



Financial Statements
For the Year Ended
December 31, 2018

The Progeria Research Foundation, Inc.

Financial Statements
For the Year Ended December 31, 2018

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Independent Auditors' Report

To the Board of Directors
The Progeria Research Foundation, Inc.
Peabody, Massachusetts

We have audited the accompanying financial statements of The Progeria Research Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 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 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 Progeria Research Foundation, Inc. as of December 31, 2018 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.

Litman Benson Associates, LLP

Woburn, Massachusetts
September 18, 2019

The Progeria Research Foundation, Inc.

Statement of Financial Position

December 31, 2018

Assets

Current assets:

Cash and cash equivalents	\$	795,882
Contributions receivable, net		188,738
Investments		3,910,457
Prepaid expenses and other current assets		18,908
Total current assets		<u>4,913,985</u>

Property and equipment, net		<u>16,759</u>
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Other assets:

Patents, net		88,931
Website development costs, net		2,667
Security deposit		3,000
Total other assets		<u>94,598</u>

Total assets	\$	<u><u>5,025,342</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable and other current liabilities	\$	<u>483,203</u>
Total current liabilities		<u>483,203</u>

Net assets:

Without donor restrictions		4,387,973
With donor restrictions		<u>154,166</u>
Total net assets		<u>4,542,139</u>

Total liabilities and net assets	\$	<u><u>5,025,342</u></u>
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The accompanying notes are an integral part of the financial statements.

The Progeria Research Foundation, Inc.

Statement of Activities

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,396,641	\$ 85,000	\$ 1,481,641
Investment income, net	47,164	-	47,164
Government grant	47,500	-	47,500
Net assets released from restriction	391,165	(391,165)	-
	<u>1,882,470</u>	<u>(306,165)</u>	<u>1,576,305</u>
Special events	2,025,848	-	2,025,848
Less: costs of direct benefits to donors	(717,436)	-	(717,436)
	<u>1,308,412</u>	<u>-</u>	<u>1,308,412</u>
Total support and revenue before in-kind contributions	<u>3,190,882</u>	<u>(306,165)</u>	<u>2,884,717</u>
In-kind contributions	<u>591,941</u>	<u>-</u>	<u>591,941</u>
Total support and revenue	<u>3,782,823</u>	<u>(306,165)</u>	<u>3,476,658</u>
Expenses			
Program services	2,022,884	-	2,022,884
Supporting services	303,069	-	303,069
Fundraising	195,566	-	195,566
Total expenses before in-kind services	<u>2,521,519</u>	<u>-</u>	<u>2,521,519</u>
In-kind services	<u>591,941</u>	<u>-</u>	<u>591,941</u>
Total expenses	<u>3,113,460</u>	<u>-</u>	<u>3,113,460</u>
Change in net assets	669,363	(306,165)	363,198
Net assets at beginning of year	<u>3,718,610</u>	<u>460,331</u>	<u>4,178,941</u>
Net assets at end of year	<u>\$ 4,387,973</u>	<u>\$ 154,166</u>	<u>\$ 4,542,139</u>

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

The Progeria Research Foundation, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Services	Supporting Services	Fundraising	Total
Salaries and related expenses:				
Salaries and wages	\$ 272,058	\$ 134,135	\$ 131,588	\$ 537,781
Payroll taxes	27,152	13,575	13,401	54,128
Employee benefits	21,096	5,509	15,703	42,308
Total salaries and related expenses	<u>320,306</u>	<u>153,219</u>	<u>160,692</u>	<u>634,217</u>
Other expenses:				
Drug trial	762,436	-	-	762,436
Special events - costs of direct benefits to donors	-	-	717,436	717,436
Professional fees	592,900	31,120	-	624,020
Research grants and other assistance	460,750	-	-	460,750
Scientific workshop	99,013	-	-	99,013
Diagnostic testing	94,730	-	-	94,730
Medical and research database	94,044	-	-	94,044
Cell and tissue bank	85,515	-	-	85,515
Occupancy	9,720	38,880	-	48,600
Postage and shipping	20,601	8,859	17,799	47,259
Printing	28,585	419	-	29,004
Consulting	-	-	23,512	23,512
Computer expenses	-	18,876	-	18,876
Office expenses	-	18,728	-	18,728
Media expense	17,865	-	-	17,865
Depreciation and amortization	9,379	5,229	-	14,608
Communications	3,256	7,871	-	11,127
Travel	7,765	1,536	1,523	10,824
Online processing fees	-	8,905	-	8,905
Insurance	-	3,147	-	3,147
Dues and subscriptions	-	2,672	-	2,672
Life insurance	-	1,902	-	1,902
Temporary labor	-	1,009	-	1,009
Professional development	-	697	-	697
Total other expenses	<u>2,286,559</u>	<u>149,850</u>	<u>760,270</u>	<u>3,196,679</u>
Total expenses by function	2,606,865	303,069	920,962	3,830,896
Less items included within support and revenue:				
Special events - costs of direct benefits to donors	-	-	(717,436)	(717,436)
Total expenses as presented on the statement of activities	2,606,865	303,069	203,526	3,113,460
Less items separately stated on statement of activities:				
In-kind expense	(583,981)	-	(7,960)	(591,941)
Total expenses included in the functional categories on the Statement of Activities	<u>\$ 2,022,884</u>	<u>\$ 303,069</u>	<u>\$ 195,566</u>	<u>\$ 2,521,519</u>

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

The Progeria Research Foundation, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 363,198
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	14,608
Interest and dividends reinvested	(46,222)
Changes in operating assets and liabilities:	
Decrease in:	
Contributions receivable	410,625
Prepaid expenses and other current assets	99,393
Increase in:	
Accounts payable and other current liabilities	150,258
Net cash provided by operating activities	<u>991,860</u>
Cash flows from investing activities:	
Purchases of investments	(1,100,000)
Purchases of property and equipment	(7,694)
Payment of patent costs	(5,777)
Net cash used in investing activities	<u>(1,113,471)</u>
Net decrease in cash and cash equivalents	(121,611)
Cash and cash equivalents at beginning of year	<u>917,493</u>
Cash and cash equivalents at end of year	<u>\$ 795,882</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>

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

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

1. Nature of Business

The Progeria Research Foundation, Inc. (the Organization) is a nonprofit organization established in 1999 in the Commonwealth of Massachusetts to discover treatments and the cure for Hutchinson-Gilford Progeria Syndrome and its aging-related disorders, including heart disease.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) to ensure the statements of financial position, activities, functional expenses and cash flows are consistently reported. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (ASC).

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the financial statements follows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows FASB ASC Topic No. 958 *Not-for-Profit Entities* (ASC 958). Under ASC 958, the Organization is required to report information regarding its net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets without restrictions include amounts available for use in general operations and not subject to donor-imposed restrictions. The Organization's board may designate net assets without restrictions for specific operational purposes from time to time.

With Donor Restrictions

Net assets with restrictions include amounts resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some stipulations are temporary in nature that expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. If the stipulation is fulfilled in the same time period in which the contribution is received, the contribution is reported as having no restrictions in the year received. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid instruments with original maturities of three months or less, when purchased, to be cash equivalents.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

2. Summary of Significant Accounting Policies...continued

Contributions Receivable

Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed stipulations, if any, on the contribution. Contributions receivable outstanding at December 31, 2018 are expected to be collected over the next fiscal year. The Organization provides for losses on accounts using the allowance method. The allowance for doubtful accounts is based on experience and other circumstances which may affect the ability of contributors to meet their obligations. Receivables are considered uncollectible if full payments are not received in accordance with the terms of the pledge. At December 31, 2018, the Organization has determined contributions receivable to be fully collectible. Accordingly, no allowance for doubtful accounts was recorded.

Investments

The Organization follows FASB ASC Topic No. 958-320 *Accounting for Certain Investments Held by Not-for-Profit Organizations* (ASC 958-320). Under ASC 958-320, investments are reported at fair value. Related interest and dividends are recorded on the accrual basis. Investment income or loss, which consists of interest and dividend income, realized gains and losses, and unrealized gains and losses on those investments, is included in support and revenue in the statement of activities.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line and accelerated methods over estimated useful lives ranging between five and fifteen years. The Organization capitalizes expenditures for property and equipment with a cost in excess of \$1,000. Expenditures for maintenance and repairs are charged to expense as incurred and expenditures which significantly increase values or extend useful lives are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts and the gain or loss thereon is reflected in the statement of activities.

Patents

Patents are capitalized and amortized on a straight-line basis over their estimated useful lives. The Organization capitalizes certain costs to maintain, defend and renew patents as incurred and amortizes those costs over the remaining life of the related patent.

Website Development Costs

The Organization follows FASB ASC Topic No. 350-50 *Website Development Costs* (ASC 350-50). Under ASC 350-50, website development costs incurred in the development phase of a website are capitalized to the extent their estimated useful life exceeds one year. Costs incurred that relate to the planning and post-implementation phases are expensed as incurred. Costs associated with the repair and maintenance of the existing site or development of website content are expensed as incurred.

Fair Value Measurements

The Organization discloses the fair value of investments (see Note 6) in accordance with FASB ASC Topic No. 820 *Fair Value Measurements* (ASC 820). The framework under ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

2. Summary of Significant Accounting Policies...continued

Fair Value Measurements...continued

The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation Techniques

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Certificates of Deposit

Certificates of deposit are valued at amortized cost plus accrued interest, which approximates fair value, and are classified as Level 2.

Annuity Contract

The annuity contract is reported at contract value, which approximates fair value. Contract value represents contributions made under the agreement, plus earnings, less withdrawals and administrative expenses. As this investment is contract-based, observable prices for identical or similar investments do not exist, and accordingly, the investment is valued using unobservable inputs and is classified as Level 3.

Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until they become unconditional, that is, at the time the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of property and equipment and other long-lived assets are also reported as revenue and net assets without donor restrictions, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

2. Summary of Significant Accounting Policies...continued

Revenue Recognition...continued

Contributions...continued

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 support with donor restrictions depending upon the condition(s) stipulated by the donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the amount is reported as without donor restrictions in the year received.

In-Kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the estimated fair value of contributed services if such services meet the following criteria:

- The services received either create or enhance nonfinancial assets, or
- The services received require special skills and are provided by individuals possessing those skills, and the services received would typically need to be purchased if not contributed.

During the year ended December 31, 2018, the Organization received donated legal and consulting services with estimated fair values of \$591,941, which have been recognized as in-kind contributions and expenses on the accompanying statement of activities. A significant portion of donated legal fees was for legal services provided in connection with a proposed collaboration agreement with a pharmaceutical company to provide ongoing supply of trial drug and to pursue FDA review and potential approval for a treatment for Progeria.

In addition, many individuals volunteered their time and performed a variety of tasks to assist the Organization in carrying out its mission during the year ended December 31, 2018. These services did not meet the recognition criteria for contributed services. Accordingly, a value for these services has not been reflected in the accompanying statement of activities.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification, while other expenses are allocated based on management's systematic and rational policy as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages, payroll taxes and employee benefits	Time and effort
Occupancy	Square footage

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

2. Summary of Significant Accounting Policies...continued

Income Taxes

The Organization is a nonprofit organization, which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and is a public charity according to Section 509(a)(1) of the IRC. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization accounts for the uncertainty in income taxes in accordance with the provisions of FASB ASC Topic No. 740 *Income Taxes* (ASC 740), which prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements.

When necessary, the Organization accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. The Organization does not expect that unrecognized tax benefits arising from tax positions will change significantly within the next 12 months.

Recently Adopted Accounting Policies

During the year ended December 31, 2018, the Organization implemented Accounting Standards Update (ASU) No. 2016-14, *Financial Statements of Not-for-Profit Entities*. The ASU retroactively changes how the Organization reports net asset classes, expenses and liquidity in the financial statements. Specifically, the changes are as follows:

- Donor restricted net assets are presented as two classes (without donor restrictions and with donor restrictions) rather than three (unrestricted, temporarily restricted and permanently restricted). In addition, the ASU requires donor restricted net assets for the acquisition of property and equipment to be released when acquired rather than over the estimated useful life of the property and equipment.
- Expenses are presented by their functional and natural classifications in one location in the financial statements, which was not required for all not-for-profit entities previously. Further, the Organization discloses how expenses are being allocated in detail rather than in general.
- Investment return is presented net of external and direct internal expenses. In addition, the ASU requires any underwater portion of the Organization's endowment funds to be reported with net assets with donor restrictions rather than with net assets without donor restrictions.
- The statement of cash flows retains the option to present operating cash flows using either the direct or the indirect method; however, if the direct method is used, there is no requirement to present the reconciliation of change in net assets to net cash from operations.
- Disclosure of the quantitative and qualitative information about the Organization's management of liquid resources and availability of financial assets to meet cash needs within one year of the statement of financial position date.

Accordingly, the beginning balances of the donor restricted net asset categories (temporarily and permanently restricted) have been adjusted to consolidate all donor restricted net assets into one classification (with donor restrictions). Additionally, there were no other changes to the financial statements as a result of this ASU, except for the required disclosures about expense allocations and the liquidity and availability of financial assets.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

3. Liquidity and Availability

Financial assets available for general expenditures within one year of the statement of financial position date at December 31, 2018 consisted of the following:

Cash and cash equivalents	\$ 795,882
Contributions receivable, net	188,738
Investments	<u>3,910,457</u>
Total financial assets	4,895,077
Less net assets with donor restrictions	(10,000)
Less investments	<u>(3,910,457)</u>
Total financial assets available for general use	<u>\$ 974,620</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions for a specified purpose within one year of the statement of financial position date. The Organization's financial assets have not been reduced by amounts not available for general use because of donor imposed restrictions subject to the passage of time as the Organization reasonably expects to collect all contributions receivable during the year ended December 31, 2019. Assets available for general expenditures within one year of the statement of financial position date at December 31, 2018 excludes investments totaling \$3,910,457 due to the fact maturity dates are in 2020. However, the investments could be liquidated and made available during the year ended December 31, 2019, subject to penalties.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in certificates of deposit and a short-term investment. The Organization increases financial assets through annual and semi-annual events, individual and corporate gifts, and foundation and other grants. The Organization has a goal to raise funds equal to the expected general expenditures annually, where surpluses will be utilized for subsequent year program expenditures. It also maintains a balance of liquid assets to support any unanticipated liquidity needs.

4. Annuity Contract

The Organization has entered into a fixed annuity contract with Massachusetts Mutual Life Insurance Company (Mass Mutual). The Organization's contract investment balance is credited with earnings based upon contractually determined interest rates, and is charged for withdrawals and administrative expenses. Mass Mutual establishes an effective annual interest rate. In no event will such effective annual interest rate be less than the minimum interest rate as defined by the contract. The annuity contract is included in the statement of financial position at contract value as reported by Mass Mutual, which approximates fair value. There are no reserves against contract value for credit risk of the issuer or otherwise.

The minimum guaranteed interest rate is 1.75%. For the year ended December 31, 2018, the average yield was approximately 1.75%.

The contract did not specify the circumstances under which the issuer may terminate the contract other than a written notice to the contract holder 30 days prior to the intended termination date. Currently, management believes that the occurrence of an event that would cause the Organization to receive less than contract value is not probable.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

5. Investments

A comparison of the actual costs and fair values of investments at December 31, 2018 is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Investments held at fair value:			
Certificates of deposit	\$ 3,694,354	\$ 3,694,354	\$ -
Annuity contract	<u>216,103</u>	<u>216,103</u>	<u>-</u>
	<u>\$ 3,910,457</u>	<u>\$ 3,910,457</u>	<u>\$ -</u>

The following schedule summarizes investment income for the year ended December 31, 2018:

Interest and dividends	<u>\$ 47,164</u>
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6. Fair Value Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities:				
Certificates of deposit	\$ -	\$ 3,694,354	\$ -	\$ 3,694,354
Annuity contract	<u>-</u>	<u>-</u>	<u>216,103</u>	<u>216,103</u>
	<u>\$ -</u>	<u>\$ 3,694,354</u>	<u>\$ 216,103</u>	<u>\$ 3,910,457</u>

The following table summarizes the changes in the carrying value associated with Level 3 financial instruments carried at fair value during the year ended December 31, 2018:

Balance at beginning of year	\$ 212,387
Investment income, net	<u>3,716</u>
Balance at end of year	<u>\$ 216,103</u>

7. Property and Equipment

Property and equipment at December 31, 2018 consisted of the following:

Furniture and equipment	\$ 47,570
Leasehold improvements	<u>7,132</u>
	54,702
Less: accumulated depreciation	<u>(37,943)</u>
	<u>\$ 16,759</u>

Depreciation expense totaled \$5,229 for the year ended December 31, 2018.

8. Patents

Patent costs for the development of a Farnesyltransferase inhibitors (FTIs) drug treatment for children with Progeria totaled \$119,645, net of accumulated amortization of \$30,714, at December 31, 2018. Amortization expense totaled \$7,379 for the year ended December 31, 2018.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

8. Patents...continued

Amortization expense for the years ending December 31st are as follows:

2019	\$	7,587
2020		7,587
2021		7,587
2022		7,587
2023		7,587
Thereafter		<u>50,996</u>
	\$	<u>88,931</u>

9. Website Development Costs

Website development costs capitalized totaled \$6,000, net of accumulated amortization of \$3,333, at December 31, 2018. Amortization expense totaled \$2,000 for the year ended December 31, 2018.

Amortization expense for the years ending December 31st are as follows:

2019	\$	2,000
2020		<u>667</u>
	\$	<u>2,667</u>

10. Net Assets

Net assets with donor restrictions at December 31, 2018 are restricted for the purposes or periods as follows:

Subject to expenditure for specified purpose:

PRF Handbook	\$	10,000
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Subject to the passage of time:

Unconditional promises to give		<u>144,166</u>
	\$	<u>154,166</u>

Net assets with donor restrictions were released from donor restrictions during the year ended December 31, 2018 by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

Expiration of time restrictions	\$	316,165
Satisfaction of purpose restrictions:		
Research grants		<u>75,000</u>
	\$	<u>391,165</u>

11. Retirement Plans

The Organization has established a retirement plan under Section 401(k) of the Internal Revenue Code covering substantially all employees. The Organization may elect to provide a discretionary employer matching contribution. For the year ended December 31, 2018, the Organization did not make an employer matching contribution.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

12. Commitments

Office and Equipment Leases

The Organization leases office space under a non-cancelable operating lease, which expires on December 31, 2022. The lease provides for annual increases in base rent amounts over the term of the lease. Rent expense under this office lease totaled \$48,600 for the year ended December 31, 2018.

The Organization leases office equipment under two non-cancelable operating leases, which expire at various times through February 2021. Rent expense under these equipment leases totaled \$11,425 for the year ended December 31, 2018.

Future minimum lease payments required under these leases for the years ending December 31st are as follows:

2019	\$ 58,928
2020	55,788
2021	54,598
2022	<u>55,800</u>
	<u>\$ 225,114</u>

Research Grants and Other Assistance

The Organization provides research grants and other assistance to qualified doctors and scientists to conduct research for the treatment and cure for Hutchinson-Gilford Progeria Syndrome and its aging-related disorders, including heart disease. These grants are awarded bi-annually and are subject to certain reporting and other requirements in accordance with the specific grant applications, which payment by the Organization may be withheld until the requirements have been met by the researcher. Payments under the grants are accrued quarterly in the accompanying statement of financial position.

Future payments committed to under these research grants for the years ending December 31st are as follows:

2019	<u>\$ 56,250</u>
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Collaboration and Supply Agreement

During the year ended December 31, 2018, the Organization entered into a ten-year agreement with the option to renew for two years with an unrelated party to aid in the supply of a drug for trials, research, and children with Progeria with the intent to apply for FDA approval. The unrelated party is responsible for all costs related to studies up to the first \$2,000,000 and all costs thereafter will be allocated equally between the Organization and the unrelated party. The Organization has the option to terminate the agreement if the FDA application is not submitted by December 31, 2019.

13. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and contributions receivable.

The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured 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.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2018

13. Concentrations of Credit Risk...continued

Revenue from one donor represented 30% of the total revenue balance at December 31, 2018.

Contributions receivables from four donors represented 85% of the outstanding balance of \$188,738 at December 31, 2018.

14. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through September 18, 2019 the date the financial statements were available to be issued.