

LUMIND FOUNDATION INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

**R.A. HALL & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS**

LUMIND FOUNDATION INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
LuMind Foundation Inc. (formerly DSRTF)
Marlborough, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of LuMind Foundation, Inc. (formerly Down Syndrome Research and Treatment Foundation), a California nonprofit corporation, which comprise the statements of financial position as of September 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 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 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 LuMind Foundation as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Boston, Massachusetts
March 27, 2015

R. A. Hall & Co., LLC

LUMIND FOUNDATION INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2014 AND 2013

	<u>ASSETS</u>		<u>LIABILITIES AND NET ASSETS</u>	
	2014	2013	2014	2013
CURRENT ASSETS:			CURRENT LIABILITIES:	
Cash and cash equivalents	\$ 1,513,833	\$ 677,013	Accounts payable and accrued expenses	\$ 48,585
Investments	4,306	1,193	Compensation and related taxes payable	42,540
Pledges receivable, net of allowance: \$0	333,000	762,000	Grant awards payable	1,012,500
Prepaid expenses	26,931	28,008	Deferred revenue	52,181
Other current assets	1,344	1,344	Total current liabilities	1,155,806
Total current assets	1,879,414	1,469,558		
EQUIPMENT:			NET ASSETS	
Office equipment	9,936	9,936	Unrestricted	648,007
Accumulated depreciation	(9,936)	(9,936)	Temporarily restricted	75,600
Equipment - net	-	-	Total net assets	723,607
TOTAL ASSETS	\$ 1,879,414	\$ 1,469,558	TOTAL LIABILITIES AND NET ASSETS	\$ 1,879,414
				\$ 1,469,558

See auditors' report and accompanying notes to financial statements.

LUMIND FOUNDATION INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014			2013		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
REVENUES AND SUPPORT:						
Campaign:						
Annual appeal	\$ 133,447	\$ -	\$ 133,447	\$ 117,440	\$ -	\$ 117,440
Major donor	1,087,000	-	1,087,000	1,032,000	-	1,032,000
Grassroots	166,279	-	166,279	216,123	-	216,123
Workplace giving / federated	106,130	-	106,130	136,167	-	136,167
Total campaign	<u>1,492,856</u>	<u>-</u>	<u>1,492,856</u>	<u>1,501,729</u>	<u>-</u>	<u>1,501,729</u>
Special events:						
Special event revenue	919,765	37,935	957,700	517,848	37,665	555,513
Less direct expenses	(248,855)	-	(248,855)	(121,756)	-	(121,756)
Total special events, net	<u>670,910</u>	<u>37,935</u>	<u>708,845</u>	<u>396,092</u>	<u>37,665</u>	<u>433,757</u>
Other revenue:						
Investment income	1,793	-	1,793	1,293	-	1,293
Other income	-	-	-	1,036	-	1,036
Total other revenue	<u>1,793</u>	<u>-</u>	<u>1,793</u>	<u>2,329</u>	<u>-</u>	<u>2,329</u>
TOTAL REVENUES AND SUPPORT	<u>2,165,559</u>	<u>37,935</u>	<u>2,203,494</u>	<u>1,900,150</u>	<u>37,665</u>	<u>1,937,815</u>
EXPENSES:						
Program services	1,802,376	-	1,802,376	1,404,983	-	1,404,983
Support services:						
Management and general	34,042	-	34,042	293,752	-	293,752
Fundraising	169,763	-	169,763	58,633	-	58,633
TOTAL EXPENSES	<u>2,006,180</u>	<u>-</u>	<u>2,006,180</u>	<u>1,757,368</u>	<u>-</u>	<u>1,757,368</u>
CHANGE IN NET ASSETS	159,378	37,935	197,313	142,782	37,665	180,447
NET ASSETS , BEGINNING OF YEAR	<u>488,629</u>	<u>37,665</u>	<u>526,294</u>	<u>345,847</u>	<u>-</u>	<u>345,847</u>
NET ASSETS, END OF YEAR	<u>\$ 648,007</u>	<u>\$ 75,600</u>	<u>\$ 723,607</u>	<u>\$ 488,629</u>	<u>\$ 37,665</u>	<u>\$ 526,294</u>

See auditors' report and accompanying notes to financial statements.

LUMIND FOUNDATION INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014				2013	
	Program Services	Management and General	Fundraising	Total Supporting Services	Total	Total
Distributions:						
Research Grants	\$ 1,250,000	\$ -	\$ -	\$ -	\$ 1,250,000	\$ 1,102,500
Wages, related costs and benefits:						
Wages	342,250	24,446	40,744	65,190	407,441	362,737
Payroll taxes	25,365	1,812	3,020	4,831	30,197	27,360
Workers compensation and health insurance	8,916	1,138	1,717	2,855	11,772	4,904
Payroll service expense	2,310	165	275	440	2,750	4,485
	<u>378,841</u>	<u>27,562</u>	<u>45,756</u>	<u>73,317</u>	<u>452,159</u>	<u>399,487</u>
Services, supplies and other expenses						
Professional fees	34,063	2,258	39,173	41,431	75,494	78,873
Marketing and communications	4,814	-	1,355	1,355	6,169	28,259
Rebranding expense	30,598	-	-	-	30,598	-
Website	3,634	185	20,706	20,890	24,524	22,283
Printing	4,760	-	4,760	4,760	9,519	6,223
Office expenses	5,081	532	761	1,293	6,373	6,926
Software and internet	9,313	665	6,858	7,523	16,836	6,511
Occupancy	15,281	1,383	1,528	2,911	18,191	9,671
Travel	26,498	-	18,341	18,341	44,840	43,402
Conferences, conventions and meetings	30,581	-	5,695	5,695	36,275	25,601
Depreciation expense	-	-	-	-	-	1,481
Insurance	3,381	297	495	793	4,174	2,897
Bank fees and credit card processing fees	2,418	943	17,751	18,694	21,112	13,837
State filing fees	1,415	101	5,148	5,249	6,664	4,608
Postage and shipping	1,698	116	1,437	1,553	3,251	2,954
Telephone	-	-	-	-	-	1,857
	<u>173,534</u>	<u>6,480</u>	<u>124,007</u>	<u>130,487</u>	<u>304,022</u>	<u>255,382</u>
 TOTAL EXPENSES	 <u>\$ 1,802,376</u>	 <u>\$ 34,042</u>	 <u>\$ 169,763</u>	 <u>\$ 203,805</u>	 <u>\$ 2,006,180</u>	 <u>\$ 1,757,368</u>

See auditors' report and accompanying notes to financial statements.

LUMIND FOUNDATION INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 197,313	\$ 180,447
Adjustments to reconcile change in net assets to Net cash provided by operating activities:		
Depreciation and amortization	-	1,481
Changes in operating assets and liabilities		
(Increase) decrease in assets:		
Pledges receivable	429,000	53,500
Prepaid expenses	1,077	(11,569)
Other current assets	-	(1,344)
increase (decrease) in liabilities:		
Accounts payable and accrued expenses	26,631	(4,327)
Compensation and related taxes payable	11,680	10,890
Grants awards payable	155,000	85,000
Deferred revenue	19,231	(10,421)
Net cash provided by operating activities	<u>839,933</u>	<u>303,657</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(4,829)	(2,167)
Proceeds from sales of investments	1,716	972
Net cash provided by (used for) investing activities	<u>(3,113)</u>	<u>(1,195)</u>
NET INCREASE IN CASH AND EQUIVALENTS	836,820	302,462
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>677,013</u>	<u>374,551</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,513,833</u>	<u>\$ 677,013</u>

See auditors' report and accompanying notes to financial statements.

LUMIND FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Organization and Nature of Activities – LuMind Foundation, Inc. (“LuMind” or the “Foundation”), formerly Down Syndrome Research and Treatment Foundation, Inc., is a California non profit corporation, founded on November 21, 2003 with the primary purpose to support medical research that will result in treatments to significantly improve cognition and prevent early cognitive decline in persons with Down Syndrome.

The Foundation receives its funding primarily from public contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. The Foundation adheres to accounting policies generally accepted in the United States of America (“U.S. GAAP”).

Financial Statement Presentation – LuMind prepares its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Foundation reports information regarding its financial position and statement of activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor imposed restrictions as indicated below.

Unrestricted Net Assets – consists of assets and program revenues which are available and used for operations and programs. Unrestricted net assets represent the portion of net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Foundation include funds which represent unrestricted resources designated by the Board of Directors.

Temporarily Restricted Net Assets – consists of funds with donor-imposed restrictions which permit the donor to expend the assets as specified and is satisfied either by the passage of time or by actions of the Foundation. When a stipulated time restriction ends or purpose restriction is accomplished, such temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – consists of resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Foundation to expend part or all of the income derived from the donated assets. For the years presented the Foundation did not have any assets of this nature.

Support and Revenue Recognition – LuMind follows FASB ASC 958-605 “*Accounting for Contributions Received and Contributions Made*”. FASB ASC 958-605 requires that contributions be recorded as receivables and revenues and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items or promises to give.

See auditors' report.

LUMIND FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction, until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Permanently restricted net assets include only the historical dollar amounts of gifts which are required by donors to be permanently retained, and adjusted for the impact of unrealized gains and losses. Temporarily restricted net assets include contributions with restrictions that will either expire with the passage of time or be fulfilled by actions of the Foundation.

Donated Goods and Services – Donated goods are recorded at their fair market value on the date of receipt. Donated services are reported as contributions when the services create or enhance nonfinancial assets, would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. Donations of professional services are recorded as both unrestricted contributions and as expenses in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*. Donated services for the years ended September 30, 2014 and 2013, were \$11,143 and \$0, respectively.

Cash and Cash Equivalents – For the purpose of these financial statements, LuMind considers equivalent to cash, all money market funds and savings deposits which can be and are intended to be converted to cash within ninety days of issuance. Fair value approximates carrying value due to the short maturities of those instruments. The Foundation maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The investment income is reported net of investments fees.

Pledges Receivable – Contributions are recognized and recorded at net realizable value when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional promises to give are not included in support until the conditions are substantially met. Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. As of September 30, 2014 and 2013, management determined that no allowance for uncollectible pledges receivable was necessary.

See auditors' report.

LUMIND FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment – Equipment is stated at cost if purchased (or at the fair market value on the date of a gift if donated) less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Foundation provides for depreciation of equipment using the straight-line method over the useful life of the asset. The Foundation capitalized equipment purchases in excess of \$1,000, lesser amounts are expensed. Repairs, maintenance and renewals are charged to expense, as incurred, except those expenditures which result in a substantial improvement are capitalized.

Deferred Revenue – Deferred revenue represents registration and related fees paid in advance of the related event.

Concentrations of Credit Risk – Financial instruments that potentially subject the Foundation to concentration of credit risk primarily consist of cash and cash equivalents. The Foundation maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. As of September 30, 2014 and 2013, the Foundation had \$991,969 and \$157,970 in excess of the federally insured limits, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Fair Value Measurement – Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as reported in Note 3.

Advertising Expenses - The Foundation charges its non-direct response advertising costs to expense as incurred. Advertising expenses for the years ended September 30, 2014 and 2013 were \$12,079 and \$17,982, respectively.

Income Taxes - The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and Section 23701d of the Revenue and Taxation Code of California for its charitable purpose.

Use of Estimates in the Preparation of the Financial statements - The preparation of financial statements in conformity with U.S. GAAP 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 the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates included in the financial statements.

NOTE 3 – RESTRICTION ON NET ASSETS

Temporary restrictions on net assets as of September 30, 2014 and 2013 are related to contributions received designated for campaigns occurring after the year end.

Temporarily restricted net assets are available for the following purposes or periods as of September 30, 2014 and 2013:

For subsequent periods:	<u>2014</u>	<u>2013</u>
NY Romp for Research	\$ -	\$ 32,135
Funding Futures	600	5,530
DeNoble Family	<u>75,000</u>	<u>-</u>
	<u>\$ 75,600</u>	<u>\$ 37,665</u>

See auditors' report.

LUMIND FOUNDATION INC.
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014 AND 2013

NOTE 4 – INVESTMENTS

Fair Value of Financial Instruments – The Foundation follows FASB ASC 820, “Fair Value Measurements and Disclosures”, and has applied its provisions to financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually).

Investments held by the Foundation at September 30, 2014 and 2013 are summarized at fair value as follows:

Marketable securities:	<u>2014</u>	<u>2013</u>
Pepsico, Inc – common stock	\$ 1,396	\$ 1,193
Alexion Pharms Inc – common stock	1,658	-
Finish Line Inc – common stock	<u>1,252</u>	<u>-</u>
Total investments	<u>\$ 4,306</u>	<u>\$ 1,193</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended September 30, 2014 and 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Year ended September 30, 2014				
Dividends and interest	\$ 77	\$ 0	\$ 0	\$ 77
Realized and unrealized gains (losses)	<u>1,716</u>	<u>0</u>	<u>0</u>	<u>1,716</u>
Total investment return	<u>\$ 1,793</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,793</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Year ended September 30, 2013				
Dividends and interest	\$ 321	\$ 0	\$ 0	\$ 321
Realized and unrealized gains (losses)	<u>972</u>	<u>0</u>	<u>0</u>	<u>972</u>
Total investment return	<u>\$ 1,293</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,293</u>

FASB ASC 820, “Fair Value Measurements”, establishes a single definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FASB ASC 820 describes three levels of inputs used to measure fair value.

See auditors’ report.

LUMIND FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 4 – INVESTMENTS (CONTINUED)

The fair value 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 one measurements), and the lowest priority to unobservable inputs (level three measurements). The three levels of the fair value hierarchy are:

Level one - 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.

Level two - 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
- 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 or contractual term, the level two inputs must be observable for substantially the full term of the asset or liability.

Level three - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is the basis for the fair value determination of the investments:

- Mutual funds, money market funds, hedge funds: Valued at fair value based on the net asset value (“NAV”) of shares held by the foundation at the end of the year.
- Assets held in trust by others: Valued at fair value based on the net asset value (“NAV”) of shares held by the Foundation at the end of the year.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of September 30, 2014:

	Total	Level one Quoted prices in active markets for identical assets	Level two Significant other observable inputs	Level three Significant unobservable inputs
Assets:				
U.S. Equities	\$ 4,306	\$ 4,306	\$ -	\$ -
Total investments	\$ 4,306	\$ 4,306	\$ -	\$ -

See auditors' report.

LUMIND FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 5 – GRANTS AND ALLOCATIONS

Grants made by the Foundation during the year ended September 30, 2014 to further the Organization's mission were \$1,250,000, as follows.

Recipient:

University of California, San Diego	\$ 235,000
Emory University School of Medicine	210,000
University of Arizona	195,000
John Hopkins University	175,000
Stanford University	165,000
AC Immune UCSD	150,000
Palo Alto Health Care System	<u>120,000</u>
 Total grants and allocations	 <u>\$ 1,250,000</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2015, the date on which the financial statements were available to be issued. There were no subsequent events through March 27, 2015, that required adjustment of or disclosure in the financial statements.