

HOPE FUNDS FOR CANCER RESEARCH  
FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014  
WITH  
INDEPENDENT AUDITORS' REPORTS

## HOPE FUNDS FOR CANCER RESEARCH

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# GOLDEN, GORMLY & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS CONSULTANTS

46 HOLLEY STREET - P O BOX 150 - WAKEFIELD, RHODE ISLAND 02880

ROBERT C. GOLDEN, CPA  
BRIAN P. GORMLY, CPA

TELEPHONE (401) 783-1040  
FAX (401) 782-1040

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Hope Funds for Cancer Research  
Newport, Rhode Island

We have audited the accompanying statements of financial position of Hope Funds for Cancer Research (a nonprofit organization) as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, cash flows and the related notes for the years then ended.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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 financial statement presentation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Funds for Cancer Research as of December 31, 2015 and 2014, 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.

*Allen, Gormly & Company, Ltd.*

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Golden, Gormly & Company, Ltd.

February 3, 2016

HOPE FUNDS FOR CANCER RESEARCH  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014

    --A S S E T S--    

	DECEMBER 31,	
	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 781,283	\$ 746,274
Investment Accounts	1,282,517	942,727
Current Portion of Contributions Receivable	53,750	176,550
Prepaid Expense	65,778	60,401
Total Current Assets	<u>2,183,328</u>	<u>1,925,952</u>
<b>OTHER ASSETS</b>		
Contributions Receivable	<u>50,000</u>	<u>100,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,233,328</u></u>	<u><u>\$ 2,025,952</u></u>

    --LIABILITIES AND NET ASSETS--    

	DECEMBER 31,	
	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES:</b>		
Current Portion of Fellowships Payable	\$ 537,000	\$ 365,975
Deferred Revenue	29,500	7,800
Total Current Liabilities	<u>566,500</u>	<u>373,775</u>
<b>LONG-TERM LIABILITIES:</b>		
Fellowships Payable	<u>624,778</u>	<u>479,722</u>
Total Liabilities	<u>1,191,278</u>	<u>853,497</u>
<b>NET ASSETS:</b>		
Unrestricted	316,050	703,795
Temporarily Restricted	726,000	468,660
Total Net Assets	<u>1,042,050</u>	<u>1,172,455</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,233,328</u></u>	<u><u>\$ 2,025,952</u></u>

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

HOPE FUNDS FOR CANCER RESEARCH  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	DECEMBER 31, 2015		DECEMBER 31, 2014		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
<b>REVENUE &amp; SUPPORT:</b>					
Contributions:					
Annual Fund	\$ 262,807	\$ 300,000	\$ 562,807	\$ 396,160	\$ 1,011,961
Special Events, Net	282,518	0	282,518	0	259,267
Investment Return	(863)	0	(863)	0	(276)
Net Assets Released from Restriction	42,660	(42,660)	0	(46,500)	0
<b>Total Revenue &amp; Support</b>	<b>587,122</b>	<b>257,340</b>	<b>\$ 844,462</b>	<b>349,660</b>	<b>\$ 1,270,952</b>
<b>EXPENSES:</b>					
Program Services:					
Fellowships	778,913	0	778,913	0	622,577
Fellows - Program Costs at Events	38,005		38,005		64,600
Science, Medical & Research Information and Communication	72,171	0	72,171	0	62,425
Honoree Medals and Diplomas	7,319	0	7,319	0	10,640
<b>Total Program Services</b>	<b>896,408</b>	<b>0</b>	<b>896,408</b>	<b>0</b>	<b>760,242</b>
Fundraising Expenses	22,813	0	22,813	0	20,041
Management and General Expenses	55,646	0	55,646	0	36,998
<b>Total Expenses</b>	<b>974,867</b>	<b>0</b>	<b>974,867</b>	<b>0</b>	<b>817,281</b>
<b>CHANGE IN NET ASSETS</b>	<b>(387,745)</b>	<b>257,340</b>	<b>(130,405)</b>	<b>349,660</b>	<b>453,671</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>703,795</b>	<b>468,660</b>	<b>1,172,455</b>	<b>119,000</b>	<b>718,784</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 316,050</b>	<b>\$ 726,000</b>	<b>\$ 1,042,050</b>	<b>\$ 468,660</b>	<b>\$ 1,172,455</b>

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

HOPE FUNDS FOR CANCER RESEARCH  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing and Development	Total	
Fellowship Program	\$	778,913	778,913				\$ 778,913
Fellows - Program Costs at Events		38,005	38,005				38,005
Public Communication, Education		41,011	41,011				41,011
Postage, Supplies and Office	\$	2,538	2,538	19,062	6,035	25,097	27,635
Fellows Dinner		18,246	18,246				18,246
Professional Services		10,376	10,376				10,376
Awards to Honorees		7,319	7,319	3,288		3,288	13,664
Invitations							7,319
Administrative Services				11,439	16,778	16,778	16,778
Meeting Space				7,102		7,102	11,439
Rent & Utilities				13,190		13,190	7,102
Insurance				1,565		1,565	13,190
							1,565
Total	\$ 79,490	\$ 816,918	\$ 896,408	\$ 55,646	\$ 22,813	\$ 78,459	\$ 974,867

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

HOPE FUNDS FOR CANCER RESEARCH  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing and Development	Total	
Fellowship Program		\$ 622,577	\$ 622,577				\$ 622,577
Fellows - Program Costs at Events		64,600	64,600				64,600
Public Communication, Education		34,720	34,720				34,720
Postage, Supplies and Office	\$ 34,720		2,651	9,585	12,928	22,513	25,164
Fellows Dinner	2,651		15,054				15,054
Professional Services	15,054		10,000	10,258		10,258	20,258
Awards to Honorees	10,000		10,640				10,640
Invitations	10,640						10,640
Administrative Services					7,113	7,113	7,113
Meeting Space				5,915		5,915	5,915
Rent & Utilities				2,165		2,165	2,165
Insurance				7,367		7,367	7,367
				1,708		1,708	1,708
<b>Total</b>	\$ 73,065	\$ 687,177	\$ 760,242	\$ 36,998	\$ 20,041	\$ 57,039	\$ 817,281

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



HOPE FUNDS FOR CANCER RESEARCH  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (130,405)	\$ 453,671
Changes in Operating Assets and Liabilities:		
Contributions Receivable	172,800	(169,800)
Prepaid Expenses	(5,377)	132,149
Deferred Revenue	21,700	7,800
Fellowships Payable	316,081	280,662
Net Cash Provided From Operating Activities	374,799	704,482
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Accounts	(339,790)	(942,727)
INCREASE (DECREASE) IN CASH	35,009	(238,245)
CASH - BEGINNING OF YEAR	746,274	984,519
CASH - END OF YEAR	\$ 781,283	\$ 746,274

The accompanying notes are an integral part of these financial statements

HOPE FUNDS FOR CANCER RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF OPERATIONS**

Hope Funds for Cancer Research (the Hope Funds), a non-profit corporation, was organized under the General Laws of the State of Rhode Island on October 5, 2006 for the purpose of encouraging investigation of innovative cancer treatment, prevention and detection and to increase knowledge relating to cancer care, especially for the most difficult-to-treat cancers, through philanthropic support of scientific and medical research.

**BASIS OF ACCOUNTING**

The accompanying financial statements of the Hope Funds have been prepared on the accrual basis of accounting which recognizes revenue when earned and expenses when incurred and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

**INCOME TAXES**

The Hope Funds qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code.

The Hope Funds is subject to the provisions of ASC 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Hope Funds' general tax-exempt status, ASC 740-10-05 has not had, and is not anticipated to have, a material impact on the Hope Funds' financial statements. The Hope Funds believes it is no longer subject to income tax examinations for years prior to December 31, 2012.

**FINANCIAL STATEMENT PRESENTATION**

The Hope Funds is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Hope Funds is required to present a statement of cash flows.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management.

HOPE FUNDS FOR CANCER RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

**CONTRIBUTIONS**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**DONATED SERVICES**

Donated services are recognized as contributions in accordance with accounting standards at their fair market value, if the services: 1) create or enhance nonfinancial assets; or 2) require specialized skills and are performed by people with those skills or would otherwise be purchased by the Hope Funds. The Hope Funds receives donated services for legal, accounting, design, website development and event planning activities. Since the Hope Funds is an entirely volunteer organization, many individuals volunteer their time and perform a variety of professional and administrative tasks that greatly assist the Hope Funds perform its daily operations. No amounts have been reflected in the accompanying financial statements since these donated services do not meet the criteria for recognition.

**ADVERTISING AND MARKETING COSTS**

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for the years ended December 31, 2015 and 2014 totaled \$694 and \$6,998, respectively.

**FAIR VALUE MEASUREMENTS**

The Hope Funds applies generally accepted accounting principles for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as 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. Fair value is best determined based on independent quoted market prices. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority

HOPE FUNDS FOR CANCER RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

FAIR VALUE MEASUREMENTS (CONTD)

to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Mission has the ability to access at the measurement date.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

As of December 31, 2015, the Investment Accounts balance of \$1,282,517 was valued using Level 1 inputs. See Note 13 for additional information.

SUBSEQUENT EVENTS

The Hope Funds considers the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after the year-end through the date of the independent auditors' report, February 3, 2016.

RECLASSIFICATION

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

NOTE 2 – CASH AND CASH EQUIVALENTS

For the purposes of the accompanying statements of cash flows, the Hope Funds considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash and cash equivalents held in investment accounts. Funds are kept in institutions in regular checking and money market accounts. At December 31, 2015 the cash was invested as follows:

Checking Account with Bank of Newport	\$ 60,875
Savings Account with Bank of Newport	320,730
Savings Account with Washington Trust	249,789
Checking Account with J P Morgan Chase	10,084
Savings Account with J P Morgan Chase	<u>139,805</u>
Total Cash Balances	\$ <u>781,283</u>

HOPE FUNDS FOR CANCER RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions Receivable represents donations pledged but not received by December 31, 2015. The Hope Funds believes the amount to be fully collectible in 2016.

The following are maturities of the contributions receivable for each of the next five years and in the aggregate:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ <u>103,750</u>

**NOTE 4 – PREPAID EXPENSE & DEFERRED REVENUE**

Prepaid expense represents the Hope Funds prepayment amounts for the following expense categories:

Prepaid policy premium for its property and liability policy	\$ 375
Prepaid deposits to secure Gala venue for 2016	6,000
Prepaid deposits to secure Convening venue for 2016	22,500
Prepaid deposits to secure Convening materials for 2016	10,125
Prepaid deposits to secure Special Event venue for 2016	9,692
Prepaid deposits to secure Special Event invitations for 2016	2,931
Prepaid deposits to secure Gala linens for 2016	1,200
Prepaid deposits for Fellows Gala lodging for 2016	4,536
Prepaid deposits for Fellows Program Events for 2016	5,060
Prepaid deposit for 2016 honoree medals	2,400
Prepaid deposit for 2016 honoree awards	309
Office rent security deposit	<u>650</u>
	<b>\$ <u>65,778</u></b>

Deferred Revenue represents amounts received in 2015 towards the 2016 Panel Event and 2016 Scientific Convening

Deferred revenue for 2016 Scientific Convening Sponsorship	\$ 27,500
Deferred revenue for 2015 Event Tickets	<u>2,000</u>
	<b>\$ <u>29,500</u></b>

HOPE FUNDS FOR CANCER RESEARCH  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015 AND 2014

**NOTE 5 – FELLOWSHIPS PAYABLE**

The Hope Funds conducts a postdoctoral competition each year and awards fellowships typically covering three-year periods. The Hope Funds accounts for payments to a grantee institution in respect of Fellowship Expense by recording such expense in the full amount at the time the commitment is made with the grantee institutions. In 2015 the Hope Funds awarded five new three-year grants for total commitments of \$772,500. Three previously awarded grants were reduced during the year at the respective Fellow's request as to term or amount and one previously awarded grant was extended, overall increasing previous grant commitments by \$11,355. Awards payable as of December 31, 2015 total \$1,161,778 are expected to be paid as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 537,000
2017	440,000
2018	<u>184,778</u>
Total	<u>\$ 1,161,778</u>

**NOTE 6 – NET ASSETS – UNRESTRICTED & TEMPORARILY RESTRICTED**

Net Assets – Unrestricted net assets represent net assets set aside by the Board of Trustees that represent support raised in advance to fund future fellowship awards. Future three-year Fellowships will be awarded to postdoctoral scientists who propose to work on highly innovative research projects that challenge the traditional paradigms of understanding the causes, mechanisms, progression, disease markers or risk factors of the most difficult to treat cancers.

Net Assets – Temporarily Restricted represent net assets, which include donor restricted for named Fellowships to be paid in future years. The balance of \$726,000 as of December 31, 2015 consists of \$600,000 pledged and received towards the establishment of an endowed fellowship and \$126,000 received towards named fellowships that had not yet been disbursed.

**NOTE 7 – REVENUE AND SUPPORT**

The Hope Funds' major forms of support include direct contributions by individuals, corporations and foundations towards its Annual Fund and Special Events to raise funds for Fellowships as well as serving to honor luminaries in the field of cancer research, treatment and philanthropy.

HOPE FUNDS FOR CANCER RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

**NOTE 8 – SPECIAL EVENTS**

Since its Inaugural Awards Gala in August 2007, Hope Funds has held its Awards Gala annually. In 2008, 2009, 2010 and 2012 the Awards Gala was held at Marble House in Newport, RI. In 2011 the Awards Gala was held at the Union Club in New York City. In 2013 and 2014 the Awards Gala was held at the Metropolitan Museum of Art in New York City; and in 2015 the Awards Gala was held at the Breakers in Newport, RI. In 2016, the Awards Gala will be held at the Elms in Newport, RI

The Awards Gala event is held to celebrate the Hope Funds' commitment to encourage innovative cancer treatment and early-stage detection for the most understudied and difficult to treat cancers. It also provided a forum for scientific discussion and presentations, and raises funds for future Fellowships. The event brought together more than 120 trustees, advisors, scientists, physicians and friends of the Hope Funds for Cancer Research. In 2015 four distinguished individuals were honored for their collective achievements and commitments. The postdoctoral Fellows were given an outstanding forum in which to present their research findings.

In 2015 the Hope Funds hosted successful panel discussions in Rancho Santa Fe, CA; Newport, RI and in New York City. Members of the panels included Hope Funds Fellows and a senior cancer researcher. Guests from industry and academia met with scientists, physicians, business people and philanthropists. The panels are used to showcase the work and achievements of the Fellows, their Mentors and Advisors.

Gross proceeds from the Special Events in 2015 from sources including ticket prices, corporate support and individual donations totaled \$443,435. Total costs for these events amounted to \$198,922, or 44.9% of contributions to the Special Events. However, it is estimated that 28% of the total guests at these events were Fellows, Mentors and Honors, who do not pay. The total program costs for Fellows was \$38,005, or 19.1% of expenses for the Special Events.

**NOTE 9 - SCIENCE, MEDICAL & RESEARCH INFORMATION AND COMMUNICATIONS**

Expenses in this category amounted to \$62,425 in 2014 and \$72,171 in 2015. The Hope Funds expanded opportunities for its Fellows and Alumni-Fellows to present their research findings in public formats and to key-opinion-leaders in the field of cancer research.

HOPE FUNDS FOR CANCER RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash flows from operating activities as reported in the accompanying statements of cash flows for the years-ended December 31, 2015 and 2014, reflect no cash payment for interest or taxes.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Hope Funds entered a lease for office space in Newport, Rhode Island beginning March 1, 2015 for a period of 12 months and entered a lease for field office space in New York City beginning June 1, 2015 for 12 months. The minimum lease payments due under these leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2015	<u>\$10,510</u>

Total rent paid for the above property leases of the year ended December 31, 2015 was \$10,800.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Hope Funds maintains its cash balances at several financial institutions in amounts which, at times, may be in excess of federally insured limits. Management believes that the Hope Funds faces no significant risk of loss relating to a failure of one of the financial institutions.



HOPE FUNDS FOR CANCER RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 13 – INVESTMENT ACCOUNTS

The Hope Funds maintains investment accounts that contain various securities, which are carried at their fair value for financial statement purposes (See Note 1). It is the Hope Funds' investment policy to purchase and hold to maturity in the near term highly rated securities to fund committed and future fellowships. The aggregate cost and fair values of investment securities held as of December 31, 2015 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash equivalents	\$ 262,457	\$ 262,457	\$ 0
Certificates of Deposit	38,271	38,158	113
Corporate Bonds	398,367	398,859	(492)
ETF's and			
Closed-End Funds	262,980	267,022	(4,042)
Mutual Funds	<u>320,442</u>	<u>329,323</u>	<u>(8,881)</u>
	<u>\$ 1,282,517</u>	<u>\$ 1,295,819</u>	<u>\$ (13,302)</u>

As portrayed above, concentration of the Hope Funds' investments in excess of 10% of the fair value of its portfolio included approximately 20% invested in Cash Equivalents, 20% in ETF's and Closed-End Funds, 24% in Mutual Funds and 31% in Corporate Bonds.

NOTE 14 – INVESTMENT RETURN

Components of investment return are as follows:

Investment Securities	
Realized Losses	\$ (21)
Unrealized Losses	(16,393)
Interest and Dividends	<u>15,551</u>
Total Investment Return	\$ <u>(863)</u>