

HUNTER'S HOPE
FOUNDATION, INC.

Financial Statements with
Independent Auditors' Report

December 31, 2014 and 2013

HUNTER'S HOPE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hunter's Hope Foundation, Inc.
Orchard Park, New York:

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, 2014 and 2013, 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, 2014 and 2013, 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
April 16, 2015

HUNTER'S HOPE FOUNDATION, INC.
 Statements of Financial Position
 December 31, 2014 and 2013

| <u>Assets</u> | <u>2014</u> | <u>2013</u> |
|---|---------------------|-----------------|
| Current assets: | | |
| Cash and equivalents | \$ 128,769 | 247,099 |
| Pledges receivable, current portion | 202,699 | 21,400 |
| Prepaid expenses | - | 1,267 |
| Total current assets | <u>331,468</u> | <u>269,766</u> |
| Investments | <u>652,124</u> | <u>560,990</u> |
| Property and equipment, at cost | 64,609 | 60,263 |
| Less accumulated depreciation | <u>(58,200)</u> | <u>(53,517)</u> |
| Net property and equipment | <u>6,409</u> | <u>6,746</u> |
| Pledges receivable, net, less current portion | <u>372,942</u> | <u>42,553</u> |
| Total assets | <u>\$ 1,362,943</u> | <u>880,055</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | 3,580 | 9,680 |
| Grants payable, current portion | <u>252,687</u> | <u>206,847</u> |
| Total current liabilities | <u>256,267</u> | <u>216,527</u> |
| Grants payable, less current portion | <u>4,623</u> | <u>9,068</u> |
| Total liabilities | <u>260,890</u> | <u>225,595</u> |
| Net assets: | | |
| Unrestricted | 212,842 | 426,976 |
| Temporarily restricted | <u>889,211</u> | <u>227,484</u> |
| Total net assets | <u>1,102,053</u> | <u>654,460</u> |
| Total liabilities and net assets | <u>\$ 1,362,943</u> | <u>880,055</u> |

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.

Statements of Activities

For the years ended December 31, 2014 and 2013

| | 2014 | | 2013 | |
|--|--------------|------------------------|--------------|------------------------|
| | Unrestricted | Temporarily restricted | Unrestricted | Temporarily restricted |
| Revenue and other support: | | | | |
| Contributions and donations | \$ 851,292 | 645,916 | 725,541 | 33,334 |
| Donated investments | - | 49,650 | - | - |
| Investment income | 39,031 | - | 8,303 | - |
| In-kind contributions | 6,000 | - | - | - |
| | 896,323 | 695,566 | 733,844 | 33,334 |
| Net assets released from restrictions - satisfaction of donor restrictions | 33,839 | (33,839) | 28,256 | (28,256) |
| Total revenue and other support | 930,162 | 661,727 | 762,100 | 5,078 |
| Expenses: | | | | |
| Program services: | | | | |
| Education and awareness | 357,405 | - | 254,520 | - |
| Family assistance | 280,936 | - | 227,875 | - |
| Research | 311,590 | - | 232,729 | - |
| Total program services | 949,931 | - | 715,124 | - |
| Supporting services: | | | | |
| Fundraising | 96,901 | - | 87,193 | - |
| General and administrative | 97,464 | - | 63,776 | - |
| Total supporting services | 194,365 | - | 150,969 | - |
| Total expenses | 1,144,296 | - | 866,093 | - |
| Change in net assets | (214,134) | 661,727 | (103,993) | 5,078 |
| Net assets at beginning of year | 426,976 | 227,484 | 530,969 | 222,406 |
| Net assets at end of year | \$ 212,842 | 889,211 | 426,976 | 227,484 |

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Statement of Functional Expenses
For the year ended December 31, 2014
(with comparative totals for 2013)

| | Program Services | | | | Supporting Services | | | Totals | |
|--|-------------------------|-------------------|----------|------------------------|--------------------------------|-------------|---------------------------|-----------|---------|
| | Education and awareness | Family assistance | Research | Total program services | Fundraising and administrative | General and | Total supporting services | 2014 | 2013 |
| Salaries and wages | \$ 134,894 | 84,602 | 54,449 | 273,945 | 44,261 | 25,913 | 70,174 | 344,119 | 316,650 |
| Payroll taxes and fringe benefits | 13,986 | 7,858 | 7,652 | 29,496 | 4,620 | 5,665 | 10,285 | 39,781 | 31,177 |
| Research | - | 1,000 | 226,996 | 227,996 | - | 23,004 | 23,004 | 251,000 | 216,064 |
| Specific assistance and special events | - | 87,580 | - | 87,580 | - | - | - | 87,580 | 36,294 |
| Conferences and medical symposium | 1,374 | 71,362 | 948 | 73,684 | 275 | 4 | 279 | 73,963 | 62,969 |
| Outside services | 118,065 | 8,854 | 12,302 | 139,221 | 35,344 | 10,793 | 46,137 | 185,358 | 58,261 |
| Advertising | - | - | - | - | 6,000 | - | 6,000 | 6,000 | - |
| Rent | 8,720 | 5,701 | 3,822 | 18,243 | 3,086 | 1,791 | 4,877 | 23,120 | 22,541 |
| Supplies | 14,623 | 6,189 | 606 | 21,418 | 1,134 | - | 1,134 | 22,552 | 28,690 |
| Professional fees | 177 | - | 382 | 559 | 62 | 15,422 | 15,484 | 16,043 | 29,499 |
| Travel and training | 6,068 | 2,533 | 2,987 | 11,588 | 25 | - | 25 | 11,613 | 32,243 |
| Insurance | 845 | 543 | 426 | 1,814 | 342 | 7,782 | 8,124 | 9,938 | 5,601 |
| Telephone and telecommunications | 1,769 | 2,281 | 794 | 4,844 | 602 | 354 | 956 | 5,800 | 5,061 |
| Postage, shipping and delivery | 16,201 | 2,302 | 192 | 18,695 | 342 | 63 | 405 | 19,100 | 10,019 |
| Printing and copying | 39,164 | - | - | 39,164 | 278 | - | 278 | 39,442 | 2,156 |
| Equipment rental and maintenance | - | - | - | - | - | - | - | - | 26 |
| Miscellaneous | 1,519 | 131 | 34 | 1,684 | 530 | 1,990 | 2,520 | 4,204 | 3,403 |
| Total expenses before depreciation | 357,405 | 280,936 | 311,590 | 949,931 | 96,901 | 92,781 | 189,682 | 1,139,613 | 860,654 |
| Depreciation | - | - | - | - | - | 4,683 | 4,683 | 4,683 | 5,439 |
| Total expenses | \$ 357,405 | 280,936 | 311,590 | 949,931 | 96,901 | 97,464 | 194,365 | 1,144,296 | 866,093 |

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Statement of Functional Expenses
For the year ended December 31, 2013

| | Program Services | | | | Supporting Services | | | Total |
|--|-------------------------|-------------------|----------|------------------------|---------------------|----------------------------|---------------------|---------|
| | Education and awareness | Family assistance | Research | Total program services | Fundraising | General and administrative | supporting services | |
| Salaries and wages | \$150,820 | 73,225 | 21,358 | 245,403 | 47,498 | 23,749 | 71,247 | 316,650 |
| Payroll taxes and fringe benefits | 14,384 | 7,063 | 1,668 | 23,115 | 4,378 | 3,684 | 8,062 | 31,177 |
| Research | - | 19,067 | 191,997 | 211,064 | 5,000 | - | 5,000 | 216,064 |
| Specific assistance and special events | - | 36,294 | - | 36,294 | - | - | - | 36,294 |
| Conferences and medical symposium | 583 | 62,386 | - | 62,969 | - | - | - | 62,969 |
| Outside services | 31,048 | 4,588 | 3,493 | 39,129 | 16,584 | 2,548 | 19,132 | 58,261 |
| Rent | 10,968 | 5,243 | 1,293 | 17,504 | 3,361 | 1,676 | 5,037 | 22,541 |
| Supplies | 22,627 | 2,052 | 141 | 24,820 | 3,682 | 188 | 3,870 | 28,690 |
| Professional fees | 158 | 138 | 10,016 | 10,312 | 44 | 19,143 | 19,187 | 29,499 |
| Travel and training | 14,948 | 14,028 | 2,045 | 31,021 | 1,194 | 28 | 1,222 | 32,243 |
| Insurance | - | - | - | - | - | 5,601 | 5,601 | 5,601 |
| Telephone and telecommunications | 2,539 | 1,116 | 304 | 3,959 | 735 | 367 | 1,102 | 5,061 |
| Postage, shipping and delivery | 3,861 | 2,594 | 208 | 6,663 | 3,035 | 321 | 3,356 | 10,019 |
| Printing and copying | 1,316 | - | - | 1,316 | 840 | - | 840 | 2,156 |
| Equipment rental and maintenance | - | - | - | - | - | 26 | 26 | 26 |
| Miscellaneous | 1,268 | 81 | 206 | 1,555 | 842 | 1,006 | 1,848 | 3,403 |
| Total expenses before depreciation | 254,520 | 227,875 | 232,729 | 715,124 | 87,193 | 58,337 | 145,530 | 860,654 |
| Depreciation | - | - | - | - | - | 5,439 | 5,439 | 5,439 |
| Total expenses | \$254,520 | 227,875 | 232,729 | 715,124 | 87,193 | 63,776 | 150,969 | 866,093 |

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
 Statements of Cash Flows
 For the years ended December 31, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ 447,593 | (98,915) |
| Adjustments to reconcile increase (decrease) in net assets to net cash flows used in operating activities: | | |
| Depreciation | 4,683 | 5,439 |
| Contributions restricted for long-term use | (695,566) | (33,334) |
| Net realized and unrealized (gain) loss on investments | (25,276) | 3,055 |
| Changes in: | | |
| Prepaid expenses | 1,267 | 1,584 |
| Accounts payable | (6,100) | (76,946) |
| Grants payable | 41,395 | 45,525 |
| Net cash used in operating activities | <u>(232,004)</u> | <u>(153,592)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 880,965 | 958,393 |
| Purchases of investments | (946,823) | (839,788) |
| Purchases of property and equipment | (4,346) | - |
| Net cash provided by (used in) investing activities | <u>(70,204)</u> | <u>118,605</u> |
| Cash flows from financing activities - proceeds from contributions restricted for long-term use | <u>183,878</u> | <u>80,385</u> |
| Increase (decrease) in cash and equivalents | (118,330) | 45,398 |
| Cash and equivalents at beginning of year | <u>247,099</u> | <u>201,701</u> |
| Cash and equivalents at end of year | <u>\$ 128,769</u> | <u>247,099</u> |
| Supplemental schedule of cash flow information: | | |
| Donated investments | <u>\$ 49,650</u> | <u>-</u> |
| In-kind contributions | <u>\$ 6,000</u> | <u>-</u> |
| Advertising | <u>\$ 6,000</u> | <u>-</u> |

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.
Notes to Financial Statements
December 31, 2014 and 2013

(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 2014 and 2013. 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.

(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 year ended December 31, 2014, the Foundation received donated services of \$6,000 that met the criteria for recognition. These donations are recognized as in-kind contributions and advertising. During the year ended December 31, 2013, 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. The Foundation is no longer subject to tax examinations for the years ended December 31, 2010, and prior.

(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 2013 balances in order to conform them to the 2014 presentation.

(2) Pledges Receivable

Pledges receivable consisted of unconditional promises to give to support funding for the Hunter James Kelly Research Institute. Pledges receivable due beyond 2015 are discounted using a 4% rate. A summary of pledges receivables as of December 31, 2014 and 2013 is as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------------|-------------------|----------------|
| Pledges receivable | \$ 643,666 | 68,700 |
| Less unamortized discount at 4% | <u>(68,025)</u> | <u>(4,747)</u> |
| Unconditional promises to give, net | \$ <u>575,641</u> | <u>63,953</u> |
| Amounts due in: | | |
| Less than one year | 202,699 | 21,400 |
| One to five years | <u>440,967</u> | <u>47,300</u> |
| | \$ <u>643,666</u> | <u>68,700</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, 2014 and 2013 are summarized as follows:

| | <u>2014</u> | | <u>2013</u> | |
|-------------------------|-------------------|-------------------|----------------|-------------------|
| | <u>Cost</u> | <u>Fair value</u> | <u>Cost</u> | <u>Fair value</u> |
| Exchange - traded funds | \$ 463,740 | 483,121 | 538,892 | 560,990 |
| Common stocks | 65,833 | 61,426 | - | - |
| Mutual funds | <u>112,740</u> | <u>107,577</u> | <u>-</u> | <u>-</u> |
| Total investments | \$ <u>642,313</u> | <u>652,124</u> | <u>538,892</u> | <u>560,990</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 in the statements of activities. A summary of investment income for the years ended December 31, 2014 and 2013 is as follows:

| | <u>2014</u> | <u>2013</u> |
|--|------------------|----------------|
| Interest and dividend income | \$ 21,354 | 18,331 |
| Realized gain (loss) on investments | 37,563 | (32,188) |
| Net unrealized appreciation (depreciation) in fair value of investments | (12,287) | 29,133 |
| Administrative fees | <u>(7,599)</u> | <u>(6,973)</u> |
| | \$ <u>39,031</u> | <u>8,303</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, 2014 and 2013.

- 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, 2014 and 2013:

| | <u>Assets at Fair Value as of December 31, 2014</u> | | | |
|-----------------------------|---|----------------|----------------|----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Exchange - traded funds: | | | | |
| Mortgage-backed securities | \$ 151,955 | - | - | 151,955 |
| Bonds | 25,114 | - | - | 25,114 |
| Mid cap funds | 102,156 | - | - | 102,156 |
| Large cap funds | 203,896 | - | - | 203,896 |
| Common stocks: | | | | |
| Aerospace | 22,146 | - | - | 22,146 |
| Tobacco | 24,634 | - | - | 24,634 |
| Finance | 12,390 | - | - | 12,390 |
| Information technology | 2,256 | - | - | 2,256 |
| Mutual funds: | | | | |
| Master limited partnerships | 15,255 | - | - | 15,255 |
| Conservative allocation | 29,873 | - | - | 29,873 |
| Bonds | 32,564 | - | - | 32,564 |
| World allocation | <u>29,885</u> | - | - | <u>29,885</u> |
| Total assets at fair value | \$ <u>652,124</u> | <u>-</u> | <u>-</u> | <u>652,124</u> |

| | <u>Assets at Fair Value as of December 31, 2013</u> | | | |
|----------------------------|---|----------------|----------------|----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Exchange - traded funds: | | | | |
| Mortgage-backed securities | \$ 141,065 | - | - | 141,065 |
| Bonds | 124,443 | - | - | 124,443 |
| Mid cap funds | <u>295,482</u> | - | - | <u>295,482</u> |
| Total assets at fair value | \$ <u>560,990</u> | <u>-</u> | <u>-</u> | <u>560,990</u> |

(4) Property and Equipment

Property and equipment at December 31, 2014 and 2013 is summarized as follows:

| | <u>2014</u> | <u>2013</u> |
|--|-----------------|-----------------|
| Computer equipment | \$ 39,885 | 35,539 |
| Furniture, fixtures and office equipment | <u>24,724</u> | <u>24,724</u> |
| | 64,609 | 60,263 |
| Less accumulated depreciation | <u>(58,200)</u> | <u>(53,517)</u> |
| | \$ <u>6,409</u> | <u>6,746</u> |

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

(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 was extended during 2012 with a new completion date of March 31, 2014. Again in 2014, the agreement was extended for an additional year, to provide for a new completion date of March 31, 2015.

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, 2014 and 2013.

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 2012 and 2014 which raised \$201,500 and \$728,200, respectively.

As of December 31, 2014 and 2013, the Foundation had other research grants payable in the amount of \$107,310 and \$65,915, respectively.

Grants payable at December 31, 2014 and 2013 is summarized as follows:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|----------------|
| State University of New York at Buffalo | \$ 150,000 | 150,000 |
| Duke University | 8,931 | 8,931 |
| University of Kansas | 16,997 | 26,996 |
| University of North Carolina | 65,000 | - |
| Mount Sinai School of Medicine | 7,314 | 7,314 |
| University of Rochester | - | 8,606 |
| Ronald McDonald | <u>9,068</u> | <u>14,068</u> |
| | <u>\$ 257,310</u> | <u>215,915</u> |

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

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 and 2013 is summarized as follows:

| | <u>2014</u> | <u>2013</u> |
|---------------------------------------|-------------------|----------------|
| Hunter James Kelly Research Institute | \$ 856,928 | 196,753 |
| Kaden's Kisses | 27,783 | 26,231 |
| Blood Spot Project | <u>4,500</u> | <u>4,500</u> |
| | <u>\$ 889,211</u> | <u>227,484</u> |

(7) Leases

The Foundation leases contract management software under an operating lease that provides for lease payments through March 2018. Future minimum lease payments required under this operating lease are as follows:

| | |
|------|-----------|
| 2015 | \$ 30,710 |
| 2016 | 36,852 |
| 2017 | 36,852 |
| 2018 | 6,142 |

(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 \$7,599 and \$6,973 for the years ended December 31, 2014 and 2013, respectively.

The Foundation received a \$100,000 pledge receivable from a member of management during 2012. As of December 31, 2014 and 2013 the pledge receivable balance was \$47,300 and \$67,700, respectively.

The Foundation received a contribution from Kelly for Kids Foundation for \$90,000 and \$127,500 in 2014 and 2013, respectively. The Foundation shares a common board member with Kelly for Kids Foundation.

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, 2014, the pledges receivable balance was \$491,365.

(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.