

THE MPN RESEARCH FOUNDATION

FINANCIAL STATEMENTS

NOVEMBER 30, 2017 AND 2016

THE MPN RESEARCH FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2017 AND 2016

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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, 2017 and 2016, 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, 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.

Sassetti LLC

Oak Park, Illinois
June 13, 2018

THE MPN RESEARCH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2017 AND 2016

ASSETS	2017	2016
Cash and cash equivalents	\$ 1,659,777	\$ 1,349,335
Certificates of deposit	382,170	407,207
Investments	498,440	90,000
Pledges receivable	240,000	70,000
Other receivable	-	2,706
Prepaid expenses	6,701	12,426
Security deposits	5,450	5,450
Property and equipment, net accumulated depreciation of \$29,407 and \$24,675, respectively	11,054	10,290
Total Assets	\$ 2,803,592	\$ 1,947,414
 LIABILITIES		
Accounts payable	\$ 88,388	\$ 20,405
Rent abatement liability	-	968
Grants payable	889,627	450,000
Total Liabilities	978,015	471,373
 NET ASSETS		
Unrestricted	1,558,836	1,271,477
Temporarily restricted	266,741	204,564
Total Net Assets	1,825,577	1,476,041
Total Liabilities and Net Assets	\$ 2,803,592	\$ 1,947,414

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

THE MPN RESEARCH FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES AND OTHER SUPPORT						
Contributions	\$ 1,321,723	\$ 945,119	\$ 2,266,842	\$ 760,020	\$ 632,340	\$ 1,392,360
Investment income	12,622	-	12,622	6,419	-	6,419
In-kind	104,743	-	104,743	116,945	-	116,945
Net assets released from restrictions	882,942	(882,942)	-	895,086	(895,086)	-
Total Revenues and Other Support	<u>2,322,030</u>	<u>62,177</u>	<u>2,384,207</u>	<u>1,778,470</u>	<u>(262,746)</u>	<u>1,515,724</u>
EXPENSES						
Program	1,575,262	-	1,575,262	1,126,060	-	1,126,060
General and administrative	252,560	-	252,560	190,647	-	190,647
Fundraising	206,849	-	206,849	182,517	-	182,517
Total Expenses	<u>2,034,671</u>	<u>-</u>	<u>2,034,671</u>	<u>1,499,224</u>	<u>-</u>	<u>1,499,224</u>
CHANGE IN NET ASSETS	287,359	62,177	349,536	279,246	(262,746)	16,500
NET ASSETS						
Beginning 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>
End of year	<u>\$ 1,558,836</u>	<u>\$ 266,741</u>	<u>\$ 1,825,577</u>	<u>\$ 1,271,477</u>	<u>\$ 204,564</u>	<u>\$ 1,476,041</u>

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

THE MPN RESEARCH FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017				2016			
	Program	General and Administrative	Fundraising	Totals	Program	General and Administrative	Fundraising	Totals
Grants	\$ 857,968	\$ -	\$ -	\$ 857,968	\$ 522,062	\$ -	\$ -	\$ 522,062
Salaries, taxes and benefits	162,684	85,177	113,020	360,881	144,484	64,525	107,225	316,234
Outreach and marketing	137,468	5,454	9,217	152,139	82,593	125	10,167	92,885
Professional fees	76,710	25,790	5,558	108,058	25,695	34,217	3,571	63,483
Administration	3,555	13,486	17,807	34,848	-	12,603	5,683	18,286
Depreciation	-	4,732	-	4,732	-	3,203	-	3,203
Dues and publications	1,000	1,055	4,799	6,854	5,304	1,353	1,575	8,232
Filing fees	-	-	4,649	4,649	-	30	8,203	8,233
Insurance	9,026	23,233	17,083	49,342	3,393	9,558	1,696	14,647
In-kind	104,743	-	-	104,743	116,945	-	-	116,945
Miscellaneous	1,529	16,727	5,020	23,276	4,365	28,308	478	33,151
Postage and mailing	14,621	4,793	5,493	24,907	27,729	8,760	7,580	44,069
Meetings	82,267	-	567	82,834	43,259	11	1,858	45,128
Printing and production	8,763	23,230	630	32,623	23,043	5,377	8,202	36,622
Supplies	1,958	8,054	359	10,371	6,564	1,889	1,991	10,444
Research advocacy	37,096	2,928	150	40,174	49,457	-	40	49,497
Rent	35,560	13,828	17,285	66,673	29,028	8,781	13,195	51,004
Travel	39,604	22	4,490	44,116	31,843	3,592	5,485	40,920
Utilities	710	24,051	722	25,483	10,296	8,315	5,568	24,179
	<u>\$ 1,575,262</u>	<u>\$ 252,560</u>	<u>\$ 206,849</u>	<u>\$ 2,034,671</u>	<u>\$ 1,126,060</u>	<u>\$ 190,647</u>	<u>\$ 182,517</u>	<u>\$ 1,499,224</u>

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

THE MPN RESEARCH FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED NOVEMBER 30, 2017 AND 2016

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Change in net assets	\$ 349,536	\$ 16,500
Adjustment to reconcile change in net assets to net cash provided by (used in) by operating activities -		
Depreciation	4,732	3,203
Unrealized (gains) losses on securities	(2,518)	5,575
Changes in operating assets and liabilities -		
Decrease (increase) in prepaid expense	5,725	(5,791)
(Increase) decrease in pledges receivable	(170,000)	106,609
Decrease (increase) in other receivables	2,706	(2,706)
Increase in security deposits	-	(2,250)
Increase (decrease) in accounts payable	67,983	(3,178)
Decrease in rent abatement liabilities	(968)	(1,774)
Increase (decrease) in grants payable	439,627	(148,617)
	<u>696,823</u>	<u>(32,429)</u>
Net Cash Provided By (Used In) Operating Activities	<u>696,823</u>	<u>(32,429)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,496)	(2,649)
(Purchases) sales of investments, net	(405,922)	640,306
Maturity of certificates of deposit	25,037	599,842
	<u>(386,381)</u>	<u>1,237,499</u>
Net Cash (Used In) Provided By Investing Activities	<u>(386,381)</u>	<u>1,237,499</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	310,442	1,205,070
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,349,335</u>	<u>144,265</u>
End of year	<u>\$ 1,659,777</u>	<u>\$ 1,349,335</u>

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

THE MPN RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2017 AND 2016

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, 2017 and 2016.

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, 2017 and 2016, 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 \$4,732 and \$3,203 for the years ended November 30, 2017 and 2016, 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.

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, 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

THE MPN RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2017 and 2016.

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, 2017 and 2016, the Foundation received donated advertising valued at \$104,743 and \$116,945, respectively.

Advertising - The Foundation's policy is to expense advertising costs as they are incurred. Total advertising costs included in expenses were \$152,139 and \$92,885 for the years ended November 30, 2017 and 2016, respectively.

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.

FASB issued ASU No. 2016-02, Leases (Topic 842) in February 2016, 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.

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events - The Foundation has evaluated subsequent events through June 13, 2018, the date which the financial statements were available to be issued.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at November 30, 2017 and 2016, respectively.

	2017	2016
Amounts receivable in less than one year	\$ 240,000	\$ 35,000
Amounts receivable in greater than one year	-	35,000
Total receivable	\$ 240,000	\$ 70,000

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at November 30, 2017 and 2016, stated at cost:

	2017	2016
Furniture and equipment	\$ 40,461	\$ 34,965
Less accumulated depreciation	(29,407)	(24,675)
	\$ 11,054	\$ 10,290

4. GRANTS PAYABLE

Grants payable consist of amounts pledged to both individuals and other Organizations totaling \$889,627 and \$450,000 as November 30, 2017 and 2016, respectively.

Future grant liabilities are contingent upon the approval of the Scientific Advisory Board. At November 30, 2017, 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, 2017 and 2016:

	2017	2016
Advisory board	\$ 3,106	\$ 18,411
Research fund	6,295	4,300
Research advocacy	106,068	87,300
Marketing and outreach	116,272	24,553
Time restricted	35,000	70,000
	\$ 266,741	\$ 204,564

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

6. LEASE

The Foundation signed a lease with an independent party from June 1, 2010 through August 31, 2020. Rent expense was \$66,673 and \$51,004 for the years ended November 30, 2017 and 2016, respectively. Future minimum lease payments are as follows for the years ended November 30:

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

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, 2017, contributions from the Foundation's three largest donors amounted to approximately thirty-two percent of total contributions and support. During the year ended November 30, 2016, contributions from the Foundation's three largest donors amounted to approximately thirty-eight 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 \$6,475 and \$7,019 for the years ended November 30, 2017 and 2016, 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:

	2017	2016
Dividend income	\$ -	\$ 9
Interest income	5,104	11,985
Unrealized gains (losses) on securities	2,518	(5,575)
	\$ 7,622	\$ 6,419

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

9. INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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.

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			
2017	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ 498,440	\$ -	\$ -	\$ 498,440
	Fair Value Measurements Using Input Type			
2016	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ 90,000	\$ -	\$ -	\$ 90,000