

HUNTER'S HOPE  
FOUNDATION, INC.

Financial Statements with  
Independent Auditors' Report

December 31, 2013 and 2012

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 statement of financial position as of December 31, 2013, and the related statement of activities, functional expenses and of cash flows for the year 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 misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Adjustments to Prior Period Financial Statements

The financial statements of Hunter's Hope Foundation, Inc. as of December 31, 2012, were audited by other auditors whose report dated April 23, 2013, expressed an unmodified opinion on those statements. As discussed in note 10, the Foundation has restated its 2012 financial statements during the current year to correct the classification of net assets, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2012 financial statements before the restatement.

As part of our audit of the 2013 financial statements, we also audited adjustments described in note 10 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

Toski & Co., CPAs, P.C.

Williamsville, New York  
April 23, 2014

HUNTER'S HOPE FOUNDATION, INC.  
 Statements of Financial Position  
 December 31, 2013 and 2012

<u>Assets</u>	<u>2013</u>	2012 (As restated)
Current assets:		
Cash and equivalents	\$ 247,099	201,701
Pledges receivable, current portion	21,400	50,900
Prepaid expenses	<u>1,267</u>	<u>2,851</u>
Total current assets	<u>269,766</u>	<u>255,452</u>
Investments	560,990	682,650
Property and equipment, at cost	60,263	60,263
Less accumulated depreciation	<u>(53,517)</u>	<u>(48,078)</u>
Net property and equipment	<u>6,746</u>	<u>12,185</u>
Pledges receivable, net, less current portion	<u>42,553</u>	<u>60,104</u>
Total assets	<u><u>\$ 880,055</u></u>	<u><u>1,010,391</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	9,680	86,626
Grants payable, current portion	<u>206,847</u>	<u>170,390</u>
Total current liabilities	<u>216,527</u>	<u>257,016</u>
Grants payable, less current portion	<u>9,068</u>	<u>-</u>
Total liabilities	<u>225,595</u>	<u>257,016</u>
Net assets:		
Unrestricted	426,976	530,969
Temporarily restricted	<u>227,484</u>	<u>222,406</u>
Total net assets	<u>654,460</u>	<u>753,375</u>
Total liabilities and net assets	<u><u>\$ 880,055</u></u>	<u><u>1,010,391</u></u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.  
Statements of Activities

For the years ended December 31, 2013 and 2012

	2013		2012 (As restated)	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Revenue and other support:		Total		Total
Contributions and donations	\$ 725,541	33,334	689,661	242,174
Fundraising revenue, net of expenses that benefited the donor of \$1,750 in 2012	-	-	11,766	-
Investment income	8,303	8,303	25,613	-
	733,844	33,334	727,040	242,174
Net assets released from restrictions - satisfaction of donor restrictions	28,256	(28,256)	29,768	(29,768)
Total revenue and other support	762,100	5,078	756,808	212,406
Expenses:				
Program services:				
Education and awareness	254,520	-	227,594	-
Family assistance	227,875	-	262,634	-
Research	232,729	-	190,026	-
Total program services	715,124	-	680,254	-
Supporting services:				
Fundraising	87,193	-	81,162	-
General and administrative	63,776	-	101,592	-
Total supporting services	150,969	-	182,754	-
Total expenses	866,093	-	863,008	-
Change in net assets	(103,993)	5,078	(106,200)	212,406
Net assets at beginning of year	530,969	222,406	637,169	10,000
Net assets at end of year	\$ 426,976	227,484	530,969	222,406

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.  
Statement of Functional Expenses  
For the year ended December 31, 2013  
(with comparative totals for 2012)

	Program Services				Supporting Services			Totals	
	Education and awareness	Family assistance	Research	Total program services	Fundraising	General and administrative	Total supporting services	2013	2012 (As restated)
Salaries and wages	\$150,820	73,225	21,358	245,403	47,498	23,749	71,247	316,650	323,721
Payroll taxes and fringe benefits	14,384	7,063	1,668	23,115	4,378	3,684	8,062	31,177	32,595
Research	-	19,067	191,997	211,064	5,000	-	5,000	216,064	190,432
Specific assistance and special events	-	8,038	-	8,038	-	-	-	8,038	56,058
Conferences and medical symposium	583	62,386	-	62,969	-	-	-	62,969	53,334
Outside services	31,048	32,844	3,493	67,385	16,584	2,548	19,132	86,517	53,161
Rent	10,968	5,243	1,293	17,504	3,361	1,676	5,037	22,541	26,686
Supplies	22,627	2,052	141	24,820	3,682	188	3,870	28,690	24,886
Professional fees	158	138	10,016	10,312	44	19,143	19,187	29,499	22,890
Travel and training	14,948	14,028	2,045	31,021	1,194	28	1,222	32,243	18,554
Insurance	-	-	-	-	-	5,601	5,601	5,601	12,969
Telephone and telecommunications	2,539	1,116	304	3,959	735	367	1,102	5,061	10,052
Postage, shipping and delivery	3,861	2,594	208	6,663	3,035	321	3,356	10,019	8,205
Printing and copying	1,316	-	-	1,316	840	-	840	2,156	5,719
Equipment rental and maintenance	-	-	-	-	-	26	26	26	2,215
Miscellaneous	1,268	81	206	1,555	842	1,006	1,848	3,403	13,577
Total expenses before non-cash items	254,520	227,875	232,729	715,124	87,193	58,337	145,530	860,654	855,054
Depreciation	-	-	-	-	-	5,439	5,439	5,439	7,954
Total expenses	\$254,520	227,875	232,729	715,124	87,193	63,776	150,969	866,093	863,008

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.  
Statement of Functional Expenses  
For the year ended December 31, 2012, as restated

	Program Services				Supporting Services			Total
	Education and awareness	Family assistance	Research	Total program services	Fundraising	General and administrative	Total supporting services	
Salaries and wages	\$ 148,967	76,369	12,875	238,211	45,119	40,391	85,510	323,721
Payroll taxes and fringe benefits	14,634	8,099	1,032	23,765	5,389	3,441	8,830	32,595
Research	8,608	11,904	164,327	184,839	5,593	-	5,593	190,432
Specific assistance and special events	-	56,058	-	56,058	-	-	-	56,058
Conferences and medical symposium	2,841	49,493	1,000	53,334	-	-	-	53,334
Outside services	15,719	27,772	5,654	49,145	3,868	148	4,016	53,161
Rent	6,213	8,576	3,797	18,586	4,155	3,945	8,100	26,686
Supplies	18,411	900	74	19,385	3,919	1,582	5,501	24,886
Professional fees	-	-	-	-	-	22,890	22,890	22,890
Travel and training	568	17,639	25	18,232	322	-	322	18,554
Insurance	-	33	-	33	-	12,936	12,936	12,969
Telephone and telecommunications	4,449	1,594	636	6,679	1,849	1,524	3,373	10,052
Postage, shipping and delivery	2,220	1,566	74	3,860	4,066	279	4,345	8,205
Printing and copying	1,639	-	-	1,639	4,080	-	4,080	5,719
Equipment rental and maintenance	447	447	442	1,336	442	437	879	2,215
Miscellaneous	2,878	2,184	90	5,152	2,360	6,065	8,425	13,577
Total expenses before non-cash items	227,594	262,634	190,026	680,254	81,162	93,638	174,800	855,054
Depreciation	-	-	-	-	-	7,954	7,954	7,954
Total expenses	\$ 227,594	262,634	190,026	680,254	81,162	101,592	182,754	863,008

See accompanying notes to financial statements.



HUNTER'S HOPE FOUNDATION, INC.  
 Statements of Cash Flows  
 For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> (As restated)
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (98,915)	106,206
Adjustments to reconcile increase (decrease) in net assets to net cash flows used in operating activities:		
Depreciation	5,439	7,954
Contributions restricted for long-term use	(33,334)	(242,174)
Net realized and unrealized (gain) loss on investments	3,055	(12,115)
Changes in:		
Grants receivable	-	1,357
Prepaid expenses	1,584	3,479
Accounts payable	(76,946)	72,505
Grants payable	45,525	(40,739)
Net cash used in operating activities	<u>(153,592)</u>	<u>(103,527)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	958,393	367,126
Purchases of investments	<u>(839,788)</u>	<u>(702,569)</u>
Net cash provided by (used in) investing activities	<u>118,605</u>	<u>(335,443)</u>
Cash flows from financing activities - proceeds from contributions restricted for long-term use	<u>80,385</u>	<u>131,170</u>
Increase (decrease) in cash and equivalents	45,398	(307,800)
Cash and equivalents, beginning of year	<u>201,701</u>	<u>509,501</u>
Cash and equivalents, end of year	<u>\$ 247,099</u>	<u>201,701</u>

See accompanying notes to financial statements.

HUNTER'S HOPE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2013 and 2012

(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 2013 and 2012. 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 Trustees.

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 conformity 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

For purposes of the statement 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 statement 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 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 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, the appropriate property 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, 2013 and 2012, 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) 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.

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

(1) Summary of Significant Accounting Policies, Continued

(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 year ended December 31, 2009, and prior.

(n) Subsequent Events

The Foundation has evaluated events after December 31, 2013, and through April 23, 2014, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(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 2014 are discounted using a 4% rate. A summary of pledges receivables as of December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Pledges receivable	\$ 68,700	119,110
Less unamortized discount at 4%	<u>(4,747)</u>	<u>(8,096)</u>
Unconditional promises to give, net	\$ <u>63,953</u>	<u>111,004</u>
Amounts due in:		
Less than one year	21,400	50,900
One to five years	<u>47,300</u>	<u>68,200</u>
	\$ <u>68,700</u>	<u>119,100</u>

HUNTER'S HOPE FOUNDATION, INC.

Notes to Financial Statements, Continued

(3) Investments

Financial Investments

The cost and fair value of investments in marketable securities is as follows at December 31, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Exchange - traded funds	\$ <u>538,892</u>	<u>560,990</u>	<u>689,685</u>	<u>682,650</u>

As of December 31, 2013, the Foundation's exchange - traded funds were invested in 25% mortgage-backed securities, 22% bonds, and 53% mid cap funds.

Investments in marketable securities are stated at fair value. The fair value of securities is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation is included in investment income in the statements of activities. A summary of investment income for the years ended December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 18,331	20,905
Realized loss on equity securities	(32,188)	(21,180)
Net unrealized appreciation in fair value of investments	29,133	33,295
Administrative fees	<u>(6,973)</u>	<u>(7,407)</u>
	\$ <u>8,303</u>	<u>25,613</u>

Fair Value Measurements

Fair value measurements provide 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). Level 1 assets and liabilities are those whose 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. The Foundation holds marketable securities with a quoted price in active markets for identical assets (Level 1) of \$560,990 and \$682,650 at December 31, 2013 and 2012, respectively.

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

(4) Property and Equipment

Property and equipment at December 31, 2013 and 2012 is summarized as follows:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 35,539	35,539
Furniture, fixtures and office equipment	<u>24,724</u>	<u>24,724</u>
	60,263	60,263
Less accumulated depreciation	<u>(53,517)</u>	<u>(48,078)</u>
	\$ <u>6,746</u>	<u>12,185</u>

(5) Grants Payable

In May 2008, the Foundation entered into an agreement with the State University of New York at Buffalo (SUNY) to establish the Hunter James Kelly Research Institute (the Institute), a partnership between SUNY and the Foundation. All of the Foundation's research is coordinated through the Institute. The original agreement provided for funding from the Foundation of \$750,000 payable to University at Buffalo Foundation, Inc. in equal quarterly installments of \$37,500 through March 2013, restricted in use to solely support research conducted by SUNY faculty in the Institute. The agreement 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, 2013 and 2012.

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 commenced a capital campaign in 2012 which raised \$193,404, net of a present value discount of \$8,096, during the year ended December 31, 2012.

As of December 31, 2013 and 2012, the Foundation had other research grants payable in the amount of \$65,915 and \$20,390, respectively.

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

(5) Grants Payable, Continued

Grants payable at December 31 2013 and 2012 is summarized as follows:

	<u>2013</u>	<u>2012</u>
State University of New York at Buffalo	\$ 150,000	150,000
Duke University	8,931	8,931
University of Kansas	26,996	-
Mount Sinai School of Medicine	7,314	-
University of Rochester	8,606	11,459
Ronald McDonald	<u>14,068</u>	<u>-</u>
	<u>\$ 215,915</u>	<u>170,390</u>

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 and 2012 is summarized as follows:

	<u>2013</u>	<u>2012</u>
Hunter James Kelly Research Institute	\$ 196,753	193,404
Kaden's Kisses	26,231	24,502
Blood Spot Project	<u>4,500</u>	<u>4,500</u>
	<u>\$ 227,484</u>	<u>222,406</u>

(7) Leases

The Foundation leases its office space under an operating lease that provides for monthly lease payments of \$1,600 through January 2014. This lease is in the process of being formally extended. Additionally, the Foundation leases website and contract management software under operating leases that provide for monthly lease payments of \$240 through October 2015, and quarterly lease payments of \$5,243 through March 2014, respectively. Future minimum lease payments required under these operating leases are as follows:

2014	\$ 8,123
2015	2,400

(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 \$6,973 and \$7,407 for the years ended December 31, 2013 and 2012, respectively.

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

(8) Related Party Transactions, Continued

The Foundation received a \$100,000 pledge receivable from a member of management during December 31, 2012. As of December 31, 2013 and 2012 the pledge receivable balance was \$67,700 and \$88,100, respectively.

The Foundation received a contribution in 2013 of \$127,500 from Kelly for Kids Foundation. The Foundation shares a common board member with Kelly for Kids Foundation.

(9) Retirement Plan

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

(10) Prior Period Adjustment

An adjustment was recorded in the December 31, 2012 statements of financial position and activities to correct temporarily restricted contributions for Kaden's Kisses, which were previously recorded as unrestricted contributions. The adjustment increased temporarily restricted contributions by \$48,770, net assets released from restrictions by \$24,268, and temporarily restricted net assets by \$24,502. This resulted in a decrease in unrestricted net by \$24,502.