

THE MPN RESEARCH FOUNDATION

FINANCIAL STATEMENTS

NOVEMBER 30, 2014 AND 2013



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, 2014 and 2013, 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, 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.

Sassetti LLC

Oak Park, Illinois
May 6, 2015

THE MPN RESEARCH FOUNDATION
STATEMENTS OF FINANCIAL POSITION

NOVEMBER 30, 2014 AND 2013

ASSETS	2014	2013
Cash and cash equivalents	\$ 255,710	\$ 397,868
Certificates of deposit	704,687	800,163
Investments	823,427	-
Prepaid expenses	9,833	6,630
Security deposits	3,200	3,200
Pledges receivable	49,439	125,894
Property and equipment	7,208	6,574
Total Assets	\$ 1,853,504	\$ 1,340,329
LIABILITIES		
Accounts payable	\$ 20,116	\$ 27,100
Rent abatement liability	4,369	2,750
Grants payable	775,000	300,000
Total Liabilities	799,485	329,850
NET ASSETS		
Unrestricted	386,791	702,517
Temporarily restricted	667,228	307,962
Total Net Assets	1,054,019	1,010,479
Total Liabilities and Net Assets	\$ 1,853,504	\$ 1,340,329

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

THE MPN RESEARCH FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED NOVEMBER 30, 2014 AND 2013

	2014		2013			
	Unrestricted	Temporarily	Totals	Unrestricted	Temporarily	Totals
		Restricted			Restricted	
REVENUES AND OTHER SUPPORT						
Contributions	\$ 756,861	\$ 905,430	\$ 1,662,291	\$ 999,377	\$ 660,146	\$ 1,659,523
Investment income	2,974	-	2,974	3,652	-	3,652
In-kind	54,444	-	54,444	46,036	-	46,036
Net assets released from restrictions	546,164	(546,164)	-	592,218	(592,218)	-
Total Revenues and Other Support	1,360,443	359,266	1,719,709	1,641,283	67,928	1,709,211
EXPENSES						
Program	1,356,591	-	1,356,591	678,583	-	678,583
General and administrative	171,354	-	171,354	119,057	-	119,057
Fundraising	148,224	-	148,224	188,000	-	188,000
Total Expenses	1,676,169	-	1,676,169	985,640	-	985,640
CHANGE IN NET ASSETS						
	(315,726)	359,266	43,540	655,643	67,928	723,571
NET ASSETS -						
Beginning of year	702,517	307,962	1,010,479	46,874	240,034	286,908
End of year	\$ 386,791	\$ 667,228	\$ 1,054,019	\$ 702,517	\$ 307,962	\$ 1,010,479

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

THE MPN RESEAR FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED NOVEMBER 30, 2014 AND 2013

	2014			2013		
	Program	General and Administrative	Totals	Program	General and Administrative	Totals
Grants	\$ 1,033,518	\$ -	\$ 1,033,518	\$ 400,000	\$ -	\$ 400,000
Salaries, taxes and benefits	63,241	65,565	213,963	43,379	47,175	160,475
Advertising	29,794	-	34,511	35,086	38	52,994
Professional fees	47,082	44,515	91,597	34,252	29,687	106,282
Administration	-	8,215	8,663	-	4,895	6,183
Depreciation	-	2,351	2,351	-	2,517	2,517
Dues and publications	5,304	502	7,806	2,579	1,370	5,949
Filing fees	-	15	11,815	-	15	8,366
Insurance	-	10,199	10,199	5,823	1,737	10,216
In-kind	54,444	-	54,444	46,036	-	46,036
Other	-	1,770	2,070	-	1,549	1,549
Postage and mailing	9,490	9,168	30,171	7,943	3,574	20,507
Meetings	60,990	705	63,828	15,284	1,321	19,960
Printing and production	13,004	4,280	24,558	18,619	2,729	30,927
Supplies	598	4,334	5,934	419	4,609	5,701
Special projects	6,173	-	6,718	36,550	-	36,550
Rent	27,791	3,970	39,701	27,154	3,436	38,348
Travel	4,890	1,783	20,068	4,925	892	18,277
Utilities	272	13,982	14,254	534	13,513	14,803
	\$ 1,356,591	\$ 171,354	\$ 1,676,169	\$ 678,583	\$ 119,057	\$ 985,640

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

THE MPN RESEARCH FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED NOVEMBER 30, 2014 AND 2013

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2014</u>	<u>2013</u>
Change in net assets	\$ 43,540	\$ 723,571
Adjustment to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	2,351	2,517
Increase (decrease) in rent abatement liabilities	1,619	(1,774)
Changes in operating assets and liabilities -		
Decrease in accounts receivable	-	1,118
(Increase) in prepaid expense	(3,203)	(2,985)
Decrease in pledges receivable	76,455	79,886
(Decrease) increase in accounts payable	(6,984)	9,535
Increase (decrease) in grants payable	475,000	(168,750)
	<u>588,778</u>	<u>643,118</u>
Net Cash Provided by Operating Activities		
	<u>588,778</u>	<u>643,118</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(2,985)	(1,150)
Purchase of treasury bills	(823,427)	-
Sale (purchase) of certificates of deposit	95,476	(496,860)
	<u>(730,936)</u>	<u>(498,010)</u>
Net Cash Used In Investing Activities		
	<u>(730,936)</u>	<u>(498,010)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(142,158)</u>	<u>145,108</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>397,868</u>	<u>252,760</u>
End of year	<u>\$ 255,710</u>	<u>\$ 397,868</u>

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

THE MPN RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2014 AND 2013

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 (MPN). 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, 2014 and 2013.

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, 2014 and 2013, 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 \$500.

Depreciation - Property and equipment are being depreciated over their estimated useful lives, from their date of acquisition, using accelerated methods. Useful lives are estimated to be 5 years for equipment and 7 years for furniture and fixtures. Depreciation charges totaled \$2,351 and \$2,517 for the years ended November 30, 2014 and 2013, 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.

Subsequent Events - The Foundation has evaluated subsequent events through May 6, 2015, the date which the financial statements were available to be issued.

THE MPN RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Certificate 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, 2014 and 2013.

Grants Payable - Accounting for grants made, requires that promises to give be recognized as expenditures in the year of the commitment by donor. Total grants payable were \$775,000 and \$300,000, for the years ended November 30, 2014 and 2013, respectively.

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, 2014 and 2013, the Foundation received donated advertising valued at \$54,444 and \$46,036, respectively.

Advertising - The Foundation's policy is to expense advertising costs as they are incurred. Total advertising costs included in expenses were \$34,511 and \$52,994, for the years ended November 30, 2014 and 2013, respectively.

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following at November 30, 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
Amounts receivable in less than one year	\$ 49,439	\$ 79,392
Amounts receivable in greater than one year	-	50,000
Total receivable	49,439	129,392
Less: Unamortized discount	-	(3,498)
	<u>\$ 49,439</u>	<u>\$ 125,894</u>

The Foundation used a discount rate of approximately 2% for the year ended November 30, 2013.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at November 30, 2014 and 2013, stated at cost:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 25,841	\$ 22,856
Less accumulated depreciation	(18,633)	(16,282)
	<u>\$ 7,208</u>	<u>\$ 6,574</u>

5. GRANTS PAYABLE

Grants payable consist of amounts owed to both individuals and other Organizations totaling \$775,000 and \$300,000 as November 30, 2014 and 2013, respectively.

Future grant liabilities are contingent upon the approval of the Scientific Advisory Board. At November 30, 2014 there were no contingent liabilities that could be estimated.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following components as of November 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
General purpose restricted	\$ 15,320	\$ 4,142
Research fund	475,000	138,233
Marketing and outreach	125,773	37,997
Time restricted	51,135	127,590
	<u>\$ 667,228</u>	<u>\$ 307,962</u>

THE MPN RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2014 AND 2013

7. LEASE

The Foundation signed a lease with an independent party from June 1, 2010 through August 31, 2015. Rent was abated for the first 3 months, and an additional month will be added to 2015 contingent upon renewal of the lease in 2015. Rent expense was \$39,701 and \$38,348 for the years ended November 30, 2014 and 2013, respectively.

Future base rental minimum lease payments under the current lease is \$31,770 for the year ending November 30, 2015.

8. 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, 2014, contributions from the Foundation's two largest donors amounted to approximately forty-four percent of total contributions and support. During the year ended November 30, 2013, contributions from the Foundation's three largest donors amounted to approximately forty-two percent of total contributions and support. During 2013, receivables from the same three donors amounted to approximately ninety-three percent of total receivables.

9. BENEFIT PLAN

The Foundation contributes up to 3% of each employees salary to the defined contribution plan for its employees. All full time employees are eligible for these benefits. Plan expenses totaled \$5,509 and \$3,514 for the years ended November 30, 2014 and 2013, respectively.

10. 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.

THE MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013

10 . INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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

	2014	2013
Dividend income	\$ 21	\$ 20
Interest income	7,351	1,899
Realized gains on securities	-	1,584
Unrealized (losses) gains on securities	(4,398)	149
	\$ 2,974	\$ 3,652

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 MPN RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013

10 . INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Investments consists entirely of Treasury bills as of November 30, 2014, which are considered level 1 investments.