	(21,472)
	\$ 10,290	\$ 10,844

4. GRANTS PAYABLE

Grants payable consist of amounts pledged to both individuals and other Organizations totaling \$450,000 and \$598,617 as November 30, 2016 and 2015, respectively.

Future grant liabilities are contingent upon the approval of the Scientific Advisory Board. At November 30, 2016, there were no contingent liabilities that could be estimated.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following components as of November 30, 2016 and 2015:

	2016	2015
Advisory board	\$ 18,411	\$ 30,351
Research fund	4,300	250,450
Research advocacy	87,300	-
Marketing and outreach	24,553	81,509
Time restricted	70,000	105,000
	\$ 204,564	\$ 467,310

6. LEASE

The Foundation signed a lease with an independent party from June 1, 2010 through August 31, 2020. Rent was abated for the first 3 months, and an additional month was added to 2015 upon renewal of the lease in 2015. Rent expense was \$51,004 and \$42,899 for the years ended November 30, 2016 and 2015, respectively. Future minimum lease payments are as follows for the years ended November 30:

2017	\$	65,841
2018		67,812
2019		69,846
2020		53,559

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016 AND 2015

7. CONCENTRATIONS

The Foundation deposits its cash funds at various financial institutions. At various times, the balances may exceed federally insured limits.

During the year ended November 30, 2016, contributions from the Foundation's two largest donors amounted to approximately thirty-eight percent of total contributions and support. During the year ended November 30, 2015, contributions from the Foundation's three largest donors amounted to approximately thirty-six percent of total contributions and support.

8. BENEFIT PLAN

The Foundation contributes up to 3% of each employees salary to the defined contribution plan for its employee's. All full time employees are eligible for these benefits. Plan expenses totaled \$7,019 and \$6,145 for the years ended November 30, 2016 and 2015, respectively.

9. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investment income consists of the following components for the years ended November 30:

	2016	2015
Dividend income	\$ 9	\$ 46
Interest income	11,985	8,227
Realized gains on securities	-	1,620
Unrealized losses on securities	(5,575)	(3,044)
	\$ 6,419	\$ 6,849

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Foundation considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

THE MPN RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2016 AND 2015

9. INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Generally accepted accounting principles also establish a fair value hierarchy that requires the Foundation to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement. Generally accepted accounting principles establish three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities ; or
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables summarize the classification of these investments by classification and method of valuation in accordance with the requirements of generally accepted accounting principles at November 30:

		Fair Value Measurements Using Input Type			
2016		Level 1	Level 2	Level 3	Total
Municipal bonds		\$ -	\$ 90,000	\$ -	\$ 90,000

		Fair Value Measurements Using Input Type			
2015		Level 1	Level 2	Level 3	Total
Money market		\$ 579,805	\$ -	\$ -	\$ 579,805
Equity		11,572	-	-	11,572
Municipal bonds		-	144,504	-	144,504
		<u>\$ 591,377</u>	<u>\$ 144,504</u>	<u>\$ -</u>	<u>\$ 735,881</u>