FINANCIAL STATEMENTS

AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

THE BRAIN FOUNDATION INC.
(A NON-PROFIT ORGANIZATION)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

AD&A CPAs, LLC
26879 Barnsley Place, Chantilly, VA 20152
Phone • (703) 581-5043 • www.adacpas.com

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INDEPENDENT AUDITORS REPORT

To the Board of Directors of:
The Brain Foundation Inc.
P.O. Box 231227 Centreville, VA 20120

Report on the Financial Statements
We have audited the accompanying financial statements of The Brain Foundation Inc. (a non-profit organization), which comprises the statements of financial position as of June 30, 2017 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 controls 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 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 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Brain Foundation Inc. as of June 30, 2017 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.

AD&A CPAs, LLC   November 10, 2017

AD&A CPAs, LLC
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The Brain Foundation Inc.

STATEMENT OF FINANCIAL POSITION
As at June 30, 2017

Amounts in US$

Assets	
Current Assets	
Cash and cash equivalents	203,648
Accounts receivable, net	54,037
Total Current Assets	257,685
Restricted Deposits and Funded Reserves	
Real estate tax and insurance escrow	8,477
Replacement reserve	35,938
Total Restricted Deposits and Funded Reserves	44,415
Fixed Assets	
Land	911,475
Buildings and improvements	2,746,191
	3,657,666
Accumulated depreciation	(635,392)
Net Fixed Assets	3,022,274
Total Assets	3,324,374
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	5,553
Accrued real estate taxes	11,321
Accrued interest expense	4,797
Mortgage payable - current portion	40,962
Total Current Liabilities	62,633
Deposits and Prepaid Liability	
Tenant security deposits	6,476
Prepaid rent	2,088
Total Deposits and Prepaid Liability	8,564
Long-Term Liabilities	
Mortgages payable	3,105,666
Total Long-Term Liabilities	3,105,666
Net Assets	
Unrestricted	147,511
Total Net Assets	147,511
Total Liabilities and Net Assets	3,324,374

The accompanying notes are an integral part of these statements

The Brain Foundation, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Amounts in US $

	Unrestricted	Total
Revenue and Other Support :		
Grants and contributions	142,527	142,527
In-kind contributions	68,507	68,507
Housing rental income	131,002	131,002
Tenant assistance payments	33,320	33,320
Interest income	349	349
Total Revenue and Other Support	375,705	375,705
Expenses :		
Program services	284,707	284,707
Management and general	13,544	13,544
Fund raising	9,321	9,321
Total Expenses	307,572	307,572
Change in Net Assets	68,133	68,133
Net Assets, July 01, 2016	209,449	209,449
Prior Period Adjustment	(130,071)	(130,071)
Net Assets, June 30, 2017	147,511	147,511

The accompanying notes are an integral part of these statements

The Brain Foundation, Inc.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

	Amount in US $
CASH FLOW FROM OPERATING ACTIVITIES	
Change in net assets	68,133
Adjustments to reconcile net assets to net cash used by operating activities:	
Depreciation	98,342
Allowance for bad debt	4,243
Non-cash contribution of property and equipment	(68,507)
Increase in accounts receivables	(58,280)
Increase in restricted deposits and funded reserves	(4,805)
Decrease in prepaid taxes	5,158
Increase in accounts payable	100
Increase in accrued real estate taxes	11,321
Increase in accrued interest expense	4,797
Increase in deposits and prepaid Liability	1,872
Net cash (used) provided by operating activities	62,374
CASH FLOW FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(15,000)
Net cash (used) provided by investing activities	(15,000)
CASH FLOW FROM FINANCING ACTIVITIES	
Repayment of notes payable	(39,576)
Net cash (used) provided by financing activities	(39,576)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,798
Cash and cash equivalents, beginning of year	195,850
Cash and cash equivalents, end of year	203,648

The accompanying notes are an integral part of these statement

The Brain Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

Amount in US $

	Program Services	Management & General	Fund Raising	Total Support	Functional Expenses
Interest expense	70,646			-	70,646
Real estate taxes	33,358			-	33,358
Home owners dues	9,743			-	9,743
Insurance	8,131	3,079		3,079	11,210
Repairs and maintenance	30,743			-	30,743
Fund raising event			8,400	8,400	8,400
Legal and professional fees		9,865		9,865	9,865
Utilities	29,367			-	29,367
Bad debts	4,243			-	4,243
Office expenses	30	349	424	773	803
Supplies	104	164	497	661	765
Bank service charges		87		87	87
Depreciation	98,342			-	98,342
Total Expenses	284,707	13,544	9,321	22,865	307,572

The accompanying notes are an integral part of these statements

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Brain Foundation Inc. (hereinafter referred to as the "Organization") is a publicly supported, non-governmental, not-for-profit Organization, incorporated on June 10, 2003 in the State of Virginia. The Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code, as an Organization described in Section 501(c)(3); the Organization is similarly exempt from state income taxes.

The mission of the Organization is to provide affordable housing for those suffering from serious brain diseases, such as schizophrenia and bi-polar disorders, who are homeless or vulnerable to becoming homeless. The vision for the Organization is community based housing for the brain injured and diseased across the country and intend that the lessons learned and accomplishments of the Organization's efforts will serve as a model to achieve the vision.

Basis of Accounting

The financial statements have been prepared using the accrual method of accounting. As such, revenues are recorded when earned and expenses are recognized when incurred.

Financial Statement Presentation

The financial statements are presented in accordance with FASB Accounting Standard Codification (FASB ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Use of Estimates

The preparation 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on deposits with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Property and Equipment

Property and equipment are stated at cost. The threshold for capitalization is $ 1,000. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. Normal repairs and maintenance are charged against income. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

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

Donations of property and equipment are recorded as support at their estimated fair value.

Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The estimated lives used in determining depreciation are:

Building and building improvements	27.5 yrs.
Computer & Equipments	5 yrs.
Furniture & Fixtures	7 yrs.

Classification of Net Assets

Resources are classified for accounting and financial reporting purposes into three categories of net assets – Permanently restricted, Unrestricted and Temporarily restricted; according to the external donor–imposed restrictions and consistent with relevant laws(s). Unrestricted net assets include all resources that are not subject to donor-imposed restrictions of a more specific nature than those that only obligate the Organization to utilize funds in furtherance of its mission. Revenue received and expenses incurred in conducting the programs and services of the Organization are presented in the financial statements are unrestricted operating funds that increase or decrease unrestricted net assets.

Temporarily restricted net assets carry specific donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of passage of time or because the Organization has fulfilled the restrictions. Donor-restricted gifts that are not permanently restricted are reported as temporarily restricted contributions, regardless of when the net assets are expended. Transfers of temporarily restricted net assets associated with current expenditures for which the restrictions have been satisfied are reported as net assets released from restrictions.

Permanently restricted net assets are those that are subject to donor-imposed restrictions that will never lapse and thus are restricted to long-term investments and maintained permanently as endowment funds.

Revenue Recognition

Grant and Contribution Revenue

The Organization recognizes cash and non-cash contributions and unconditional promises to give (pledges) at fair value as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions, including inherent time limitations. Contributions, including cash, in-kind contributions, unconditional promises to give (pledges) and grants to the Organization, are recognized as revenue at fair value, upon the receipt of the earlier of either (i) unconditional pledges or commitments or (ii) cash or other assets.

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

Temporarily restricted net assets are re-classified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions when a stipulated time restriction ends and/or purpose restrictions is accomplished. Donor restricted contribution, whose restrictions are met in the same reporting period, are reproes as unrestricted support Conditional contributions are not recorded as support and revenues until the conditions are met.

Rental Revenue

The Organization operates affordable housing for those suffering from serious brain diseases, such as schizophrenia and bi-polar disorders, who are homeless or vulnerable to becoming homeless. Rents from these accommodations is received from tenants and in form of subsidies from the Fairfax County.

Rental income is recognized as revenue when they become due from residents, generally on the first day of each month. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the property are operating leases.

The regulatory agreement provides for rent subsidy under Section 8 of the qualifying tenants of the accommodation. The amount may vary depending upon the income of the qualifying tenants.

The rent subsidy during the year ended June 30, 2017 amounted to $33,320 and is included in the statement of activities. The housing assistance payments contract renews every year.

In-Kind Support

The Organization records various types of in-kind support, included contributed equipments and other property.

Contributed in-kind support is recognized in accordance with FASB Accounting Standard Codification 958-605-25. This pronouncement requires recognition of professional services received if those services (a) create or enhance long lived assets of (b) require specialized skills; are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are off-set by like amounts included in expense or assets.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, and would be typically needed to be purchased , are recorded at their fair values in the period received.

Several unpaid volunteers have made significant contributions of their time to the management of the Organization. The value of this donated time is not recognizable and is not reflected in these financial statements.

During the year ended June 30, 2017 value of in-kind support in form of donation of labor and materials for building improvements amounted to $ 68,507.

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

Allowance for Doubtful Accounts and Discounts

The management closely monitors outstanding rent receivables and provides for an allowance for bad debt and discounts, as of year-end, for balances that are deemed uncollectible. The allowance is based in management's historical collection experience, analysis of subsequent collections and review of existing tenant accounts receivable as to their collectability. It is reasonably possible that management's estimate of allowance will change and these estimates may be adjusted as more current information becomes available. The allowance for bad debts during the year amounted to $ 4,243.

Functional Allocation of Expenses

The costs of providing the programs and other activities of the Organization, have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs services and supporting services categories of management and fund raising.

Income Taxes

The Organization is a not-for-profit Organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a look back period of three years. In addition, the Organization has been classified as an Organization that is not a private foundation under Section 590(a)(1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the years ended December 31, 2016.

Uncertain Tax Provisions

Accounting for uncertain income tax positions, relating to both federal and state income taxes, are required when a more likely than not threshold is attained. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. The Organization has determined that its tax status as a Virginia non-profit corporation is its only tax position and is highly certain.

NOTE B – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balance in various bank deposit accounts which, at times may exceed Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE C – NOTES PAYABLE

(i) Affordable Housing Program Loans

The Organization has obtained several loans from Fairfax County Redevelopment and Housing Authority (a political subdivision of Commonwealth of Virginia), under Home Investment Partnerships Program ("HOME Program") and/or Community Development Block Grant Program ("CDBG Program"), run by this Public Housing Authority to foster Affordable Housing in the Fairfax County. These loans have been made to the Organization to assist the Organization to acquire various properties. Pursuant to the terms and conditions of the respective loans, in consideration of the Organization's operation of the property as an affordable housing, and consistent with the requirements of the HOME and CDBG Program, the Organization shall not be required to make principal amortization or interest payments on the Loan, as long as the Organization operates the property as an Affordable Housing and complies with the terms and conditions as defined under respective programs including continuance to operate the respective properties as an Affordable Housing for minimum time period as defined in respective loan agreements, which is generally 30 years from the date the property is put into service; with the exception of property located at 4108 Middle Ridge Drive, Fairfax, VA 22033, wherein the property is required to be operated continuously as an Affordable Housing for Adults with Disabilities in accordance with the requirements of the CDBG program for a minimum of 5 years from the date the property is first put into services ("Control Termination Date"). However, the Organization shall be obligated to repay the Loan in accordance with the terms of the respective Loans, if at any time prior to the Control Termination Date, the Organization (i) causes or permits a Transfer of any interest in the property or (ii) fails to operate the property for Affordable Housing or (iii) Repays the Loan or otherwise causes a Repayment Event as defined in the Deed of the Loan.

A list of various Loans obtained under the Affordable Housing Program, as at June 30, 2017 is as follows:

S.No.	Property address	Affordable Housing Program	Date of Promissory Note / Property Placed in Service	Amount in US$
1	4553 King Edward Court, Annandale, VA 22003	HOME	August 25, 2009	229,992
2	10452 Armstrong Street, Fairfax, VA 22030	HOME	February 4, 2010	229,000
3	4811 Great Hernon Terrace, Fairfax, VA 22033	HOME	September 27, 2012	232,080
4	4811 Great Hernon Terrace, Fairfax, VA 22033	CDBG	September 27, 2012	152,920
5	4226 Fox Lake Drive, Fairfax, VA 22033	CDBG	May 16, 2014	337,809
6	4226 Fox Lake Drive, Fairfax, VA 22033	HOME	May 16, 2014	77,191
7	1504 Farsta Court, Reston, VA 20190	HOME/CDBG	February 14, 2011	300,000
8	4108 Middle Ridge Drive, Fairfax, VA 22033	CDBG	October 23, 2015	251,000
	Total			1,809,992

The principal balance on these loans have been presented as Long Term Liabilities on the Balance Sheet accompanying these Financial Statements. The Management believes that it continues to and will continue to comply with the terms and conditions of the respective Affordable Housing Program and all such terms and condition set forth in the loans during the entire tenor of the loan. At the expiration of the Control Termination Dates and upon fulfillment of terms and condition for extinguishment of the respective loans, the amount of debt extinguished will be considered as Unrestricted Net Assets on the respective Control termination Date.

(ii) Other Loans

The Organization has obtained several loans from Virginia Housing Development Authority (VAHDA) and Fairfax County Redevelopment and Housing Authority (FCRHA) (a political subdivision of Commonwealth of Virginia), for acquisition of various properties to operate them as affordable housing and which are required to be serviced monthly. A summary of the various mortgages required to be serviced by the Organization is mentioned below -:

Property	Lender	Loan Origination Date	Term (Yrs.)	Interest Rate	Mortgage Payable @ June 30, 2017
3942 Wilcoxson Drive, Fairfax, VA 22031	VA HDA	November 1, 2006	30	4.75%	327,530
10403 Layton Hall Drive, Fairfax, VA 22030	VA HDA	September 19, 2007	30	6.25%	352,486
4568 King Edward Court, Annandale, VA 22003	VA HDA	June 23, 2008	25	6.25%	228,522
4553 King Edward Court, Annandale, VA 22003	FCRHA	August 25, 2009	30	2.00%	45,966
10452 Armstrong Street, Fairfax, VA 22030	VA HDA	February 4, 2010	30	5.25%	106,140
1504 Farsta Court, Reston, VA 20190	VA HDA	February 14, 2011	25	4.00%	37,443
4108 Middle Ridge Drive, Fairfax, VA 22033	VA HDA	October 26, 2015	25	2.00%	238,549
Total					1,336,636

Aggregate annual maturities of the mortgages payable over each of the next five years and thereafter are as follows:

FYE June 30, 2018	40,962
FYE June 30, 2019	43,485
FYE June 30, 2020	44,809
FYE June 30, 2021	48,650
FYE June 30, 2022	50,213
Thereafter	1,108,517
Total	1,336,636
Less : Current Maturities	(40,962)
Net long-term maturities	1,295,674

NOTE D – PRIOR PERIOD ADJUSTMENT

The prior period adjustment amounting to $ 130,071, primarily relates to rectification of the value of real estate reported in prior years including any impact of change in presentation of value of real estate which have mortgage extinguishment clauses associated with them and also change in presentation of the value of these mortgage balances presented on these financial statements. The prior period adjustment includes a prior year true-up of depreciation expense, amounting to approx. $108,094, related to the change in value of building; which has been charged directly against the net assets beginning balance, and not against the activities during the year.

NOTE E – SUBSEQUENT EVENTS

Management evaluated the Organization's subsequent events and the effects, if any, on financial statements through September 30, 2017 the date, which the financial statements were available to be issued and concluded that no subsequent events have occurred which required recording or disclosure.