



## Financial Statements

For the Year Ended  
December 31, 2019

# The Progeria Research Foundation, Inc.

## Financial Statements

For the Year Ended December 31, 2019

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500 West Cummings Park, Suite 5650  
Woburn, MA 01801

781-569-4700

lgallp.com



### *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, 2019 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, 2019 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/Garrison Associates, LLP*

Woburn, Massachusetts  
September 14, 2020

# The Progeria Research Foundation, Inc.

Statement of Financial Position

December 31, 2019

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## Assets

### Current assets:

Cash and cash equivalents	\$ 2,729,199
Contributions receivable, net	151,293
Investments	4,391,532
Prepaid expenses and other current assets	42,569
Total current assets	<u>7,314,593</u>

Property and equipment, net	<u>44,011</u>
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### Other assets:

Patents, net	81,345
Website development costs, net	8,109
Security deposit	3,000
Total other assets	<u>92,454</u>

Total assets	<u>\$ 7,451,058</u>
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## Liabilities and Net Assets

### Current liabilities:

Accounts payable and other current liabilities	\$ 481,162
Refundable advances	27,453
Total current liabilities	<u>508,615</u>

### Net assets:

Without donor restrictions	6,919,947
With donor restrictions	22,496
Total net assets	<u>6,942,443</u>

Total liabilities and net assets	<u>\$ 7,451,058</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions	\$ 4,506,662	\$ 22,496	\$ 4,529,158
Investment income, net	102,997	-	102,997
Government grant	45,366	-	45,366
Net assets released from restriction	154,166	(154,166)	-
	<u>4,809,191</u>	<u>(131,670)</u>	<u>4,677,521</u>
Special events	409,084	-	409,084
Less: costs of direct benefits to donors	(39,817)	-	(39,817)
	<u>369,267</u>	<u>-</u>	<u>369,267</u>
Total support and revenue before in-kind contributions	<u>5,178,458</u>	<u>(131,670)</u>	<u>5,046,788</u>
In-kind contributions	<u>387,862</u>	<u>-</u>	<u>387,862</u>
Total support and revenue	<u>5,566,320</u>	<u>(131,670)</u>	<u>5,434,650</u>
<b>Expenses</b>			
Program services	2,144,918	-	2,144,918
Supporting services	344,169	-	344,169
Fundraising	157,397	-	157,397
Total expenses before in-kind services	<u>2,646,484</u>	<u>-</u>	<u>2,646,484</u>
In-kind services	<u>387,862</u>	<u>-</u>	<u>387,862</u>
Total expenses	<u>3,034,346</u>	<u>-</u>	<u>3,034,346</u>
Change in net assets	2,531,974	(131,670)	2,400,304
Net assets at beginning of year	<u>4,387,973</u>	<u>154,166</u>	<u>4,542,139</u>
Net assets at end of year	<u>\$ 6,919,947</u>	<u>\$ 22,496</u>	<u>\$ 6,942,443</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, 2019

	Program Services	Supporting Services	Fundraising	Total
Salaries and related expenses:				
Salaries and wages	\$ 332,344	\$ 151,535	\$ 107,689	\$ 591,568
Payroll taxes	35,830	16,178	10,154	62,162
Employee benefits	29,674	16,846	8,125	54,645
Total salaries and related expenses	<u>397,848</u>	<u>184,559</u>	<u>125,968</u>	<u>708,375</u>
Other expenses:				
Drug trial	559,654	-	-	559,654
Professional fees	388,472	34,362	-	422,834
Future trial efforts	353,760	-	-	353,760
Research activities	282,855	-	-	282,855
Research grants	112,784	-	-	112,784
Cell and tissue bank	98,014	-	-	98,014
Diagnostic testing	84,612	-	-	84,612
Medical and research database	80,263	-	-	80,263
Media expense	71,638	-	-	71,638
Occupancy	9,966	40,320	-	50,286
Postage and shipping	21,277	6,303	15,586	43,166
Special events - costs of direct benefits to donors	-	-	39,817	39,817
Printing	31,149	787	-	31,936
Depreciation and amortization	16,246	5,702	-	21,948
Computer expenses	-	21,517	-	21,517
Office expenses	-	20,637	-	20,637
Patient handbooks	16,541	-	-	16,541
Consulting	-	-	14,592	14,592
Communications	5,718	6,148	-	11,866
Online processing fees	-	11,491	-	11,491
Travel	1,983	2,751	1,251	5,985
Insurance	-	3,291	-	3,291
Life insurance	-	2,784	-	2,784
Dues and subscriptions	-	2,006	-	2,006
Professional development	-	1,511	-	1,511
Total other expenses	<u>2,134,932</u>	<u>159,610</u>	<u>71,246</u>	<u>2,365,788</u>
Total expenses by function	2,532,780	344,169	197,214	3,074,163
Less items included within support and revenue:				
Special events - costs of direct benefits to donors	-	-	(39,817)	(39,817)
Total expenses as presented on the statement of activities	2,532,780	344,169	157,397	3,034,346
Less items separately stated on statement of activities:				
In-kind expense	<u>(387,862)</u>	-	-	<u>(387,862)</u>
Total expenses included in the functional categories on the Statement of Activities	<u>\$ 2,144,918</u>	<u>\$ 344,169</u>	<u>\$ 157,397</u>	<u>\$ 2,646,484</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, 2019

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Cash flows from operating activities:	
Change in net assets	\$ 2,400,304
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	21,948
Interest and dividends reinvested	(100,499)
Realized and unrealized losses on investments	12
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Contributions receivable	37,445
Prepaid expenses and other current assets	(23,661)
Increase (decrease) in:	
Accounts payable and other current liabilities	(2,041)
Refundable advances	27,453
Net cash provided by operating activities	<u>2,360,961</u>
Cash flows from investing activities:	
Purchases of investments	(600,918)
Proceeds from sale of investments	220,330
Purchases of property and equipment	(37,488)
Payments of website development costs	(9,568)
Net cash used in investing activities	<u>(427,644)</u>
Net increase in cash and cash equivalents	1,933,317
Cash and cash equivalents at beginning of year	<u>795,882</u>
Cash and cash equivalents at end of year	<u>\$ 2,729,199</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, 2019

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## 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, 2019

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## 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, 2019 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, 2019, 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, less external and direct internal investment expenses is included in revenue and support in the statement of activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

### *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.

# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

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## 2. Summary of Significant Accounting Policies...continued

### *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 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 on a recurring basis. There have been no changes in the methodologies used at December 31, 2019.

#### *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.

#### *Money Market Funds*

Money market funds are valued based upon quoted prices from an active market, which include investments in the highest quality financial instruments, such as Treasury bills, U.S. government agency issues, commercial paper and certificates of deposit that offer a high degree of protection of principal and are expected to provide preservation of capital, liquidity and current income. These investments are categorized as Level 1 as they are actively traded and no valuation adjustments have been applied.

# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

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## 2. Summary of Significant Accounting Policies...continued

### *Revenue Recognition*

#### Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received, pledged, or notification of a beneficial interest is received. Conditional promises to give, which are those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value.

During the year ended December 31, 2019, the Organization received a cost-reimbursable federal government grant for \$243,185, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization recognized \$45,366 in support and revenues related to the cost-reimbursable federal government grant during the year ended December 31, 2019. The remaining maximum cost-reimbursable federal government grant amount to be recognized, subject to periodic adjustments, totaled \$197,819 at December 31, 2019. There were no refundable advances during the year ended December 31, 2019. The cost-reimbursable federal government grant expires in August 2020.

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.

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.

# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

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## 2. Summary of Significant Accounting Policies...continued

### *Revenue Recognition...continued*

#### In-Kind Contributions...continued

During the year ended December 31, 2019, the Organization received donated legal and consulting services with estimated fair values of \$383,462 and \$4,400, respectively, which have been recognized as in-kind contributions and expenses on the accompanying statement of activities, with \$387,862 allocated to program expenses. A significant portion of donated legal fees was for legal services provided in connection with analysis of agreements between the Organization and various pharmaceutical companies.

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, 2019. 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

### *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.

# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

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## 2. Summary of Significant Accounting Policies...continued

### *Recently Adopted Accounting Principles*

On January 1, 2019, the Organization implemented Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU now requires a recipient of funds from a resource provider to determine if those funds should be classified as a reciprocal exchange transaction or as a contribution based on the value that the resource provider is receiving from the transaction. Additionally, the ASU requires recipient organizations to determine whether a contribution is conditional based on if the agreement includes barriers that must be overcome, and either a right of return of assets transferred, or a right of release of a resource provider's obligation to transfer assets. If the agreement includes both characteristics, the recipient is not entitled to the transferred assets, and therefore does not recognize the associated revenues, until the barrier is overcome. The Organization has adopted the ASU on a modified prospective basis. The adoption of the ASU did not have a significant impact on the financial statements for the year ended December 31, 2019.

### *New Accounting Standards Issued but Not Yet Effective*

In June 2020, the FASB issued Accounting Standards Update 2020-05 (ASU 2020-05), *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, which amends the required effective date of FASB AS Topic No. 606, *Revenue from Contracts with Customers* (ASC 606), for certain entities to periods beginning after December 15, 2019 due to the Coronavirus (COVID-19) pandemic (see Note 14). Accordingly, the Organization has elected to delay the implementation of ASC 606.

## 3. Liquidity and Availability

Financial assets available for general expenditures within one year of the statement of financial position date at December 31, 2019 consisted of the following:

Cash and cash equivalents	\$ 2,729,199
Contributions receivable, net	151,293
Investments	<u>4,391,532</u>
Total financial assets	7,272,024
Less: net assets with donor restrictions	(22,496)
Less: investments	<u>(3,161,874)</u>
Total financial assets available for general use	<u>\$ 4,087,654</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, 2020. Assets available for general expenditures within one year of the statement of financial position date at December 31, 2019 excludes investments with stated maturity dates in excess of one year. Investments with stated maturity dates in excess of one year of the statement of financial position date totaled \$3,161,874 at December 31, 2019. However, these investments could be liquidated and made available during the year ended December 31, 2020, subject to penalties. Highly liquid investments, such as money market funds, are available for general expenditures within one year, and totaled \$97,907 at December 31, 2019. The Organization also has other investments scheduled to mature during the year ended December 31, 2020 totaling \$1,131,751.

# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

### 3. Liquidity and Availability... continued

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

During the year ended December 31, 2019, the Organization fully redeemed its fixed annuity contract with Massachusetts Mutual Life Insurance Company (Mass Mutual) for \$217,216. The minimum guaranteed interest rate on the Mass Mutual annuity was 1.75%.

During 2019, the Organization has entered into a fixed annuity contract with The Standard Insurance Company (The Standard) for \$500,000. The Organization's contract investment balance is credited with earnings based upon contractually determined interest rates, and is charged for withdrawals and administrative expenses. The Standard 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 The Standard, 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 3.35% for the Standard Annuity contract. For the year ended December 31, 2019, the average yield was approximately 3.35%.

The Standard Annuity contract does not specify the circumstances under which the issuer may terminate the contract. Currently, management believes that the occurrence of an event that would cause the Organization to receive less than contract value for the Standard Annuity contract is not probable.

### 5. Investments

A comparison of the actual costs and fair values of investments at December 31, 2019 is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Investments held at fair value:			
Certificates of deposit	\$ 3,782,489	\$ 3,782,489	\$ -
Annuity contract	511,136	511,136	-
Money market funds	<u>97,907</u>	<u>97,907</u>	<u>-</u>
	<u>\$ 4,391,532</u>	<u>\$ 4,391,532</u>	<u>\$ -</u>

The following schedule summarizes net investment income, including realized and unrealized gains and losses, for the year ended December 31, 2019:

Interest and dividends	\$ 103,009
Realized and unrealized losses on investments	<u>(12)</u>
	<u>\$ 102,997</u>

# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

## 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities:				
Certificates of deposit	\$ -	\$ 3,782,489	\$ -	\$ 3,782,489
Annuity contract	-	-	511,136	511,136
Money market funds	<u>97,907</u>	<u>-</u>	<u>-</u>	<u>97,907</u>
	<u>\$ 97,907</u>	<u>\$ 3,782,489</u>	<u>\$ 511,136</u>	<u>\$ 4,391,532</u>

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2019:

Balance at beginning of year	\$ 216,103
Purchases, issues, sales, and settlements:	
Purchases	500,000
Settlements	(217,216)
Investment income, net	<u>12,249</u>
Balance at end of year	<u>\$ 511,136</u>

## 7. Property and Equipment

Property and equipment at December 31, 2019 consisted of the following:

Furniture and equipment	\$ 85,058
Leasehold improvements	<u>7,132</u>
	92,190
Less: accumulated depreciation	<u>(48,179)</u>
	<u>\$ 44,011</u>

Depreciation expense totaled \$10,236 for the year ended December 31, 2019.

## 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 \$38,300, at December 31, 2019. Amortization expense totaled \$7,586 for the year ended December 31, 2019.

Amortization expense for the years ending December 31<sup>st</sup> are as follows:

2020	\$ 7,587
2021	7,587
2022	7,587
2023	7,587
2024	7,587
Thereafter	<u>43,410</u>
	<u>\$ 81,345</u>

# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

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## 9. Website Development Costs

Website development costs capitalized totaled \$15,568, net of accumulated amortization of \$7,459, at December 31, 2019. Amortization expense totaled \$4,126 for the year ended December 31, 2019.

Amortization expense for the years ending December 31<sup>st</sup> are as follows:

2020	\$	3,856
2021		3,189
2022		<u>1,064</u>
	\$	<u>8,109</u>

## 10. Net Assets

Net assets with donor restrictions at December 31, 2019 are restricted for the purposes or periods as follows:

Subject to the passage of time:

Unconditional promises to give	\$	<u>22,496</u>
	\$	<u>22,496</u>

Net assets with donor restrictions were released from donor restrictions during the year ended December 31, 2019 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	\$	144,166
Satisfaction of purpose restrictions:		
PRF Handbook		<u>10,000</u>
	\$	<u>154,166</u>

## 11. Retirement Plans

The Organization had established a retirement plan under Section 401(k) of the Internal Revenue Code covering substantially all employees. Prior to liquidation, the Organization could elect to provide a discretionary employer matching contribution. For the year ended December 31, 2019, the Organization did not make an employer matching contribution. The retirement plan was terminated during the year ended December 31, 2019.

## 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 \$50,286 for the year ended December 31, 2019.

The Organization leases office equipment under two non-cancelable operating leases, which expire at various times through October 2022. Rent expense under these equipment leases totaled \$9,697 for the year ended December 31, 2019.



# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

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## 12. Commitments... continued

### *Office and Equipment Leases... continued*

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

2020	\$ 61,146
2021	59,956
2022	<u>60,265</u>
	<u>\$ 181,367</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 31<sup>st</sup> are as follows:

2020	\$ 222,500
2021	<u>166,875</u>
	<u>\$ 389,375</u>

### *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. The unrelated party is responsible for all costs related to studies up to the first \$2,000,000 and all costs thereafter may be allocated between the Organization and the unrelated party. The Organization did not incur any costs on this agreement during the year ended December 31, 2019.

## 13. Concentrations of Credit Risk

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

Revenue from one donor represented 45% of total revenue for the year ended December 31, 2019. This is the result of a unique circumstance, a one-time significant donation from a corporate donor.

Contributions receivable from five donors represented 88% of the total balance outstanding at December 31, 2019.

# The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

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## 14. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through September 14, 2020 the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the United States and the world has resulted in economic uncertainties that are likely to negatively impact the future financial results of operations, realization of assets, and cash flows. This situation could have a significant adverse effect on the future financial statements and management is unable to quantify the potential impact at this time.

On April 15, 2020, the Company applied for and was approved for a \$128,200 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and was administered by the Small Business Administration. The loan accrues interest at 1%. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.