



**THE MICHAEL J. FOX FOUNDATION FOR
PARKINSON'S RESEARCH**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Michael J. Fox Foundation for Parkinson's Research
New York, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Michael J. Fox Foundation for Parkinson's Research (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, 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 auditors consider internal control relevant to the organization'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 organization'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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Michael J. Fox Foundation for Parkinson's Research as of December 31, 2016 and 2015, 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.



New York, New York
May 9, 2017

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Consolidated Statements of Financial Position

	December 31,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 102,142,613	\$ 108,518,271
Cash and cash equivalents - restricted	2,757,506	795,636
Investments	11,999,431	1,276,214
Contributions receivable, net	20,919,938	16,317,283
Charitable gift annuities	616,319	531,011
Prepaid expenses and other current assets	1,200,352	634,930
Inventory	28,256	38,257
Property and equipment, net	<u>1,041,945</u>	<u>851,153</u>
	<u>\$ 140,706,360</u>	<u>\$ 128,962,755</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,895,853	\$ 2,679,755
Grants payable, net	72,959,202	75,551,313
Loans payable, net	1,150,196	1,150,196
Interest payable	469,706	401,917
Deferred rent	1,282,264	560,468
Annuities payable	375,036	327,615
Deferred revenue	<u>7,000</u>	<u>152,800</u>
	<u>80,139,257</u>	<u>80,824,064</u>
Commitments (Note I)		
Net assets:		
Unrestricted	37,677,949	30,195,017
Temporarily restricted	<u>22,889,154</u>	<u>17,943,674</u>
Total net assets	<u>60,567,103</u>	<u>48,138,691</u>
	<u>\$ 140,706,360</u>	<u>\$ 128,962,755</u>

See notes to consolidated financial statements.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Consolidated Statements of Activities

	Year Ended December 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions	\$ 46,739,810	\$ 62,056,355	\$ 108,796,165	\$ 40,780,392	\$ 52,060,040	\$ 92,840,432
Special events (net of direct benefit to donors of \$1,055,788 and \$1,095,431 in 2016 and 2015, respectively)	3,272,734	2,877,591	6,150,325	2,574,501	2,864,127	5,438,628
Investment income gains (losses)	98,147		98,147	(27,509)		(27,509)
Rental income	286,452		286,452	429,678		429,678
Miscellaneous income	25,691		25,691	1,229,015		1,229,015
Total public support and revenue before release of restrictions	50,422,834	64,933,946	115,356,780	44,986,077	54,924,167	99,910,244
Net assets released from restrictions	59,988,466	(59,988,466)	0	55,930,047	(55,930,047)	0
Total public support and revenue	110,411,300	4,945,480	115,356,780	100,916,124	(1,005,880)	99,910,244
Expenses:						
Program services	90,245,875		90,245,875	87,863,177		87,863,177
Management and general	2,939,463		2,939,463	2,306,026		2,306,026
Fund-raising	9,743,030		9,743,030	7,468,983		7,468,983
Total expenses	102,928,368		102,928,368	97,638,186		97,638,186
Change in net assets	7,482,932	4,945,480	12,428,412	3,277,938	(1,005,880)	2,272,058
Net assets, beginning of year	30,195,017	17,943,674	48,138,691	26,917,079	18,949,554	45,866,633
Net assets, end of year	\$ 37,677,949	\$ 22,889,154	\$ 60,567,103	\$ 30,195,017	\$ 17,943,674	\$ 48,138,691

See notes to consolidated financial statements.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Consolidated Statements of Functional Expenses

	Year Ended December 31,									
	2016					2015				
	Program Services	Management and General	Fund-Raising	Direct Benefit to Donor	Total	Program Services	Management and General	Fund-Raising	Direct Benefit to Donor	Total
Grant awards	\$ 75,441,743				\$ 75,441,743	\$ 75,952,426				\$ 75,952,426
Salaries and wages	6,644,236	\$ 1,855,615	\$ 4,184,700		12,684,551	5,314,172	\$ 1,450,306	\$ 3,355,051		10,119,529
Payroll taxes and employee benefits	1,384,203	373,604	869,594		2,627,401	903,198	255,944	627,891		1,787,033
Data processing and bank fees	17,829	47,955	1,122,696		1,188,480	16,084	18,253	498,383		532,720
Professional fees	1,131,705	90,171	426,276		1,648,152	874,315	168,322	413,276		1,455,913
Recruitment and training costs	125,300	31,448	80,540		237,288	18,633	2,454	17,314		38,401
Technology	528,984	38,093	374,432		941,509	357,547	31,157	354,766		743,470
Scientific meetings	1,676,054				1,676,054	1,579,469				1,579,469
Travel and meetings		10,939	480,317		491,256		12,973	591,048		604,021
Postage and delivery	59,813	3,437	91,752		155,002	75,480	4,904	102,356		182,740
Office supplies and equipment	34,135	8,425	23,013		65,573	32,976	5,977	25,217		64,170
Advertising and publicity	767,946	1,255	324,859		1,094,060	811,812		245,821		1,057,633
Insurance	59,753	7,873	21,278		88,904	64,214	6,941	17,817		88,972
Printing and production	465,258	1,529	227,961		694,748	286,162	2,047	205,773		493,982
Dues and subscriptions	130,280	3,727	36,263		170,270	91,798	1,684	15,410		108,892
Occupancy	1,608,571	350,891	801,219		2,760,681	1,277,038	227,041	570,247		2,074,326
Depreciation and amortization	170,065	46,712	106,686		323,463	207,853	53,123	118,532		379,508
Other special events			571,444		571,444			310,081		310,081
Interest		67,789			67,789		64,900			64,900
	<u>90,245,875</u>	<u>2,939,463</u>	<u>9,743,030</u>		<u>102,928,368</u>	<u>87,863,177</u>	<u>2,306,026</u>	<u>7,468,983</u>		<u>97,638,186</u>
Direct benefit to donors				\$ 1,055,788	1,055,788				\$ 1,095,431	1,095,431
Total expenses	<u>\$ 90,245,875</u>	<u>\$ 2,939,463</u>	<u>\$ 9,743,030</u>	<u>\$ 1,055,788</u>	<u>\$ 103,984,156</u>	<u>\$ 87,863,177</u>	<u>\$ 2,306,026</u>	<u>\$ 7,468,983</u>	<u>\$ 1,095,431</u>	<u>\$ 98,733,617</u>

See notes to consolidated financial statements.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 12,428,412	\$ 2,272,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	323,463	379,508
Net realized and unrealized losses on investments	5,899	27,309
Donated securities	(41,103,707)	(40,625,442)
Proceeds from donated securities	41,094,040	40,630,986
Charitable gift annuities	(85,308)	(263,716)
Changes in:		
Contributions receivable	(4,602,655)	(321,855)
Prepaid expenses and other current assets	(565,422)	(24,425)
Inventory	10,001	2,663
Accounts payable and accrued expenses	1,216,098	539,093
Deferred revenues	(145,800)	152,800
Interest payable	67,789	64,900
Grants payable	(2,592,111)	8,257,448
Deferred rent	721,796	(84,188)
Annuities payable	47,421	180,127
Net cash provided by operating activities	<u>6,819,916</u>	<u>11,187,266</u>
Cash flows from investing activities:		
Purchases of property and equipment	(514,255)	(123,502)
Purchases of investments	(11,980,181)	(494,740)
Proceeds from sales of investments	<u>1,260,732</u>	<u>473,000</u>
Net cash used in activities	<u>(11,233,704)</u>	<u>(145,242)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(4,413,788)	11,042,024
Cash, cash equivalents, and restricted cash, beginning of year	<u>109,313,907</u>	<u>98,271,883</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 104,900,119</u>	<u>\$ 109,313,907</u>

See notes to consolidated financial statements.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Actor Michael J. Fox established The Michael J. Fox Foundation for Parkinson's Research ("MJFF U.S."), incorporated in Delaware in 2000, after publicly disclosing in 1998 that he had been diagnosed with Parkinson's disease seven years earlier, at age 29.

In 2009, The Michael J. Fox Foundation for Parkinson's Research in Canada ("MJFF Canada") was established as an officially registered tax-exempt charity in Canada. Due to MJFF U.S.'s financial influence over MJFF Canada and the two entities having governing-board members in common, the financial statements of the two entities have been consolidated (together, the "Foundation"). All significant intercompany accounts and transactions have been eliminated in consolidation. MJFF Canada's assets and liabilities and its operations were not significant at December 31, 2016 and 2015, and they are not reported separately in the accompanying consolidated financial statements.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and from state and local taxes under comparable laws. MJFF Canada is exempt from similar taxes under Canadian law.

Today, the Foundation is the world's largest not-for-profit funder of Parkinson's research. It is dedicated to accelerating a cure and improved therapies for the estimated five million people living with Parkinson's disease today. The Foundation pursues its goals through an aggressively funded, highly targeted research program, coupled with the active global engagement of scientists, Parkinson's patients, business leaders, clinical-trial participants, donors, and volunteers.

In addition to funding more than \$700,000,000 in research through the end of December 31, 2016, the Foundation has fundamentally altered the trajectory of progress toward a cure. Operating at the hub of worldwide Parkinson's research, the Foundation (i) forges groundbreaking collaborations with industry leaders, academic scientists and government research funders; (ii) leverages new technologies to amplify the patient voice in Parkinson's research; (iii) mobilizes patients and loved ones to increase the flow of participants into clinical trials; and (iv) coordinates community engagement efforts including patient policy advocacy, education and community building through the grassroots involvement of thousands of Team Fox members around the world.

From inception, the Foundation has invested in high-risk, high-reward research targets - an approach that in a few short years has transformed the field of Parkinson's disease research. The Foundation partners with the Parkinson's research community, speeding financial and intellectual resources to the scientists who are carrying out projects with the greatest promise to impact patients' lives in the near term. This includes strengthening the Parkinson's drug development pipeline by pushing forward investigations of genetic and other disease-modifying targets with the best chance of slowing Parkinson's disease progression, as well as by addressing patients' unmet symptomatic needs. To date, the Foundation has evaluated work on more than 600 therapeutic targets, and is supporting more than 100 clinical trials.

[2] Financial reporting:

(a) Basis of accounting:

The accompanying consolidated financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

(b) Use of estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Cash, cash equivalents, restricted cash, and investments:

For financial-statement purposes, cash and cash equivalents are composed of highly liquid financial instruments (such as U.S. Treasury notes or other government securities) with original maturities of three months or less at the date of acquisition, except for those held as a part of the investment portfolio. Cash and cash equivalents include approximately \$2,758,000 of restricted cash related to the Foundation's two letters of credit (see Note I[3]).

Canadian cash equivalents in United States dollars were approximately \$1,318,000 and \$613,000 for 2016 and 2015, respectively. Foreign-currency translation gains or losses are the inherent result of the process of translating Canadian dollars into U.S. dollars for financial-reporting purposes. The unrealized gains (losses) on this translation are included in the accompanying consolidated statements of activities.

The Foundation maintains a large balance of cash and highly liquid investments in recognition of the fact that a high percentage of these assets have already been committed to future research payments.

(d) Net assets:

The net assets of the Foundation and changes therein are classified and reported as follows:

(i) *Unrestricted:*

Unrestricted net assets represent those net assets that are not subject to donor restrictions and are available for current operations.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources the use of which has been restricted by donors to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying consolidated statements of activities as "net assets released from restrictions." A significant value amount of contributions raised from special events are restricted for research.

(e) Functional allocation of expenses:

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management. Indirect costs have been functionalized on the basis of time allocation.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Investments:

Investments include highly liquid financial instruments with original maturities of between four and twelve months at the date of acquisition.

Investments in marketable securities with readily determinable fair values were reported at their fair value as of December 31, 2015 in the accompanying consolidated statements of financial position. During 2016, the Foundation sold those securities.

Investment transactions are recorded on a trade-date basis. Realized and unrealized gains or losses on investments are determined by comparison of the specific cost at acquisition to proceeds at the time of disposition and are included in the accompanying consolidated statements of activities. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their fair value at the date of donation. The Foundation's policy is to sell donated securities immediately, and, accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sale are included as operating activities.

Investment expenses include the services of investment advisors. The balances of investment advisory fees disclosed in Note B are those specific fees charged by the Foundation's investment advisors in each year.

[4] Split-interest agreements:

A portion of the Foundation's assets result from deferred-giving vehicles subject to split-interest agreements. The Foundation currently maintains eight charitable gift annuities.

Charitable gift annuities are unrestricted, irrevocable gifts for which the Foundation agrees in turn to pay a life annuity to the donor or to a designated beneficiary. The contributions and the corresponding liabilities immediately become part of the general assets and liabilities of the Foundation, subject to the Foundation's maintaining an actuarial reserve in accordance with New York State Law.

The Foundation's liabilities associated with the charitable gift annuities are calculated on the basis of actuarial data commonly used by not-for-profit organizations. Discount rates published by the Internal Revenue Service ("IRS") are employed to determine the net present value of both contributions and liabilities pertaining to these deferred-giving arrangements.

[5] Inventory:

The Foundation's inventory consists of merchandise which is valued at the lower of cost or market value, determined on a first-in, first-out method.

[6] Intellectual property:

During 2016, the Foundation established a patent related to a Parkinson's invention. Future revenue from royalties will be recognized as the payments are received. The value of the patent is immaterial to the consolidated financial statements as a whole, and therefore, has not been reported in the accompanying statements of financial position.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Property and equipment:

Property and equipment are stated at their original costs at dates of acquisition, or, if contributed, at their fair values at the dates of donation. The Foundation capitalizes computer hardware and software, furniture and fixtures, and leasehold improvements with a cost of \$2,500 or more, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation of computer hardware and software and furniture and fixtures is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Leasehold improvements are amortized over the remaining lease term.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2016 and 2015, respectively, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[8] Grants payable:

The Foundation records appropriations for research grants as an expense and liability after approval by the Board of Directors, based upon (i) the recommendations of the Research Committee of the Board, with the guidance and input of the Scientific Advisory Board and other highly regarded scientists who serve on grant-review committees specializing in Parkinson's disease research and (ii) the availability of funding. Grants not expected to be paid within the following year are reported at their discounted present values.

[9] Deferred rent:

For financial reporting purposes, the aggregate minimum rent expense is recognized using the straight-line method over the terms of the lease. The accumulative difference between rent expense incurred by the Foundation and the rental amounts paid, which are attributable to scheduled rent increases, is reported as a deferred rent obligation in the accompanying consolidated statements of financial position.

[10] Accrued vacation:

Based on their tenure, the Foundation's employees are entitled to be paid for unused vacation time for a period up to five days, in the event that they leave the Foundation. Accordingly, at each year-end, the Foundation must recognize a liability for the amount that would be incurred if all employees with such unused vacation time were to leave; the obligation is recalculated every year. At December 31, 2016 and 2015, this accrued vacation obligation was approximately \$128,000 and \$56,000, respectively, and was reported in the accompanying consolidated statements of financial position as a part of accounts payable and accrued expenses.

[11] Revenue recognition:

a. Contributions, grants, and pledges:

Contributions and grants to the Foundation are recognized as revenue upon the receipt of specified cash or other assets or of unconditional pledges and are considered available for unrestricted use, unless specifically restricted on a temporary or permanent basis by the donor. Conditional contributions are recorded when the conditions have been met and, if received in advance, are recognized in the consolidated statements of financial position as deferred revenue. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Revenue recognition: (continued)

b. Rental revenue:

Revenue received from the sublease of the Foundation's prior office space is recognized ratably over the length of the term specified in the agreement. Revenue related to rental income received in advance is deferred until the following year.

[12] Advertising costs:

The Foundation expenses the cost of advertising as incurred. Advertising expenses were approximately \$1,094,000 and \$1,057,000 for 2016 and 2015, respectively.

[13] Volunteers:

A number of unpaid volunteers have made significant contributions of their time performing administrative functions for the Foundation. The value of this contributed time is not recorded in the accompanying consolidated financial statements because it does not meet the criteria for revenue recognition required by generally accepted accounting principles.

[14] Income tax uncertainties:

The Foundation follows the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because the Foundation has always recorded the potential liability for unrelated business income taxes related to its merchandise sales, and due to its general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on the Foundation's consolidated financial statements.

[15] Subsequent events:

The Foundation considers the accounting treatments, and the related disclosures in the current year's consolidated financial statements, that may be required as the result of all events or transactions that have occurred after December 31, 2016 through May 9, 2017, the date on which the financial statements were available to be issued.

[16] Reclassification:

Certain information in the prior year's consolidated financial statements has been reclassified to conform to the current year's presentation.

[17] Recent accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and the availability of resources, and (v) the presentation of operating cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2017. The Foundation will adopt ASU 2016-14 when it becomes effective.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE B - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Investments:				
Common stock			\$ 30,471	\$ 33,486
Cash and cash equivalents:				
Certificates of deposit	\$ 11,999,431	\$ 11,999,811	1,245,743	1,246,876
Charitable gift annuities	<u>616,319</u>	<u>594,663</u>	<u>531,011</u>	<u>514,576</u>
	<u>\$ 12,615,750</u>	<u>\$ 12,594,474</u>	<u>\$ 1,807,225</u>	<u>\$ 1,794,938</u>

At December 31, 2016 and 2015, concentrations of the Foundation's investment in excess of 10% of the fair values of its portfolio included approximately 95% and 69%, respectively, invested in certificates of deposits.

During each year, net investment income (losses) including losses from translation of foreign currencies, consisted of the following:

	Year Ended December 31,	
	2016	2015
Interest and dividends	\$ 88,441	\$ 82,194
Net realized losses	(9,667)	(3,761)
Net unrealized gains (losses) - investments	3,768	(7,167)
Net investment gains (losses) - charitable gift annuities	5,221	(16,381)
Net foreign-translation exchange gains (losses)	10,534	(82,244)
Investment advisory fees	<u>(150)</u>	<u>(150)</u>
	<u>\$ 98,147</u>	<u>\$ (27,509)</u>

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE B - INVESTMENTS (CONTINUED)

The availability of market data is monitored by the Foundation's management, to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During 2016 and 2015, there were no transfers among the fair-value hierarchy levels.

The following is a summary of the fair values of investments and other applicable assets at each year-end, in accordance with these fair-value levels:

	December 31, 2016		December 31, 2015		
	Level 3	Total	Level 1	Level 3	Total
Investments in common stock			\$ 30,471		\$ 30,471
Charitable gift annuities	<u>\$ 616,319</u>	<u>\$ 616,319</u>		<u>\$ 531,011</u>	<u>531,011</u>
Total	<u>\$ 616,319</u>	<u>\$ 616,319</u>	<u>\$ 30,471</u>	<u>\$ 531,011</u>	<u>\$ 561,482</u>

The Foundation's investments also include certificates of deposit which are considered to be long-term cash and cash equivalents, totaling \$11,999,431 and 1,245,743 in 2016 and 2015, respectively, and therefore are not included in the fair-value hierarchy.

The following table summarizes the changes in the fair value of the Level 3 investments in charitable gift annuities in 2016 and 2015:

Balance - December 31, 2014	\$ 267,295
Contributions	300,000
Amounts paid to annuitants	(19,903)
Net investment loss	<u>(16,381)</u>
Balance - December 31, 2015	531,011
Contributions	110,000
Amounts paid to annuitants	(29,913)
Net investment gain	<u>5,221</u>
Balance - December 31, 2016	<u>\$ 616,319</u>

Quantitative information regarding unobservable inputs developed by the Foundation and assumptions used to measure the fair value of split-interest agreements as of December 31, 2016 are as follows:

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Charitable gift annuities	\$ 616,319	Fair value of assets	Growth rate / discount rate	1.2% to 2.4%

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE C - CONTRIBUTIONS RECEIVABLE

At each year-end, contributions receivable are estimated to be collected as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Less than one year	\$ 9,682,357	\$ 12,838,941
One year to five years	<u>12,447,207</u>	<u>4,037,650</u>
	22,129,564	16,876,591
Reduction of pledges due in excess of one year to present value, at rates ranging from 3.5% - 6%	<u>(1,209,626)</u>	<u>(559,308)</u>
	<u>\$ 20,919,938</u>	<u>\$ 16,317,283</u>

Based on prior experience with its donors, including the prior history of collections, management expects all receivables to be fully collectible. Accordingly, no allowance for doubtful amounts has been provided.

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Computer hardware and software	\$ 462,858	\$ 384,813
Furniture and fixtures	154,343	83,044
Leasehold improvements	<u>2,187,378</u>	<u>1,822,467</u>
	2,804,579	2,290,324
Less accumulated depreciation and amortization	<u>(1,762,634)</u>	<u>(1,439,171)</u>
	<u>\$ 1,041,945</u>	<u>\$ 851,153</u>

During 2015, the Foundation disposed of fully depreciated assets with a cost basis of \$1,920,630.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE E - GRANTS PAYABLE

At each year-end, grants payable are due to be paid as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
In less than one year	\$ 57,278,096	\$ 59,790,852
In one-to-five years	<u>16,751,349</u>	<u>16,836,929</u>
	74,029,445	76,627,781
Reduction of grants due in excess of one year to present value, at rates ranging from 3% - 3.5%	<u>(1,070,243)</u>	<u>(1,076,468)</u>
	<u>\$ 72,959,202</u>	<u>\$ 75,551,313</u>

NOTE F - LOANS PAYABLE

In 2008, the Foundation entered into a loan agreement with a bank, the terms of which stipulate that the Foundation record the present value of \$2,450,000, discounted at a rate of 4.53% per annum. Interest is compounded on a semiannual basis, and no principal or interest payments are due until 2028.

During 2012, the Foundation entered into an additional loan agreement with the bank, the terms of which stipulate that the Foundation must record the loan's present value of \$228,600, discounted at a rate of 2.56% per annum. Interest is compounded on a semiannual basis, and no principal or interest payments are due until 2028.

The loan balances, net of original issue discounts, were \$1,150,196 as of both December 31, 2016 and 2015, respectively, and accrued interest payable as of December 31, 2016 and 2015 was \$469,706 and \$401,917, respectively. Funds obtained were applied to fund research focused on developing a cure for Parkinson's disease.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets were restricted for the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Research	\$ 12,698,726	\$ 16,783,518
Time restrictions	<u>10,190,428</u>	<u>1,160,156</u>
	<u>\$ 22,889,154</u>	<u>\$ 17,943,674</u>

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE G - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

During each year, net assets released from restrictions were due to the following:

	Year Ended December 31,	
	2016	2015
Research	<u>\$ 58,836,310</u>	\$ 55,730,047
Time restrictions	<u>1,152,156</u>	<u>200,000</u>
	<u>\$ 59,988,466</u>	<u>\$ 55,930,047</u>

NOTE H - RENTAL INCOME AGREEMENT

The Foundation had an agreement to sublease its prior office space in lower Manhattan (see Note I[1]) to an unrelated party expire in August 2016.

Rental income of \$286,452 and \$429,678, respectively, is recognized in the accompanying consolidated statements of activities as of December 31, 2016 and 2015.

NOTE I - COMMITMENTS

[1] Lease commitment:

As of January 1, 2016, the Foundation had leases for three office spaces, two located in Manhattan and one in Los Altos, California. During 2016, the Foundation's two leases for office spaces located in lower Manhattan (see Note H) and Los Altos, California expired. The midtown Manhattan lease remains in effect until January 2019.

During 2016, the Foundation signed two new lease agreements, the first for office space located in midtown Manhattan and the second for space located in Washington, D.C.; the leases will expire in 2029 and 2018, respectively.

Future minimum rent payments, exclusive of escalation charges and real estate taxes are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 6,515,224
2018	6,588,748
2019	5,496,703
2020	5,439,232
2021	5,686,443
Thereafter	<u>43,596,456</u>
	<u>\$ 73,322,806</u>

Rent expense for 2016 and 2015 was \$2,354,389 and \$1,542,789, respectively.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Consolidated Financial Statements December 31, 2016 and 2015

NOTE I - COMMITMENTS (CONTINUED)

[2] Contracts:

In the normal course of its business, the Foundation enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

[3] Letters of credit:

The Foundation has a \$795,636 unused letter of credit with a bank, which is required under the lease agreement for its existing office space in Manhattan. This letter of credit is also collateralized by a \$795,636 time deposit that the Foundation must maintain with the bank.

The Foundation has an additional \$3,923,739 unused letter of credit with a bank, which is required under the lease agreement for its existing office space in Manhattan. This letter of credit is also collateralized by a \$1,961,870 time-deposit that the Foundation must maintain with the bank.

The Foundation had a \$132,000 unused letter of credit with a bank, which was required under a lease agreement for office space in Manhattan that expired in 2016. The letter of credit was collateralized by a \$132,000 time-deposit that the Foundation had maintained with the bank and which was returned to the Foundation during 2016.

[4] Contingent funding for research:

The Foundation has been awarded contingent research funding of \$625,000 from several donors, to be received over the next several years. Since these funds are contingent upon the progress of research, these amounts have not been included in the accompanying consolidated financial statements.

NOTE J - RETIREMENT BENEFITS

The Foundation has a defined-contribution retirement plan, formed under U.S. Internal Revenue Code Section 401(k), that covers all employees who meet certain length-of-service requirements. The Foundation's contributions to the plan were \$664,189 and \$267,462 in 2016 and 2015, respectively.

NOTE K - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash with major banking institutions in amounts which, from time to time, may be in excess of federal insurance limits. Management believes that the Foundation has no significant risk of loss on these accounts that would result from the failure of the banking institutions.

NOTE L - CONCENTRATION OF REVENUE

During 2016 and 2015, approximately 43% and 42%, respectively, of the Foundation's total support and revenue was provided by two donors in both years.