GLOBAL GENES

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Global Genes
Aliso Viejo, California

We have audited the accompanying financial statements of Global Genes (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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.

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Offices located in Orange and San Diego Counties

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Genes as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

White Nelson Diehl Evans LLP

Irvine, California
June 26, 2017

GLOBAL GENES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets:	
Cash and cash equivalents	$ 1,028,392
Inventories	17,545
Prepaid expenses and other current assets	115,994
Total Current Assets	1,161,931
Property and Equipment, at Net Book Value	39,526
Other Assets:	
Deposits	9,987
Total Assets	$ 1,211,444

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	$ 97,946
Accrued liabilities	53,812
Short-term payable	7,258
Total Liabilities	159,016
Net Assets:	
Unrestricted net assets	607,983
Temporarily restricted	444,445
Total Net Assets	1,052,428
Total Liabilities and Net Assets	$ 1,211,444

The accompanying notes are an integral part of these financial statements

GLOBAL GENES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Unrestricted Contributions and Net Revenues from Special Events:		
Contributions		$ 2,605,914
In-kind contributions		17,321
Special events	$ 785,558	
Less: direct special event expenses	(326,697)	
		458,861
Total Contributions and Net Revenues from Special Events		3,082,096
Net Assets Released from Restrictions		266,195
Total Unrestricted Support and Revenue		3,348,291
Expenses (See Statement of Functional Expenses)		3,413,390
Decrease in Unrestricted Net Assets		(65,099)
Temporarily Restricted Support:		
Contributions		483,728
Temporarily Restricted Assets Released from Restrictions		(266,195)
Increase in Temporarily Restricted Net Assets		217,533
Increase in Total Net Assets		152,434
Total Net Assets at December 31, 2015		899,994
Total Net Assets at December 31, 2016		$ 1,052,428

The accompanying notes are an integral part of these financial statements

GLOBAL GENES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Supporting Services: Total	Total Functional Expenses
Accounting	$ -	$ 37,418	$ -	$ 37,418	$ 37,418
Advertising and fundraising	65,878	-	20	20	65,898
Advocacy	6,040	-	-	-	6,040
Bank charges	-	643	-	643	643
Business registration fees	530	55	10,248	10,303	10,833
Business taxes	1,637	144	-	144	1,781
Computer and software	33,801	8,506	518	9,024	42,825
Conference and convention	350,057	-	-	-	350,057
Donations	14,750	500	-	500	15,250
Dues and subscriptions	481	225	5,988	6,213	6,694
Fees	16,070	53,116	84	53,200	69,270
Funded travel for patients	311,837	-	-	-	311,837
Grant program	97,694	-	-	-	97,694
In-kind expenses	14,081	3,240	-	3,240	17,321
Insurance	-	10,519	-	10,519	10,519
Legal	11,250	9,372	-	9,372	20,622
Loss on disposal of property and equipment	-	512	-	512	512
Meals and entertainment	251,216	17,833	-	17,833	269,049
Other professional services	34,387	7,780	14,180	21,960	56,347
Outside services	-	7,458	2,370	9,828	9,828
Patient services	233,735	536	-	536	234,271
Payroll taxes	77,577	9,923	2,706	12,629	90,206
Postage and shipping	19,189	4,885	527	5,412	24,601
Printing and reproduction	64,917	630	-	630	65,547
Promotional products	52,800	155	-	155	52,955
Rent	58,806	19,296	2,051	21,347	80,153
Repairs and maintenance	-	8,248	-	8,248	8,248
Salaries and wages	1,026,463	134,890	28,884	163,774	1,190,237
Science and discovery research	9,555	-	-	-	9,555
Supplies	40,177	9,618	307	9,925	50,102
Travel	141,815	5,850	-	5,850	147,665
Utilities	6,687	18,694	-	18,694	25,381
Workers compensation	7,405	948	258	1,206	8,611
Total Expenses before Depreciation	2,948,835	370,994	68,141	439,135	3,387,970
Depreciation of Property and Equipment	-	25,420	-	25,420	25,420
Total Functional Expenses	$ 2,948,835	$ 396,414	$ 68,141	$ 464,555	$ 3,413,390

The accompanying notes are an integral part of these financial statements

GLOBAL GENES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities:		
Increase in Net Assets	$	152,434
Noncash Items Included in Net Assets:		
Depreciation		25,420
Loss on disposal of property and equipment		512
Changes In:		
Other receivable		5,000
Inventories		9,404
Prepaid expenses and other current assets		(40,258)
Accounts payable		27,767
Accrued liabilities		6,413
Net Cash Provided by Operating Activities		186,692
Cash Flows from Investing Activities:		
Purchases of property and equipment		(10,129)
Net Cash Used in Investing Activities		(10,129)
Net Change in Cash and Cash Equivalents		176,563
Cash and Cash Equivalents at Beginning of Year		851,829
Cash and Cash Equivalents at End of Year	$	1,028,392

The accompanying notes are an integral part of these financial statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Global Genes (the "Organization") was incorporated as a nonprofit organization under the laws of the State of California in 2009. Their mission is to unify a global rare and genetic disease community by providing connections and resources to ease the burdens of affected families. The Organization emphasizes on increasing rare disease awareness, public and physician education, building community through social media, and funding research to find treatments and cures.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative U.S. GAAP.

In accordance with FASB ASC 958-205, *Presentation of Financial Statements,* the Organization's resources are classified for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. Accordingly, the net assets of the Organization are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. The Organization has $444,445 in temporarily restricted assets as of December 31, 2016.

- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. The Organization has no permanently restricted assets as of December 31, 2016.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include petty cash funds, bank checking accounts used for operating purposes, and investments with maturities of three months or less from the original purchase dates.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

Contributions of donated noncash assets are measured on nonrecurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Organization, are recorded at fair value in the period received. For the year ended December 31, 2016, the Organization received a total of $17,321 in donated goods and services, which is recorded as in-kind contributions on the statement of activities.

Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under FASB ASC 958-605 were not met and have not been reflected in the accompanying financial statements.

Inventories

Inventories are recorded at cost, determined by the first-in, first-out method. Inventory is made up primarily of clothing and other promotional items that the Organization sells on its website.

Contributions and Net Revenues from Special Events

The Organization relies on contributions from individuals, corporations, and other miscellaneous organizations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Property and Equipment

Property and equipment are stated at cost if purchased or estimated fair value if donated. Maintenance and repairs are expensed as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of 3 to 7 years. Leasehold improvements are capitalized at cost and are amortized over the shorter of the lease term or the estimated useful life of the related asset. Depreciation expense for the year ended December 31, 2016, totaled $25,420.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Long-Lived Assets and Asset Impairment

The Organization accounts for long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment.* FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of the value of such assets for the year ended December 31, 2016.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated among the programs and supporting services benefited.

Advertising and Fundraising Costs

Advertising and fundraising costs are charged to operations when incurred. For the year ended December 31, 2016, advertising and fundraising costs totaled $65,898 and are allocated accordingly on the statement of functional expenses.

Use of Estimates

The process of preparing financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

New Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842).* ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

New Pronouncements (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires an amended presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The amendments in this ASU do not provide a definition of restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-18 on the presentation of its financial statements.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and corresponding state code as a charitable organization whereby only unrelated business income, as identified by Section 509(a)(1) of the Code, is subject to income tax. The Organization had no unrelated business income during the year ended December 31, 2016. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization adheres to the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). In accordance with FASB ASC 740-10, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties. Years prior to 2014 are no longer subject to U.S. federal income tax examination, and the Organization is no longer subject to state income tax examinations for years before 2013.

Note 2: Concentrations, Risks, and Uncertainties

The Organization maintains cash and cash equivalents at one financial institution. At December 31, 2016, accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2016, the Organization had approximately $809,000 of cash and cash equivalents in excess of federally insured limits.

The Organization received a substantial portion of contributions from one source. During the year ended December 31, 2016, contributions from this one source accounted for approximately 13 percent of total contributions. At December 31, 2016, no amounts were due from this source in receivables.

Note 3: Property and Equipment

Property and equipment consist of the following at December 31, 2016:

Leasehold improvements	$	10,314
Furniture and fixtures		20,863
Computer software		63,766
Total property and equipment, at cost		94,943
Less: Accumulated depreciation		(55,417)
Property and Equipment, at Net Book Value	$	39,526

Note 4: Net Assets Released from Restriction

The following net assets were released from restriction for the year ended December 31, 2016:

Satisfaction of Program or Timing Restrictions:		
Undiagnosed patient program	$	3,500
2016 Corporate alliance		165,000
Grant program		97,695
Total Net Assets Released From Restriction	$	266,195

Note 5: Net Assets

Unrestricted Net Assets:		
Property and equipment, at net book value	$	39,526
Undesignated - available for programs		568,457
Total Unrestricted Net Assets	$	607,983

Note 5: Net Assets (Continued)

Temporarily Restricted Net Assets:	
Undiagnosed patient program	$ 11,168
Scholarship program	50,000
Grants giving program	1,777
2017 Corporate alliance and events	381,500
Total Temporarily Restricted Net Assets	$ 444,445

Note 6: Related-Party Transactions

During the year ended December 31, 2016, the Organization paid approximately $30,000 in legal fees to the law firm O'Connor, Schmeltzer & O'Connor where the spouse of a senior manager is a partner. There were no other related-party transactions during 2016.

Note 7: Commitments and Contingencies

Operating Lease

The Organization leases office space under a noncancelable operating lease expiring in November 2021. Minimum future rental payments under this noncancelable operating lease having remaining terms in excess of one year as of December 31, 2016, are as follows:

2017	$ 106,533
2018	109,814
2019	113,220
2020	116,792
2021	103,951
	$ 550,310

Rental expense for the year ended December 31, 2016, totaled $80,153.

Note 8: Subsequent Events

Events occurring after December 31, 2016, have been evaluated for possible adjustment to the financial statements or disclosure as of June 26, 2017, which is the date the financial statements were available to be issued.