

**The MPN Research Foundation**  
Financial Statements  
November 30, 2018 and 2017

**Sassetti**



CERTIFIED PUBLIC ACCOUNTANTS

THE MPN RESEARCH FOUNDATION  
FINANCIAL STATEMENTS  
NOVEMBER 30, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 14, 2019

THE MPN RESEARCH FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
NOVEMBER 30, 2018 AND 2017

<b>ASSETS</b>	2018	2017
Cash and cash equivalents	\$ 332,093	\$ 1,659,777
Certificates of deposit	313,831	382,170
Investments	1,765,379	498,440
Pledges receivable	45,000	240,000
Prepaid expenses	16,443	6,701
Security deposits	5,450	5,450
Property and equipment, net of accumulated depreciation of \$33,332 and \$29,407, respectively	8,627	11,054
Total Assets	\$ 2,486,823	\$ 2,803,592
<b>LIABILITIES</b>		
Accounts payable	\$ 45,224	\$ 88,388
Grants payable	998,254	889,627
Total Liabilities	1,043,478	978,015
<b>NET ASSETS</b>		
Unrestricted	1,270,825	1,558,836
Temporarily restricted	172,520	266,741
Total Net Assets	1,443,345	1,825,577
Total Liabilities and Net Assets	\$ 2,486,823	\$ 2,803,592

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

THE MPN RESEARCH FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED NOVEMBER 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions	\$ 1,226,709	\$ 890,000	\$ 2,116,709	\$ 1,321,723	\$ 945,119	\$ 2,266,842
Investment income	24,860	-	24,860	12,622	-	12,622
In-kind	44,000	-	44,000	104,743	-	104,743
Net assets released from restrictions	984,221	(984,221)	-	882,942	(882,942)	-
Total Revenues and Other Support	<u>2,279,790</u>	<u>(94,221)</u>	<u>2,185,569</u>	<u>2,322,030</u>	<u>62,177</u>	<u>2,384,207</u>
<b>EXPENSES</b>						
Program	2,031,258	-	2,031,258	1,575,262	-	1,575,262
General and administrative	212,988	-	212,988	252,560	-	252,560
Fundraising	323,555	-	323,555	206,849	-	206,849
Total Expenses	<u>2,567,801</u>	<u>-</u>	<u>2,567,801</u>	<u>2,034,671</u>	<u>-</u>	<u>2,034,671</u>
<b>CHANGE IN NET ASSETS</b>	(288,011)	(94,221)	(382,232)	287,359	62,177	349,536
<b>NET ASSETS</b>						
Beginning 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>
End of year	<u>\$ 1,270,825</u>	<u>\$ 172,520</u>	<u>\$ 1,443,345</u>	<u>\$ 1,558,836</u>	<u>\$ 266,741</u>	<u>\$ 1,825,577</u>

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

THE MPN RESEARCH FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED NOVEMBER 30, 2018 AND 2017

	2018				2017			
	Program	General and Administrative	Fundraising	Totals	Program	General and Administrative	Fundraising	Totals
Grants	\$ 1,053,960	\$ -	\$ -	\$ 1,053,960	\$ 857,968	\$ -	\$ -	\$ 857,968
Salaries, taxes and benefits	231,970	108,577	165,061	505,608	162,684	85,177	113,020	360,881
Outreach	263,964	8,534	11,003	283,501	137,468	5,454	9,217	152,139
Professional fees	90,903	22,064	1,492	114,459	76,710	25,790	5,558	108,058
Administration	10	2,029	25,747	27,786	3,555	13,486	17,807	34,848
Depreciation	-	3,925	-	3,925	-	4,732	-	4,732
Dues and publications	750	35	4,155	4,940	1,000	1,055	4,799	6,854
Filing fees	-	5	15,967	15,972	-	-	4,649	4,649
Insurance	18,020	11,800	9,401	39,221	9,026	23,233	17,083	49,342
In-kind	44,000	-	-	44,000	104,743	-	-	104,743
Miscellaneous	1,228	1,595	1,464	4,287	1,529	16,727	5,020	23,276
Postage and mailing	11,221	12,886	6,402	30,509	14,621	4,793	5,493	24,907
Meetings	77,684	2,526	4,033	84,243	82,267	-	567	82,834
Printing and production	25,730	6,565	20,065	52,360	8,763	23,230	630	32,623
Supplies	195	7,805	64	8,064	1,958	8,054	359	10,371
Research advocacy	136,398	288	8,278	144,964	37,096	2,928	150	40,174
Rent	33,604	15,274	27,494	76,372	35,560	13,828	17,285	66,673
Travel	22,351	1,543	9,613	33,507	39,604	22	4,490	44,116
Utilities	19,270	7,537	5,286	32,093	710	24,051	722	25,483
Fundraising Events	-	-	8,030	8,030	-	-	-	-
	<u>\$ 2,031,258</u>	<u>\$ 212,988</u>	<u>\$ 323,555</u>	<u>\$ 2,567,801</u>	<u>\$ 1,575,262</u>	<u>\$ 252,560</u>	<u>\$ 206,849</u>	<u>\$ 2,034,671</u>

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

THE MPN RESEARCH FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED NOVEMBER 30, 2018 AND 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	2018	2017
Change in net assets	\$ (382,232)	\$ 349,536
Adjustment to reconcile change in net assets to net cash provided by (used in) by operating activities -		
Depreciation	3,925	4,732
Gains on securities	(10,239)	(2,518)
Changes in operating assets and liabilities -		
(Increase) decrease in prepaid expense	(9,742)	5,725
Decrease (increase) in pledges receivable	195,000	(170,000)
Decrease in other receivables	-	2,706
(Decrease) increase in accounts payable	(43,164)	67,983
Decrease in rent abatement liabilities	-	(968)
Increase in grants payable	108,627	439,627
	<u>(137,825)</u>	<u>696,823</u>
Net Cash (Used In) Provided By Operating Activities		
	<u>(137,825)</u>	<u>696,823</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,498)	(5,496)
Purchases of investments, net	(1,256,700)	(405,922)
Maturity of certificates of deposit	68,339	25,037
	<u>(1,189,859)</u>	<u>(386,381)</u>
Net Cash Used In Investing Activities		
	<u>(1,189,859)</u>	<u>(386,381)</u>
<b>NET (DECREASE ) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,327,684)	310,442
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,659,777</u>	<u>1,349,335</u>
End of year	<u>\$ 332,093</u>	<u>\$ 1,659,777</u>

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



THE MPN RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2018 AND 2017

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, 2018 and 2017.

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, 2018 and 2017, no allowance for uncollectible accounts was considered necessary.

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

Depreciation - Property and equipment are being depreciated over their estimated useful lives, from their date of acquisition, using straight-line depreciation. Useful lives are estimated to be 5 years for equipment and 7 years for furniture and fixtures. Depreciation charges totaled \$3,925 and \$4,732 for the years ended November 30, 2018 and 2017, 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, 2014, 2015 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

THE MPN RESEARCH FOUNDATION  
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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, 2018 and 2017.

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, 2018 and 2017, the Foundation received donated advertising valued at \$44,000 and \$104,743, respectively.

Advertising - The Foundation's policy is to expense advertising costs as they are incurred. Total advertising costs were \$72,855 and \$135,695 for the years ended November 30, 2018 and 2017, respectively. During 2018 and 2017, \$28,855 and \$30,952, respectively, were allocated to Outreach on the Statements of Functional Expenses. The remaining advertising costs for the years ended November 30, 2018 and 2017 are presented as In-kind on the Statements of Functional Expenses.

Subsequent Events - The Foundation has evaluated subsequent events through June 14, 2019, the date which the financial statements were available to be issued.

Recent Accounting Pronouncements - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in August 2017. This standard requires changes to the financial statement presentation of not-for-profit entities, including changing from three net asset classes to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will require changes in the way certain information is disclosed by the Foundation, including quantitative and qualitative disclosures about liquidity and the Foundation's ability to meet cash needs for general expenditures within one year of the balance sheet. The new standard is effective for the Foundation's year ending November 30, 2019 and thereafter, with retroactive application. The Foundation is currently evaluating the impact this standard will have on the financial statements.

Effective February 25, 2017, FASB issued ASU No. 2017-02, Leases (Topic 842), which will supersede the current lease recording requirements in Topic 842. The ASU looks to increase transparency and comparability by conforming US GAAP with International Accounting Standards as it relates to leases. The new standard will require, among other things, that all leases, including operating leases, be included on the balance sheet as a "right of use" asset with an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Foundation's year ending November

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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, has not been fully determined.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at November 30, 2018 and 2017, respectively.

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 45,000	\$ 240,000

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at November 30, 2018 and 2017, stated at cost:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 41,959	\$ 40,461
Less accumulated depreciation	<u>(33,332)</u>	<u>(29,407)</u>
	<u>\$ 8,627</u>	<u>\$ 11,054</u>

4. GRANTS PAYABLE

Grants payable consist of amounts pledged to both individuals and other organizations totaling \$998,254 and \$889,627 as November 30, 2018 and 2017, respectively.

Future grant liabilities are contingent upon the approval of the Scientific Advisory Board. At November 30, 2018, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Advisory board	\$ 21,550	\$ 3,106
Research fund	-	6,295
Research advocacy	54,820	106,068
Outreach	96,150	116,272
Time restricted	-	35,000
	<u>\$ 172,520</u>	<u>\$ 266,741</u>

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6. LEASE

The Foundation signed a lease with an independent party from June 1, 2010 through August 31, 2020. Rent was abated for the first 3 months, and an additional month was added to 2015 upon renewal of the lease in 2015. Rent expense was \$67,936 and \$66,673 for the years ended November 30, 2018 and 2017, respectively. Future minimum lease payments are as follows for the years ended November 30:

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, 2018, contributions from the Foundation's two largest donors amounted to approximately 26% of total contributions and support. During the year ended November 30, 2017, contributions from the Foundation's three largest donors amounted to approximately 38% of total contributions and support.

8. BENEFIT PLAN

The Foundation contributes up to 3% of each employee's salary to the defined contribution plan for its employee's. All full time employees are eligible for these benefits. Plan expenses totaled \$8,457 and \$6,475 for the years ended November 30, 2018 and 2017, 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:

	2018	2017
Interest income	\$ 14,621	\$ 10,104
Unrealized gains on securities	10,239	2,518
	\$ 24,860	\$ 12,622

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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.

- Level 1                    quoted prices in active markets for identical assets or liabilities;
- 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 similar 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				
2018	Level 1	Level 2	Level 3	Total
U.S. government securities	<u>\$ 1,765,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,765,379</u>
Fair Value Measurements Using Input Type				
2017	Level 1	Level 2	Level 3	Total
U.S. government securities	<u>\$ 498,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,440</u>

