

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Foundation for Ectodermal Dysplasias
Mascoutah, Illinois

We have audited the accompanying financial statements of National Foundation for Ectodermal Dysplasias (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

Board of Directors
National Foundation for Ectodermal Dysplasias

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Foundation for Ectodermal Dysplasias as of December 31, 2017 and 2016, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
March 12, 2018

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

| ASSETS | <u>2017</u> | <u>2016</u> |
|---|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 497,267 | \$ 517,411 |
| Investments | 1,776,083 | 1,552,272 |
| Pledges Receivable | 4,388 | 4,023 |
| Prepaid Expenses and Other Assets | 13,899 | 16,454 |
| Total Current Assets | <u>2,291,637</u> | <u>2,090,160</u> |
| UNCONDITIONAL PLEDGES RECEIVABLE, Net of Current Portion | <u>39,128</u> | <u>-</u> |
| Total Assets | <u><u>\$ 2,330,765</u></u> | <u><u>\$ 2,090,160</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 2,263 | \$ 6,294 |
| Treatment Commitments | 18,500 | 19,904 |
| Research Commitments | 75,000 | 25,000 |
| Accrued Expenses | 16,808 | 17,114 |
| Total Current Liabilities | <u>112,571</u> | <u>68,312</u> |
| Total Liabilities | 112,571 | 68,312 |
| NET ASSETS | | |
| Unrestricted | 2,088,605 | 1,913,710 |
| Temporarily Restricted | 129,589 | 108,138 |
| Total Net Assets | <u>2,218,194</u> | <u>2,021,848</u> |
| Total Liabilities and Net Assets | <u><u>\$ 2,330,765</u></u> | <u><u>\$ 2,090,160</u></u> |

See accompanying Notes to Financial Statements.

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | | |
|---|---------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total |
| PUBLIC SUPPORT AND REVENUE | | | |
| Contributions | \$ 577,692 | \$ 44,951 | \$ 622,643 |
| Fundraising Special Events | 53,422 | - | 53,422 |
| Conference Registration Fees | 61,168 | - | 61,168 |
| Sales of Publications/Promotional Items | 2,902 | - | 2,902 |
| In-Kind Donations - Board of Directors | 6,385 | - | 6,385 |
| In-Kind Donations - Other | 58,986 | - | 58,986 |
| In-Kind Donations - Revenue for Fundraising Special Events | 15,641 | - | 15,641 |
| Investment Income (Loss) | 286,216 | - | 286,216 |
| Net Assets Released from Restrictions | 23,500 | (23,500) | - |
| Total Public Support and Revenue | <u>1,085,912</u> | <u>21,451</u> | <u>1,107,363</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Support | 382,591 | - | 382,591 |
| Treatment | 146,761 | - | 146,761 |
| Research | 234,978 | - | 234,978 |
| Supporting Services: | | | |
| Management and General | 13,098 | - | 13,098 |
| Fundraising | 133,589 | - | 133,589 |
| Total Expenses | <u>911,017</u> | <u>-</u> | <u>911,017</u> |
| NET CHANGE IN NET ASSETS | 174,895 | 21,451 | 196,346 |
| Net Assets - Beginning of Year | <u>1,913,710</u> | <u>108,138</u> | <u>2,021,848</u> |
| NET ASSETS - END OF YEAR | <u>\$ 2,088,605</u> | <u>\$ 129,589</u> | <u>\$ 2,218,194</u> |

See accompanying Notes to Financial Statements.

| 2016 | | |
|---------------------|------------------------|---------------------|
| Unrestricted | Temporarily Restricted | Total |
| \$ 600,080 | \$ 59,780 | \$ 659,860 |
| 67,093 | - | 67,093 |
| 38,358 | - | 38,358 |
| 3,377 | - | 3,377 |
| 7,588 | - | 7,588 |
| 22,276 | - | 22,276 |
| 49,206 | - | 49,206 |
| 123,597 | - | 123,597 |
| 96,010 | (96,010) | - |
| <u>1,007,585</u> | <u>(36,230)</u> | <u>971,355</u> |
| 347,423 | - | 347,423 |
| 129,395 | - | 129,395 |
| 152,996 | - | 152,996 |
| 12,921 | - | 12,921 |
| 176,966 | - | 176,966 |
| <u>819,701</u> | <u>-</u> | <u>819,701</u> |
| 187,884 | (36,230) | 151,654 |
| <u>1,725,826</u> | <u>144,368</u> | <u>1,870,194</u> |
| <u>\$ 1,913,710</u> | <u>\$ 108,138</u> | <u>\$ 2,021,848</u> |

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

| | 2017 | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Program Services | | | Management and | | Total |
| | Support | Treatment | Research | General | Fundraising | |
| Total Salaries and Related Expenses | \$ 157,680 | \$ 81,503 | \$ 63,317 | \$ 5,416 | \$ 64,057 | \$ 371,973 |
| Awareness | 18 | 18 | 19 | - | - | 55 |
| Board of Directors Expense | 4,151 | 1,694 | 1,186 | 85 | 1,355 | 8,471 |
| Client Assistance | - | 13,043 | - | - | - | 13,043 |
| Development | 5,847 | 5,429 | 5,429 | 4,176 | 20,881 | 41,761 |
| Family Conferences | 123,258 | - | - | - | - | 123,258 |
| Family Support Network | 800 | - | - | - | - | 800 |
| In-Kind - Professional and Other | 7,558 | 5,038 | 5,038 | 420 | 2,939 | 20,993 |
| In-Kind - Special Events | - | - | - | - | 15,641 | 15,641 |
| Insurance | 2,812 | 1,148 | 803 | 57 | 918 | 5,738 |
| Marketing/Communications | 15,122 | 6,049 | 4,537 | 605 | 3,932 | 30,245 |
| Memberships | 758 | 309 | 217 | 15 | 248 | 1,547 |
| Miscellaneous | 610 | 248 | 175 | 14 | 192 | 1,239 |
| Office - General | 6,068 | 2,393 | 1,675 | 120 | 1,915 | 12,170 |
| Professional Fees | 30,890 | 12,607 | 8,825 | 630 | 10,086 | 63,037 |
| Program | 119 | 64 | 64 | - | - | 247 |
| Rent - Building | 11,826 | 4,827 | 3,379 | 241 | 3,861 | 24,134 |
| Repairs and Maintenance | 434 | 177 | 124 | 9 | 142 | 886 |
| Research Funding | - | - | 128,452 | - | - | 128,452 |
| Special Events | 1,723 | 1,599 | 1,599 | 1,231 | 6,152 | 12,304 |
| Advocacy | 9,029 | 9,028 | 9,028 | - | - | 27,085 |
| Utilities | 3,888 | 1,587 | 1,111 | 79 | 1,270 | 7,935 |
| Total Expenses | \$ 382,591 | \$ 146,761 | \$ 234,978 | \$ 13,098 | \$ 133,589 | \$ 911,017 |

See accompanying Notes to Financial Statements.

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

| | 2016 | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Program Services | | | Management and | | Total |
| | Support | Treatment | Research | General | Fundraising | |
| Total Salaries and Related Expenses | \$ 153,796 | \$ 72,436 | \$ 55,973 | \$ 5,492 | \$ 73,844 | \$ 361,541 |
| Awareness | 1,952 | 1,952 | 1,952 | - | - | 5,856 |
| Board of Directors Expense | 4,084 | 1,667 | 1,167 | 83 | 1,334 | 8,335 |
| Client Assistance | - | 2,857 | - | - | - | 2,857 |
| Development | 3,827 | 3,554 | 3,554 | 2,733 | 13,669 | 27,337 |
| Family Conferences | 76,157 | - | - | - | - | 76,157 |
| Family Support Network | 137 | - | - | - | - | 137 |
| In-Kind - Professional and Other | 9,358 | 6,239 | 6,239 | 520 | 3,639 | 25,994 |
| In-Kind - Special Events | - | - | - | - | 49,206 | 49,206 |
| Insurance | 2,432 | 993 | 695 | 50 | 794 | 4,964 |
| Marketing/Communications | 36,584 | 14,620 | 10,957 | 1,463 | 9,506 | 73,130 |
| Memberships | 1,999 | 816 | 571 | 41 | 653 | 4,079 |
| Miscellaneous | 2,313 | 932 | 684 | 78 | 649 | 4,654 |
| Office - General | 9,308 | 3,687 | 2,519 | 179 | 2,989 | 18,683 |
| Publications | 226 | 226 | 226 | - | - | 680 |
| Professional Fees | 27,121 | 11,070 | 7,626 | 675 | 8,979 | 55,471 |
| Program | 30 | 30 | 393 | - | - | 452 |
| Rent - Building | 11,826 | 4,827 | 3,379 | 241 | 3,861 | 24,134 |
| Repairs and Maintenance | 397 | 162 | 113 | 8 | 130 | 810 |
| Research Funding | - | - | 54,121 | - | - | 54,121 |
| Special Events | 1,786 | 1,658 | 1,658 | 1,275 | 6,378 | 12,755 |
| Utilities | 4,090 | 1,669 | 1,169 | 83 | 1,335 | 8,346 |
| Total Expenses | \$ 347,423 | \$ 129,395 | \$ 152,996 | \$ 12,921 | \$ 176,966 | \$ 819,701 |

See accompanying Notes to Financial Statements.

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Change in Net Assets | \$ 196,346 | \$ 151,654 |
| Adjustments to Reconcile Net Change in Net Assets to Cash and Cash Equivalents Provided (Used) by Operating Activities: | | |
| Donated Investments | (79,098) | (75,726) |
| Proceeds from Sale of Donated Investments | 20,434 | 25,845 |
| Investment Gain | (264,134) | (105,015) |
| (Increase) Decrease in: | | |
| Pledges Receivable | (39,493) | 4,388 |
| Accounts Receivable | - | - |
| Prepaid Expenses and Other Assets | 2,555 | (1,956) |
| Increase (Decrease) in: | | |
| Accounts Payable | (4,031) | 1,423 |
| Commitments | 48,596 | 8,163 |
| Accrued Expenses | (306) | 9,789 |
| Net Cash and Cash Equivalents Provided (Used) by Operating Activities | (119,131) | 18,565 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Investments | (51,979) | (111,688) |
| Proceeds from Sale of Investments | 150,966 | 93,742 |
| Net Cash and Cash Equivalents Provided (Used) by Investing Activities | 98,987 | (17,946) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (20,144) | 619 |
| Cash and Cash Equivalents - Beginning of Year | 517,411 | 516,792 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 497,267 | \$ 517,411 |

See accompanying Notes to Financial Statements.

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

National Foundation for Ectodermal Dysplasias (the Foundation) is a nonprofit organization whose mission is to empower and connect people touched by Ectodermal Dysplasias through education, support, and research.

Description of Programs and Support Activities

The accompanying financial statements include the following program services and supporting activities:

Support – The Family Support Council, comprised of family members and affected individuals, oversees the NFED's support programs that seek to empower and connect individuals affected by ectodermal dysplasias and their families. The Foundation publishes high quality information to provide families with knowledge that will increase their quality of life. Information is shared through the First Connect Program, a web site, medical/dental guide series, and conferences. The National Family Conference is the Foundation's hallmark program bringing entire families together to learn, share, and network with one another and with expert care providers. Affected children and their siblings attend Kids Camp at the conferences where they participate in educational and social activities with other children like them to develop self-esteem. The Foundation provides financial assistance to individuals to attend the Family Conference and academic scholarship for post-secondary education to recognize the achievements of our youth. The NFED's Family-to-Family Network connects families with a caring liaison in their region who can provide moral support, information and practical advice, guidance, and resources.

Treatment – Medical and dental experts comprise the Patient Care Council which oversees the NFED's initiatives to improve treatment of ectodermal dysplasias. The Foundation teaches care providers how to diagnose and treat the rare disorders through professional symposia and Grand Rounds at universities. The NFED advocates for improving access to care by collaborating with universities, government, professional, and other patient-based health organizations. Affected individuals can receive more affordable care from experienced teams of dentists in treatment of ectodermal dysplasias at NFED Dental Treatment Centers in the U.S. The Foundation also helps families pay for needed care through the Treatment Assistance Program and insurance coaching.

Research – The Scientific Advisory Council oversees the NFED's research initiatives, aimed to improve the health and quality of life of affected individuals by finding management solutions and, eventually, finding cures for ectodermal dysplasias. The Foundation advances research through advocacy and partnerships with organizations such as the National Institutes of Health. The NFED provides seed funds to researchers, provides them with access to affected individuals, and shares information to launch larger projects. The web-based Ectodermal Dysplasias International Registry serves as a repository of clinical information and facilitates communication among affected individuals, clinicians involved in their treatment, and scientists who strive to advance research on ectodermal dysplasias. The Foundation also sponsors scientific meetings to increase understanding of the disorders.

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Description of Programs and Support Activities (Continued)

Management and General – These activities include functions necessary to administer and manage office operations and all programs. It also includes legal, financial, and fiduciary requirements.

Fundraising – These activities include development and fundraising efforts necessary to promote and acquire financial support from individuals, organizations, and corporations in order to meet the mission of the Foundation.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be met by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations requiring that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for specific purposes. The Foundation did not have permanently restricted net assets at December 31, 2017 and 2016.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 support, revenues, and expenses during the reporting period including grant and contract revenues subject to review by applicable funding agencies. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of balance sheet presentation and reporting of cash flows, cash and cash equivalents include unrestricted demand deposits and money market funds. Short-term cash equivalents that are managed as part of long-term investment strategies are included with investments.

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Pledges

The Foundation receives pledges in the form of grants and contributions. Pledges, including unconditional promises to give cash and other assets to the Foundation in the future, are recognized as revenue at fair value in the period received. The gifts are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same year as received are reported as unrestricted contributions in the accompanying financial statements. Unconditional promises to give in subsequent years are reflected as pledges receivable and are recorded at the face value of the expected future cash flows. Based on management's assessment of the pledge receivable, they have concluded an allowance for doubtful accounts for pledge receivables would be immaterial.

Investments

Investments are recorded in accordance with *Accounting for Certain Investments Held by Not-for-Profit Organizations*. As such, investments in marketable securities with readily determinable fair values are reported at fair value in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Property and Equipment

It is the Foundation's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Other Assets

Other assets consist primarily of auction items donated for the Foundation's various fundraising events. These items are recorded at estimated fair value, as determined by management, at the time of receipt.

Tax Status

The Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and, therefore, is exempt from both federal and state income taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

**NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Donated Materials and Services

Donated property and equipment, investments and other noncash donations are recorded as contributions at their fair value at the date of donation. The Foundation reports the donations as unrestricted support, unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the assets are placed in service. The Foundation records donated property, equipment, and services related to fundraising special events as In-Kind Donations to Fundraising Special Events Revenue and In-Kind Special Events Expense.

The Foundation records the value of donated services when there is an objective basis available to measure the donation's value. In addition, many individuals' volunteer time and skills to perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as donated services.

In-kind donations in 2017 consisted primarily of special event donations, legal expenses, and office rent donated by the Foundation's landlord. In 2016, this balance consisted primarily of special events donations and board travel expenses. The in-kind office rent donation, which is a discount of \$2 per square foot of office space, totaled \$65,820, and will be released from restriction over the term of the lease agreement, which began in December 2012 and was extended in 2017 through December 2025.

Functional Expenses

The Foundation allocates its expenses on a functional basis to its programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification. Expenses that are common to several functions are primarily allocated based on management's estimate of job descriptions.

Treatment and Research Commitments

Unconditional grants to third parties are recorded as program expenses in the period in which the grants are authorized. Conditional grants or contributions are recorded as expense in the period in which the conditions have been substantially met by the grantee.

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Value Measurements

Financial assets have been disclosed at their respective fair values or measured at 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 on a recurring basis. The financial assets are valued using the following fair value hierarchy in order to disclose the measurement of fair value based on three levels of observable or unobservable inputs:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Foundation has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances.

Following is a description of the valuation methodologies used for assets measured at fair value:

Government Agency Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the closing price reported on the active market on which the individual funds are traded.

Equity Securities: Valued at the closing price reported on the active market on which the individual funds are traded.

Exchange Traded Funds: Valued at the closing price reported on the active market on which the individual funds are traded.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 12, 2018, the date the financial statements were available to be issued.

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

| | 2017 | 2016 |
|--------------------------------------|-----------|-----------|
| Furnishings, Fixtures, and Equipment | \$ 41,323 | \$ 41,323 |
| Less: Accumulated Depreciation | (41,323) | (41,323) |
| Total Net of Depreciation | \$ - | \$ - |

There was no depreciation expense for the years ended December 31, 2017 and 2016, respectively.

NOTE 3 INVESTMENTS

Investments at fair value consist of the following at December 31:

| | 2017 | 2016 |
|----------------------------|--------------|--------------|
| Level 1 Assets: | | |
| Equity Securities: | | |
| Industrial | \$ 2,732 | \$ 16,541 |
| Total Equity Securities | 2,732 | 16,541 |
| Mutual Funds: | | |
| Money Market | - | 14,747 |
| Large Value | 295,527 | 245,882 |
| Large Blend | 504,851 | 493,527 |
| Mid-Cap Blend | 253,404 | 208,085 |
| World Stock | 537,960 | 450,698 |
| World Bond | 30,078 | 28,042 |
| Total Mutual Funds | 1,621,820 | 1,440,981 |
| Exchange Traded Fund | | |
| Large Blend | 151,531 | 94,750 |
| Total Exchange Traded Fund | 151,531 | 94,750 |
| Total Level 1 Assets | \$ 1,776,083 | \$ 1,552,272 |

Investment return for the years ended December 31 is summarized as follows:

| | 2017 | 2016 |
|-----------------------------|------------|------------|
| Interest and Dividends | \$ 22,082 | \$ 18,582 |
| Realized Investment Gains | 121,797 | 50,026 |
| Unrealized Investment Gains | 142,337 | 54,989 |
| Total | \$ 286,216 | \$ 123,597 |

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable are due as follows:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|------------------|-----------------|
| Due in Less Than One Year | \$ 4,388 | \$ 4,023 |
| Due in One to Five Years | 39,128 | - |
| Face Value of Pledges Receivable | <u>\$ 43,516</u> | <u>\$ 4,023</u> |

NOTE 5 NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at December 31:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Treatment Program | \$ 10,800 | \$ 15,835 |
| In-Kind Rent | 43,516 | 4,023 |
| Research Program | 75,273 | 88,280 |
| Total Temporarily Restricted Net Assets | <u>\$ 129,589</u> | <u>\$ 108,138</u> |

Net assets released from donor restrictions for the years ended December 31 are as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------------|------------------|------------------|
| Support Program | \$ - | \$ 11,121 |
| Research Program | 3,277 | 6,258 |
| Treatment Program | 15,835 | 24,103 |
| Branding | - | 50,140 |
| In-Kind Rent | 4,388 | 4,388 |
| Total | <u>\$ 23,500</u> | <u>\$ 96,010</u> |

NATIONAL FOUNDATION FOR ECTODERMAL DYSPLASIAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 TREATMENT AND RESEARCH COMMITMENTS

Commitments payable (at face value) for treatment and research are to be paid as follows:

| | 2017 | |
|---------------------------|-----------|-----------|
| | Treatment | Research |
| Due in Less Than One Year | \$ 18,500 | \$ 75,000 |
| Due in One to Five Years | - | - |
| Total | \$ 18,500 | \$ 75,000 |

| | 2016 | |
|---------------------------|-----------|-----------|
| | Treatment | Research |
| Due in Less Than One Year | \$ 19,904 | \$ 25,000 |
| Due in One to Five Years | - | - |
| Total | \$ 19,904 | \$ 25,000 |

Family conference scholarships are generally committed and expensed in the same fiscal year and did not have any outstanding commitments at December 31, 2017.

NOTE 7 OPERATING LEASES

The Foundation rents office space and certain office equipment under operating lease arrangements that expire at various dates through November 2027. Rent expense totaled \$31,140 and \$31,353 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments at December 31, 2017 are as follows:

| Year Ending December 31, | Amount |
|--------------------------|------------|
| 2018 | \$ 29,896 |
| 2019 | 29,896 |
| 2020 | 27,395 |
| 2021 | 25,809 |
| 2022 | 24,132 |
| Thereafter | 118,649 |
| Total | \$ 255,777 |

NOTE 8 EMPLOYEE BENEFIT PLAN

The Foundation provides a SIMPLE individual retirement plan to substantially all employees. At their discretion, the Foundation's board of directors may approve Foundation contributions to the Plan. In 2017 and 2016, contribution expenses totaled \$11,291 and \$8,166, respectively.