

**AMERICAN BRAIN FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**AMERICAN BRAIN FOUNDATION  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
American Brain Foundation  
Minneapolis, Minnesota

We have audited the accompanying financial statements of the American Brain Foundation, 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 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 auditors' 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  
American Brain Foundation

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Brain Foundation 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**

Minneapolis, Minnesota  
April 24, 2018

**AMERICAN BRAIN FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,645,745	\$ 3,692,398
Grants and Gifts Receivable	682,683	474,245
Accounts Receivable	1,532	20,218
Other Assets	104,971	132,405
Total Current Assets	3,434,931	4,319,266
<b>EQUIPMENT, NET</b>	182,301	-
<b>OTHER LONG-TERM ASSETS</b>		
Funds Held with Others	7,504,430	6,396,776
Grants and Gifts Receivable, Net of Current Portion	1,262,198	108,605
Total Other Long-Term Assets	8,766,628	6,505,381
Total Assets	\$ 12,383,860	\$ 10,824,647
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 127,841	\$ 295,134
Grants Payable	572,554	953,917
Total Current Liabilities	700,395	1,249,051
<b>LONG-TERM LIABILITIES</b>		
Grants Payable, Net of Current Portion	24,271	156,726
Refundable Advances	217,542	196,667
Total Long-Term Liabilities	241,813	353,393
Total Liabilities	942,208	1,602,444
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	3,258,063	2,850,063
Invested in Property and Equipment	182,301	-
Total Unrestricted	3,440,364	2,850,063
Temporarily Restricted	6,271,477	4,652,559
Permanently Restricted	1,729,811	1,719,581
Total Net Assets	11,441,652	9,222,203
Total Liabilities and Net Assets	\$ 12,383,860	\$ 10,824,647

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Grants and Gifts	\$ 634,322	\$ 3,499,484	\$ 10,230	\$ 4,144,036
Investment Income	13,925	400,605	-	414,530
Other Revenue	38,190	-	-	38,190
Net Assets Released from Restrictions	<u>2,281,171</u>	<u>(2,281,171)</u>	-	-
Total Support and Revenue	<u>2,967,608</u>	<u>1,618,918</u>	<u>10,230</u>	<u>4,596,756</u>
<b>EXPENSE</b>				
Program Expenses	2,108,921	-	-	2,108,921
Support Services:				
Development	526,532	-	-	526,532
General and Administrative	<u>310,638</u>	-	-	<u>310,638</u>
Total Support Services	<u>837,170</u>	<u>-</u>	<u>-</u>	<u>837,170</u>
Total Expense	<u>2,946,091</u>	<u>-</u>	<u>-</u>	<u>2,946,091</u>
<b>TOTAL CHANGES IN NET ASSETS BEFORE NONOPERATING INVESTMENT INCOME</b>				
	21,517	1,618,918	10,230	1,650,665
Nonoperating Investment Income	<u>568,784</u>	<u>-</u>	<u>-</u>	<u>568,784</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	590,301	1,618,918	10,230	2,219,449
Net Assets - Beginning of Year	<u>2,850,063</u>	<u>4,652,559</u>	<u>1,719,581</u>	<u>9,222,203</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 3,440,364</u></u>	<u><u>\$ 6,271,477</u></u>	<u><u>\$ 1,729,811</u></u>	<u><u>\$ 11,441,652</u></u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Grants and Gifts	\$ 857,990	\$ 2,006,321	\$ 99,650	\$ 2,963,961
Investment Income	11,545	202,959	-	214,504
Other Revenue	2,451	-	-	2,451
Net Assets Released from Restrictions	<u>2,076,650</u>	<u>(2,076,650)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,948,636</u>	<u>132,630</u>	<u>99,650</u>	<u>3,180,916</u>
<b>EXPENSE</b>				
Program Expenses	1,306,879	-	-	1,306,879
Support Services:				
Development	648,985	-	-	648,985
General and Administrative	<u>800,656</u>	<u>-</u>	<u>-</u>	<u>800,656</u>
Total Support Services	<u>1,449,641</u>	<u>-</u>	<u>-</u>	<u>1,449,641</u>
Total Expense	<u>2,756,520</u>	<u>-</u>	<u>-</u>	<u>2,756,520</u>
<b>TOTAL CHANGES IN NET ASSETS BEFORE NONOPERATING INVESTMENT INCOME</b>				
	192,116	132,630	99,650	424,396
Nonoperating Investment Income	<u>315,297</u>	<u>-</u>	<u>-</u>	<u>315,297</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	507,413	132,630	99,650	739,693
Net Assets - Beginning of Year	<u>2,342,650</u>	<u>4,519,929</u>	<u>1,619,931</u>	<u>8,482,510</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 2,850,063</u></u>	<u><u>\$ 4,652,559</u></u>	<u><u>\$ 1,719,581</u></u>	<u><u>\$ 9,222,203</u></u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			
	Program	Development	General and Administrative	Total
Salaries and Benefits	\$ 574,120	\$ 82,563	\$ 113,554	\$ 770,237
General Office	25,371	49,485	26,771	101,627
Software and Maintenance	3,447	125,835	110	129,392
Professional Fees	178,064	119,508	34,796	332,368
Management and Service Fees	177,853	27,075	94,428	299,356
Meeting and Travel	39,726	113,223	40,242	193,191
Grants and Awards	1,079,596	8,511	105	1,088,212
Depreciation	30,744	-	-	30,744
Other Expenses	-	332	632	964
<b>Total Expenses</b>	<b>\$ 2,108,921</b>	<b>\$ 526,532</b>	<b>\$ 310,638</b>	<b>\$ 2,946,091</b>

  

	2016			
	Program	Development	General and Administrative	Total
Salaries and Benefits	\$ 99,480	\$ 257,227	\$ 417,059	\$ 773,766
General Office	2,664	47,754	21,908	72,326
Software and Maintenance	-	111,163	-	111,163
Professional Fees	215,573	88,949	179,683	484,205
Management and Service Fees	11,501	36,313	136,837	184,651
Meeting and Travel	14,834	104,267	40,182	159,283
Grants and Awards	962,011	308	308	962,627
Depreciation	-	-	2,681	2,681
Other Expenses	816	3,004	1,998	5,818
<b>Total Expenses</b>	<b>\$ 1,306,879</b>	<b>\$ 648,985</b>	<b>\$ 800,656</b>	<b>\$ 2,756,520</b>

See accompanying Notes to Financial Statements.



**AMERICAN BRAIN FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 2,219,449	\$ 739,693
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	30,744	2,681
Permanently Restricted Contributions	(10,230)	(99,650)
Changes in Funds Held With Others	(1,107,654)	(520,000)
(Increase) Decrease in Current Assets:		
Grants and Gifts Receivable	(1,362,031)	132,960
Accounts Receivable	18,686	667
Other Assets	27,434	(65,141)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(167,293)	142,445
Grants Payable	(513,818)	(445,426)
Refundable Advances	20,875	196,667
Net Cash Provided (Used) by Operating Activities	(843,838)	84,896
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	(213,045)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently Restricted Contributions	10,230	99,650
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,046,653)	184,546
Cash and Cash Equivalents - Beginning of Year	3,692,398	3,507,852
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,645,745	\$ 3,692,398

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The American Brain Foundation (ABF) is a nonprofit corporation established to support vital research into finding cures for brain disease, and is committed to improving patient care, quality of life, and public understanding of brain disease. Its vision is to cure brain disease.

**Financial Statement Presentation**

Net assets, support, revenue, expenses, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of ABF and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control.

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of ABF or the passage of time.

Permanently Restricted – Those resources subject to a donor-imposed restriction that they be maintained permanently by ABF.

**Cash and Cash Equivalents**

ABF considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. ABF maintains cash in bank accounts which, at times, may exceed federally insured limits. ABF has not experienced any losses in such accounts.

**Receivables**

Accounts, grants, and gifts receivables are stated at net realizable value. Accordingly, ABF accounts for uncollectible accounts by the reserve method, which is based on management's judgment considering historical information. Payment is required 30 days after receipt of the invoice. Individual accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted, the receivable is written off against the reserve. ABF had no allowance recorded at December 31, 2017 and 2016.

**Equipment**

Equipment is recorded at original cost. Additions, improvements, or major renewals at or over \$5,000 are capitalized. Any gains or losses on property and equipment retirement are included in the current year operations.

Depreciation is computed using the straight-line method at rates based on estimated service lives and is computed using the straight-line method over a three-year service life.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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

**Funds Held With Others**

Funds held with others are made up of reserved investments held at the American Academy of Neurology Institute (Academy) for purposes of earning long-term investment income. These funds are pooled with the investments at the American Academy of Neurology Institute. ABF has two board members that serve on a joint investment committee that oversees and monitors the investment pool. ABF has the ability to liquidate their investments at any time subject to the redemption restrictions on the individual investments. These investments in marketable securities are recorded at fair value and consist primarily of equity funds and corporate bond funds. Investments in certificates of deposit are recorded at cost. In addition, the investments include two limited partnerships that are diversified funds of hedge funds, reported at the estimated fair value of ABF's share of the fund, calculated monthly by the custodian. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility.

**Grants Payable**

Grants payable consist of awards and grants approved for various research projects and fellowships. Grants payable are recorded at the signing of the contract with both the researcher and the institution. Long-term grants payable are discounted based on the year to be paid.

**Grants and Gifts**

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recognized at fair value when the donor makes a promise to give to ABF that is, in substance, unconditional. Conditional promises to give are recorded when the condition has been satisfied. Until that time, they are reported on the statement of financial position as a refundable advance.

**Fair Value Measurement**

ABF categorizes its investments measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Investments valued at fair value are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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

**Fair Value Measurement (Continued)**

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, ABF may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

**Donated Goods and Services**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by American Brain Foundation. Donated goods are valued at market value on the date of donation. There were donated goods valued at \$37,438 for the year ended December 31, 2017. There were no donated goods or services for the year ended December 31, 2016.

**Allocation of Expenses**

ABF's costs of providing its various services have been classified on a program basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services benefited. Expenses are charged directly to programs and support services where possible. Remaining expenses are allocated based on actual time spent on programs and support services.

**Income Taxes**

ABF is organized and operates on a nonprofit basis and its tax-exempt status has been recognized by the Internal Revenue Service under Section 501(c)(3). ABF is classified as an organization which is not private foundations under the Internal Revenue Code (IRC) and charitable contributions by donors are tax deductible. ABF is subject to unrelated business income taxes under the IRC for federal and state tax purposes.

ABF follows the provisions of FASB ASC 740-10-25, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. ABF does not believe its financial statements include any uncertain tax positions. ABF's tax returns are subject to review and examination by federal authorities.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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

**Other Concentrations**

ABF also has a potential credit risk in contributions receivable since the balance is due from a limited number of individuals and corporate contributions.

**Use of Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, ABF has evaluated events and transactions for potential recognition or disclosure through April 24, 2018, the date the financial statements were available to be issued.

**NOTE 2 GIFTS AND GRANTS RECEIVABLE**

Grants and gifts receivable at December 31 are as follows:

	2017	2016
Less than One Year	\$ 682,683	\$ 474,245
One to Five Years	1,349,500	110,668
Total	2,032,183	584,913
Less: Discount to Present Value	(87,302)	(2,063)
Net Contributions Receivable	<u>\$ 1,944,881</u>	<u>\$ 582,850</u>

Amounts are presented in the statements of financial position as follows at December 31:

	2017	2016
Current	\$ 682,683	\$ 474,245
Long-Term	1,262,198	108,605
Total	<u>\$ 1,944,881</u>	<u>\$ 582,850</u>

Contributions expected to be received beyond one year are reflected at the present value of future cash flows at the date of donation using a discount rate of approximately 1% to 3%.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 3 EQUIPMENT**

Equipment consists of the following at December 31:

	2017	2016
Equipment	\$ 223,770	\$ 10,725
Less: Accumulated Depreciation	(41,469)	(10,725)
Net Equipment	\$ 182,301	\$ -

**NOTE 4 FUNDS HELD WITH OTHERS**

The investments of ABF are pooled with reserve investments at the American Academy of Neurology Institute and are recorded as funds held with others on the statement of financial position. ABF does not own specific underlying investments within the investment pool. The custodian has allocated investments based on percentage held by ABF as follows at December 31:

	2017	2016
Reserves:		
Corporate Bond Funds	\$ 2,230,179	\$ 2,005,759
Equity Funds - Foreign	1,631,232	1,119,025
Equity Funds - Mid-Cap	771,108	707,374
Equity Funds - Large Blend	2,338,433	2,106,858
Funds of Hedge Funds	533,478	457,760
Total Investments	\$ 7,504,430	\$ 6,396,776

Investments in the corporate bond funds, money market mutual funds, equity securities, and equity funds are recorded at fair market value. The funds of hedge funds are recorded at the estimated fair value of ABF's share of the fund, calculated monthly by the custodian.

ABF's share of the investment income on the funds held with others, which includes earnings on the sweep and demand deposit accounts, consists of the following:

	2017	2016
Interest and Dividends	\$ 207,852	\$ 11,543
Realized Gain on Investments	-	49,168
Unrealized Gain on Investments	775,462	469,090
Total Investment Income	\$ 983,314	\$ 529,801

The realized and unrealized gains and losses are included in investment income on the statements of activities. ABF maintains long-term reserve investments through long-term investment holdings. These investments are separated from ABF's general checking and savings accounts. All investment returns on long-term reserve investments are considered nonoperating.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 5 FAIR VALUE MEASUREMENTS**

ABF uses fair value measurements to record fair value adjustments to certain investments and to determine fair value disclosures. For additional information on how ABF measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

In determining the appropriate levels, ABF performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following tables present the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31:

	2017			Fair Value
	Level 1	Level 2	Level 3	
Funds Held With Others:				
Investment Pool Held with Others	\$ -	\$ 7,504,430	\$ -	\$ 7,504,430
Total - Fair Value	<u>\$ -</u>	<u>\$ 7,504,430</u>	<u>\$ -</u>	<u>\$ 7,504,430</u>
	2016			Fair Value
	Level 1	Level 2	Level 3	
Funds Held With Others:				
Investment Pool Held with Others	\$ -	\$ 6,396,776	\$ -	\$ 6,396,776
Total - Fair Value	<u>\$ -</u>	<u>\$ 6,396,776</u>	<u>\$ -</u>	<u>\$ 6,396,776</u>

**NOTE 6 GRANTS PAYABLE**

Grants payable include the following at December 31:

	2017	2016
Current Portion of Grants Payable	\$ 572,554	\$ 953,917
Long-Term Portion of Grants Payable	24,271	156,726
Net Grants Payable	<u>\$ 596,825</u>	<u>\$ 1,110,643</u>
Amounts Due:		
One Year or Less	\$ 572,554	\$ 953,917
One to Five Years	25,000	160,000
Discount to Present Value	(729)	(3,274)
Net Grants Payable	<u>\$ 596,825</u>	<u>\$ 1,110,643</u>

Grants expected to be paid beyond one year are reflected at the present value of future cash flows using a discount rate of approximately 1% to 2%.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 7 NET ASSETS**

**Unrestricted – Invested in Property and Equipment**

The designated funds are those that were used to purchase equipment.

**Temporarily Restricted**

Temporarily restricted net assets are available for the following purposes as of December 31:

	2017	2016
Education, Research, and Award Funds	\$ 5,546,982	\$ 3,816,426
Operational Support	538,362	650,000
Annual Meeting and Other Programs	186,133	186,133
Total	\$ 6,271,477	\$ 4,652,559

**Permanently Restricted**

Permanently restricted net assets as of December 31 are restricted to investments in perpetuity, the income from which is expendable to support the following activities:

	2017	2016
Research Endowments:		
Multiple Sclerosis Endowment	\$ 334,905	\$ 334,505
General Research Endowment	49,300	49,300
Alzheimer's	60,000	60,000
Epilepsy	120,470	120,470
Neuroinfectious Disease	33,055	33,055
Subtotal	597,730	597,330
Awards	1,132,081	1,122,251
Total	\$ 1,729,811	\$ 1,719,581

**NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by ABF incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2017	2016
Education, Research, and Award Funds	\$ 1,090,033	\$ 976,650
Operational Support	1,191,138	1,100,000
Total	\$ 2,281,171	\$ 2,076,650



**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 9 ENDOWMENT**

ABF's donor-restricted endowment consists of 24 individual funds established to support research and awards and, as required by accounting principles generally accepted in the United States of America, net assets associated with those endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of ABF has determined the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ABF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ABF in a manner consistent with the standard of prudence.

ABF considers the following factors when making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of ABF and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of ABF
7. The investment policies of ABF

ABF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 8% over the long-term.

Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, ABF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ABF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 9 ENDOWMENT (CONTINUED)**

ABF has a policy of appropriating for distribution each year 4.5% of its endowment fund's moving average fair value over the prior 12 months through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, ABF considered the long-term expected return on its endowment. Accordingly, over the long-term, ABF expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation.

This is consistent with ABF's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specific term as well as to provide additional real growth through new gifts and investment return. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires ABF to retain as a fund of perpetual duration. There are no such deficiencies as of December 31, 2017.

Changes in endowment net assets for the fiscal years ended December 31 consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2015	\$ 689,659	\$ 1,619,931	\$ 2,309,590
Investment Income	202,960	-	202,960
Contributions	-	99,650	99,650
Changes in Donor Restrictions	-	-	-
Appropriation of Endowment Funds	<u>(64,171)</u>	<u>-</u>	<u>(64,171)</u>
Balance, December 31, 2016	828,448	1,719,581	2,548,029
Investment Income	372,416	-	372,416
Contributions	-	10,230	10,230
Appropriation of Endowment Funds	<u>(66,600)</u>	<u>-</u>	<u>(66,600)</u>
Balance, December 31, 2017	<u>\$ 1,134,264</u>	<u>\$ 1,729,811</u>	<u>\$ 2,864,075</u>

**NOTE 10 RELATED PARTY TRANSACTIONS**

All employees are employed by the American Academy of Neurology and then leased to ABF. ABF pays all direct costs relating to employees and pays a management fee for services which include: marketing, information systems, legal, management oversight, and program activities. The total amount of services received from the Academy for the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
Services Provided	\$ 299,356	\$ 184,651
Leased Employees	770,200	773,000
Account Payable	90,151	50,881

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)**

ABF, in 2013, received a \$3,000,000 grant from the Academy requiring a 1:1 match. Approximately \$3,000,000 was matched as of December 31, 2017. As of December 31, 2017 and 2016, ABF has a receivable in the amount of \$-0- and \$332,190, respectively. As of December 31, 2017, \$-0- remained to be matched. The recording of the grant is contingent on matching performance by ABF and as such is not recorded as revenue until matched.

ABF in 2017 and 2016 received a \$950,000 and \$1,100,000 grant, respectively, from the Academy in support of their operations.

ABF in 2017 and 2016 awarded grants to the Academy of \$700,000 and \$920,000, respectively, to support clinical research training scholarships. ABF also provided support to the Academy for various awards in 2017 and 2016 totaling \$178,800. As of December 31, 2017 and 2016, ABF had a payable to the Academy of \$510,000 and \$1,038,917, respectively, related to these grants.

**NOTE 11 SPLIT-INTEREST AGREEMENTS**

ABF is a beneficiary to interest in two gift annuities held at a community foundation. The value of the gift annuities at December 31, 2017 and 2016 was \$63,729 and \$61,056, respectively.

ABF is also the beneficiary of other trusts and other assets in situations in which it has not been notified of the interest; ABF's interest may be conditional or revocable; or the value of our interest may not be readily ascertainable. In such circumstances, no contribution receivable has been recorded.