

**THE PROGERIA RESEARCH FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

## TABLE OF CONTENTS

	<u>PAGE NO.</u>
<b>INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	2
Statements of Revenues and Expenses and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

---

# CARLETON, LOPEZ & WIESMAN CPA'S, INC.

---

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

To: The Board of Directors  
The Progeria Research Foundation, Inc.  
P.O. Box 3453  
Peabody, MA 01961-3453

### **Report on the Financial Statements**

We have audited the accompanying financial statement of The Progeria Research Foundation, Inc. (a Massachusetts Non-Profit Corporation) as of December 31, 2013, and the related statement of revenues, expenses and changes in net assets, 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.

### **Auditor's 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 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 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 assets, liabilities, and net assets of The Progeria Research Foundation, Inc. as of December 31, 2013, and its revenue and expenses and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

  
Carleton, Lopez & Wiesman CPA's, Inc.

November 10, 2014

**THE PROGERIA RESEARCH FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

	<b>UNRESTRICTED FUND</b>	<b>RESTRICTED FUND</b>	<b>PROPERTY FUND</b>	<b>TOTAL ALL FUNDS</b>
<b><u>ASSETS</u></b>				
<b><u>CURRENT ASSETS</u></b>				
Cash	\$ 3,890,553	\$ ---	\$ ---	\$ 3,890,553
Accounts Receivable	858	---	---	858
Prepaid Expenses	<u>35,085</u>	---	---	<u>35,085</u>
Total Current Assets	<u>3,926,496</u>	---	---	<u>3,926,496</u>
<b><u>PROPERTY AND EQUIPMENT</u></b>				
Office Equipment	---	---	22,453	22,453
Total	---	---	22,453	22,453
Less Accumulated Depreciation	---	---	<u>13,507</u>	<u>13,507</u>
Property & Equipment-Net	---	---	<u>8,946</u>	<u>8,946</u>
<b><u>OTHER ASSETS</u></b>				
Annuity Contract	196,952	---	---	196,952
Security Deposit	3,000	---	---	3,000
Patents net of Amortization	22,477	---	---	22,477
Other Investments	<u>77,009</u>	---	---	<u>77,009</u>
Total Other Assets	<u>299,438</u>	---	---	<u>299,438</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 4,225,934</u></b>	<b><u>\$ ---</u></b>	<b><u>\$ 8,946</u></b>	<b><u>\$ 4,234,880</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 172,216	\$ ---	\$ ---	\$ 172,216
Credit Cards	11,598	---	---	11,598
Accrued Expenses	13,218	---	---	13,218
Payroll Withholding	<u>5,838</u>	---	---	<u>5,838</u>
Total Liabilities	<u>202,870</u>	---	---	<u>202,870</u>
<b><u>NET ASSETS</u></b>	<b><u>4,023,064</u></b>	<b><u>---</u></b>	<b><u>8,946</u></b>	<b><u>4,032,010</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 4,225,934</u></b>	<b><u>\$ ---</u></b>	<b><u>\$ 8,946</u></b>	<b><u>\$ 4,234,880</u></b>

The Accompanying Notes are an integral part of these financial statements.

**THE PROGERIA RESEARCH FOUNDATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>UNRESTRICTED</u> <u>FUND</u>	<u>RESTRICTED</u> <u>FUND</u>	<u>PROPERTY</u> <u>FUND</u>	<u>TOTAL</u> <u>ALL</u> <u>FUNDS</u>
<b><u>OPERATING REVENUES</u></b>				
Contributions	\$ 1,567,208	\$ ---	\$ 3,975	\$ 1,571,183
Special Events	1,091,015	---	---	1,091,015
Government Grants	13,500	---	---	13,500
Interest and Dividends	<u>42,697</u>	<u>---</u>	<u>---</u>	<u>42,697</u>
Total Operating Revenue	<u>2,714,420</u>	<u>---</u>	<u>3,975</u>	<u>2,718,395</u>
<b><u>OPERATING EXPENSES</u></b>				
Program Service	2,007,403	---	---	2,007,403
Management & General	279,903	---	3,975	283,878
Fundraising	<u>80,668</u>	<u>---</u>	<u>---</u>	<u>80,668</u>
Total Operating Expenses	<u>2,367,974</u>	<u>---</u>	<u>3,975</u>	<u>2,371,949</u>
Excess of Operating Revenues Over Operating Expenses	342,471	---	3,975	346,446
<b><u>NET ASSETS, BEGINNING</u></b>				
<b><u>OF YEAR</u></b>	<u>3,685,564</u>	<u>---</u>	<u>---</u>	<u>3,685,564</u>
<b><u>NET ASSETS, END OF YEAR</u></b>	<u>\$ 4,028,035</u>	<u>\$ ---</u>	<u>\$ 3,975</u>	<u>\$ 4,032,010</u>

The Accompanying Notes are an integral part of these financial statements.

**THE PROGERIA RESEARCH FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>MANAGEMENT AND GENERAL</b>	<b>PROGRAM SERVICE</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
	\$	\$	\$	\$
Research Grants and Other Assistance	---	856,879	---	856,879
Postage & Shipping	7,031	8,614	---	15,645
Compensation of Current Officers	18,308	61,288	24,058	103,654
Other Salaries & Wages	119,710	121,991	---	241,701
Other Employee Benefits	2,511	11,433	2,732	16,676
Payroll Taxes	12,131	12,755	1,998	26,884
Insurance	1,928	---	---	1,928
Travel	965	3,583	---	4,548
Communications	5,089	10,482	---	15,571
Online Billing	23,164	---	---	23,164
Occupancy	17,504	4,376	---	21,880
Office Supplies	23,296	11	---	23,307
Computer Expenses	23,210	---	---	23,210
Printing	1,431	37,904	---	39,335
Professional Fees	17,072	2,097	---	19,169
Professional Development	752	---	---	752
Promotion	---	13,805	---	13,805
Cell & Tissue Bank	---	67,496	---	67,496
Diagnostic Testing	---	81,786	---	81,786
Dues & Memberships	2,102	---	---	2,102
Depreciation	4,656	---	---	4,656
Taxes - Other	500	---	---	500
Drug Trial	---	377,546	---	377,546
Consulting	---	122,467	---	122,467
Scientific Workshop	---	108,518	---	108,518
Medical & Research Database	---	104,372	---	104,372
Utilities	2,518	---	---	2,518
Other Fundraising Expenses	---	---	51,880	51,880
<b>TOTAL EXPENSES</b>	<b>\$ 283,878</b>	<b>\$ 2,007,403</b>	<b>\$ 80,668</b>	<b>\$ 2,371,949</b>

The Accompanying Notes are an integral part of these financial statements.

**THE PROGERIA RESEARCH FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Excess of Support Expenses over Revenues	\$ 346,446
Adjustments to Reconcile Excess Revenues Expenses to Net Cash Provided By Operating Activities:	
Depreciation & Amortization	4,656
Increase in Accounts Receivable	(455)
Increase in Prepaid Expenses	(24,862)
Decrease in Inventory	929
Increase in Security Deposit	(3,000)
Increase in Payroll Withholdings	172
Increase in Accounts Payable	164,780
Decrease in Accrued Expenses	<u>(12,329)</u>
Net Cash Provided by Operating Activities	<u>476,337</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Equipment	(5,969)
Increase in Annuity Contract	(4,333)
Increase in Patents	(23,158)
Increase in Investments	<u>(73,646)</u>
Net Cash Used by Investing Activities	<u>(107,106)</u>

**NET INCREASE IN CASH AND  
CASH EQUIVALENTS**

369,231

**CASH AND CASH EQUIVALENTS,  
BEGINNING OF YEAR**

3,521,322

**CASH AND CASH EQUIVALENTS,  
END OF YEAR**

\$ 3,890,553



**THE PROGERIA RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**PURPOSE OF ORGANIZATION.** The Progeria Research Foundation, Inc. (The Organization) supports, conducts, and carries on the activity of Medical Research in an effort to find the cause, treatment and cure for Hutchinson-Gilford Progeria Syndrome.

**BASIS OF ACCOUNTING.** The financial statements have been prepared on the accrual basis of accounting reflecting receivables and payables for the year.

**BASIS OF PRESENTATION.** The current financial statements are prepared in accordance with generally accepted accounting principles and standards of the American Institute of Certified Public Accountants.

Under these standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein 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 may or will be met either by actions of the organization and/or passage of time.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they may be maintained permanently by the organization.

**ESTIMATES.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**INCOME TAXES.** The Progeria Research Foundation, Inc. is exempt from Federal income taxes under Section (501)(c)(3) of the Internal Revenue Code. Contributions to The Progeria Research Foundation, Inc. are deductible by donors within the requirements of the Internal Revenue Code regulations.

**CASH AND CASH EQUIVALENTS.** For the purposes of the statements of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**THE PROGERIA RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2013**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FAIR VALUE MEASUREMENTS.** In accordance with codification topic 820 (ASC 820), the organization reports its qualifying assets and liabilities in accordance with the *Fair Value Measurements and Disclosures Standards* under U.S. GAAP. These standards define fair value, establish a framework for measuring fair value under and expand disclosures about fair value measurements. This policy establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value.

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

- Level 1-Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2-Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3-Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input is significant to the fair value measurement. The Progeria Research Foundation, Inc.'s qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

**PROPERTY AND EQUIPMENT.** Property and equipment are stated at cost if purchased, or fair market value at the date of receipt, if donated. Major expenditures for property acquisitions and those expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs and minor replacements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization are removed from the accounts and resulting gains or losses are included in income.

**DEPRECIATION.** Depreciation of property, plant and equipment is computed under accelerated methods and charged to expense over the estimated useful lives of the related assets. The estimated useful lives of the assets are:

	<u>Years</u>
Office Equipment	5

**THE PROGERIA RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2013**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CODIFICATION.** The Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) became the single official source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP. The Corporation's accounting policies were not affected by the conversion to ASC.

**REVENUE RECOGNITION.** In accordance with Statement ASC 958, Not-For-Profit Entities, contributions are recognized as revenue at their fair value when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restriction.

**EXPENSE ALLOCATION.** Expenses related directly to a program are distributed to that program while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

**NOTE B OCCUPANCY.** The Organization leases office space at 200 Lake Street, Peabody, Massachusetts under a five year lease commencing August 2013. The monthly rent from August 2013 through September 2016 is \$2,400 per month, increasing to \$3,000 per month from September 2016 through December 2016, and \$3,150 per month from January 2017 through December 2017.

Rent Expense for the year ended December 31, 2013 was \$21,880.

The future minimum commitment under this lease is:

Year Ending December 31,

2014	\$28,800
2015	\$28,800
2016	\$31,200
2017	\$37,800

**NOTE C PATENTS.** Patent costs for the development of a Farnesyltransferase inhibitors (FTIs) drug treatment for children with Progeria are amortized over seventeen years. Amortization for the year ending December 31, 2013 was \$681. At December 31, 2013 patents consisted of the following:

Patents	\$23,158
Accumulated Amortization	<u>681</u>
TOTAL	<u>\$22,477</u>

**THE PROGERIA RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2013**

**NOTE D INVESTMENTS.** Investments consist of the following at December 31, 2013:

Domestic Equities	\$77,009
-------------------	----------

The carrying amount reflected in the statement of assets, liabilities and net assets for the year ended December 31, 2013 approximate the respective fair value of those equities, based primarily on quoted market prices.

**NOTE E FINANCIAL INSTRUMENTS – CONCENTRATION OF CREDIT RISK.**

The organization maintains its cash in demand deposit accounts with federally insured financial institutions. At times, the balances in these accounts may be in excess of federally insured limits. Cash equivalents include money market funds which are not insured by FDIC or otherwise guaranteed by the U.S. Government. This risk is managed by maintaining all deposits in a high-quality institution.

**NOTE F UNCERTAINTY IN INCOME TAXES.** The organization adopted the new standards for Accounting for Uncertainty in 2012 Income Taxes, which required The Progeria Research Foundation, Inc. to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of December 31, 2013, the organization determined that it had no tax positions that did not meet the “more likely than not” threshold of being sustained by the applicable tax authority. The organization files tax and information returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

**NOTE G SUBSEQUENT EVENTS.** Management has considered subsequent events through November 10, 2014.