



Financial Statements

For the Year Ended
December 31, 2020

The Progeria Research Foundation, Inc.

Financial Statements
For the Year Ended December 31, 2020

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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, 2020 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, 2020 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.

LitvanBorison Associates, LLP

Woburn, Massachusetts
September 8, 2021

The Progeria Research Foundation, Inc.

Statement of Financial Position

December 31, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 591,340
Contributions receivable, net	36,533
Investments	6,169,886
Prepaid expenses and other current assets	41,620
Total current assets	<u>6,839,379</u>

Property and equipment, net	<u>29,305</u>
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Other assets:

Patents, net	74,134
Website development costs, net	4,253
Security deposit	3,000
Total other assets	<u>81,387</u>

Total assets	<u><u>\$ 6,950,071</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable and other current liabilities	<u>\$ 289,827</u>
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Long term liabilities:

PPP loan	<u>128,200</u>
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Net assets:

Without donor restrictions	6,529,544
With donor restrictions	2,500
Total net assets	<u>6,532,044</u>

Total liabilities and net assets	<u><u>\$ 6,950,071</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,445,606	\$ -	\$ 1,445,606
Investment income, net	123,025	-	123,025
Government grant	149,814	-	149,814
Net assets released from restriction	19,996	(19,996)	-
	<u>1,738,441</u>	<u>(19,996)</u>	<u>1,718,445</u>
Special events - contribution element	475,022	-	475,022
Special events - exchange element	96,439	-	96,439
Less: costs of direct benefits to donors	(80,366)	-	(80,366)
	<u>491,095</u>	<u>-</u>	<u>491,095</u>
Total support and revenue before in-kind contributions	2,229,536	(19,996)	2,209,540
In-kind contributions	806,973	-	806,973
Total support and revenue	<u>3,036,509</u>	<u>(19,996)</u>	<u>3,016,513</u>
Expenses			
Program services	2,125,485	-	2,125,485
Supporting services	361,344	-	361,344
Fundraising	133,110	-	133,110
Total expenses before in-kind services	<u>2,619,939</u>	<u>-</u>	<u>2,619,939</u>
In-kind services	806,973	-	806,973
Total expenses	<u>3,426,912</u>	<u>-</u>	<u>3,426,912</u>
Change in net assets	(390,403)	(19,996)	(410,399)
Net assets at beginning of year	<u>6,919,947</u>	<u>22,496</u>	<u>6,942,443</u>
Net assets at end of year	<u>\$ 6,529,544</u>	<u>\$ 2,500</u>	<u>\$ 6,532,044</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, 2020

	Program Services	Supporting Services	Fundraising	Total
Salaries and related expenses:				
Salaries and wages	\$ 352,900	\$ 164,936	\$ 98,195	\$ 616,031
Payroll taxes	36,478	17,742	9,966	64,186
Employee benefits	25,218	5,727	8,816	39,761
Total salaries and related expenses	<u>414,596</u>	<u>188,405</u>	<u>116,977</u>	<u>719,978</u>
Other expenses:				
Professional fees	724,863	42,959	-	767,822
Drug trial	452,704	-	-	452,704
Research grants	397,481	-	-	397,481
Research activities	374,521	-	-	374,521
Future trial efforts	172,229	-	-	172,229
Cell and tissue bank	85,066	-	-	85,066
Media expense	81,150	-	-	81,150
Postage and shipping	47,712	8,496	14,846	71,054
Diagnostic testing	70,923	-	-	70,923
Medical and research database	69,673	-	-	69,673
Special events - costs of direct benefits to donors	-	-	80,366	80,366
Occupancy	10,440	41,760	-	52,200
Depreciation and amortization	11,452	16,856	-	28,308
Computer expenses	-	24,177	-	24,177
Office expenses	-	13,872	-	13,872
Communications	2,441	6,958	-	9,399
Scientific workshop	8,587	-	-	8,587
Online processing fees	-	7,565	-	7,565
Printing	6,830	-	-	6,830
Insurance	-	3,648	-	3,648
Travel	1,286	977	1,287	3,550
Life insurance	-	2,784	-	2,784
Dues and subscriptions	-	1,980	-	1,980
Professional development	-	907	-	907
Patient handbooks	504	-	-	504
Total other expenses	<u>2,517,862</u>	<u>172,939</u>	<u>96,499</u>	<u>2,787,300</u>
Total expenses by function	2,932,458	361,344	213,476	3,507,278
Less items included within support and revenue:				
Special events - costs of direct benefits to donors	-	-	(80,366)	(80,366)
Total expenses as presented on the statement of activities	2,932,458	361,344	133,110	3,426,912
Less items separately stated on statement of activities:				
In-kind expense	(806,973)	-	-	(806,973)
Total expenses included in the functional categories on the Statement of Activities	<u>\$ 2,125,485</u>	<u>\$ 361,344</u>	<u>\$ 133,110</u>	<u>\$ 2,619,939</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, 2020

Cash flows from operating activities:	
Change in net assets	\$ (410,399)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	28,308
Interest and dividends reinvested	(113,026)
Realized and unrealized losses on investments	70
Changes in operating assets and liabilities:	
Decrease in:	
Contributions receivable	114,760
Prepaid expenses and other current assets	949
Decrease in:	
Accounts payable and other current liabilities	(191,335)
Refundable advances	(27,453)
Net cash used in operating activities	<u>(598,126)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	448,350
Purchases of investments	(2,113,748)
Purchases of property and equipment	(2,150)
Payment of patent costs	(385)
Net cash used in investing activities	<u>(1,667,933)</u>
Cash flows from financing activities:	
Proceeds from PPP loan	<u>128,200</u>
Net cash provided by financing activities	<u>128,200</u>
Net decrease in cash and cash equivalents	(2,137,859)
Cash and cash equivalents at beginning of year	<u>2,729,199</u>
Cash and cash equivalents at end of year	<u>\$ 591,340</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, 2020

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, 2020

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, 2020 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, 2020, the Organization has determined contributions receivable to be fully collectible. Accordingly, no allowance for doubtful accounts was recorded.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at fair values in the statement of financial position. 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, 2020

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, 2020.

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.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

2. Summary of Significant Accounting Policies...continued

PPP Loan

The Organization follows FASB ASC Topic No. 470 *Debt* (ASC 470) for the PPP Loan. Under ASC 470, the PPP Loan is recognized as a financial liability and accrues interest in accordance with the interest method under FASB ASC 835-30, *Imputation of Interest* (ASC 835-30). The Organization will not impute additional interest at a market rate because loans by governmental agencies are excluded from the guidance on imputing interest. In accordance with FASB ASC No. 405-20-40-1, *Derecognition of Liabilities*, the PPP Loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been “legally released” or (2) the Organization pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven, and legal release is received, the liability will be reduced by the amount forgiven and a gain on extinguishment will be recorded.

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 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 \$149,814 in support and revenues related to the cost-reimbursable federal government grant during the year ended December 31, 2020. The remaining maximum cost-reimbursable federal government grant amount to be recognized, subject to periodic adjustments, totaled \$48,005 at December 31, 2020. There were no refundable advances during the year ended December 31, 2020. The cost-reimbursable federal government grant expires in August 2021.

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.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

2. Summary of Significant Accounting Policies...continued

Revenue Recognition...continued

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, 2020, the Organization received donated legal, graphic work and consulting services with estimated fair values of \$710,188, \$4,000 and \$92,785, respectively, which have been recognized as in-kind contributions and expenses on the accompanying statement of activities, with \$806,973 allocated to program expenses. A significant portion of donated legal fees was for legal services provided in connection with agreements involving Intellectual Property (IP).

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, 2020. 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.

Special Events

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the excess a donor pays for those benefits. The Organization recognizes special events revenue for the exchange element equal to the fair value of the direct benefits to donors at the point in time which the event takes place.

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 Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

2. Summary of Significant Accounting Policies...continued

Income Taxes...continued

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 Principles

On January 1, 2020, the Organization adopted ASU No. 2014-09 *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, ASC 606). ASC 606 revises and consolidates prior guidance, eliminates industry specific revenue recognition guidance, and establishes a comprehensive principle-based approach for determining revenue recognition. The core principle of the guidance is that an entity must recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for providing those goods or services. ASC 606 sets forth a five-step revenue recognition model to be applied consistently to all contracts with customers: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. This update also requires quantitative and qualitative disclosures sufficient to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including disclosures on significant judgments made when applying the guidance.

The Organization adopted ASC 606 using a modified retrospective approach. Under this approach, the Organization's financial statements are prepared under the revised guidance for the year of adoption, but not for prior years, and the Organization recognizes a cumulative adjustment to the opening balance of net assets for contracts that still require performance by the Organization at the date of adoption. The application of ASC 606 did not have a significant impact on the financial statements for the year ended December 31, 2020 as the revenue recognition for the exchange element of special events at a point in time is consistent with the Organization's historical revenue recognition practices. Certain enhanced disclosures regarding revenue have been included in the financial statements.

3. Liquidity and Availability

Financial assets available for general expenditures within one year of the statement of financial position date at December 31, 2020 consisted of the following:

Cash and cash equivalents	\$ 591,340
Contributions receivable, net	36,533
Investments	<u>6,169,886</u>
Total financial assets	6,797,759
Less: investments	<u>(1,331,049)</u>
Total financial assets available for general use	<u>\$ 5,466,710</u>

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

3. Liquidity and Availability...continued

The Organization's financial assets generally are 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, 2020 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 \$1,331,049 at December 31, 2020. However, these investments could be liquidated and made available during the year ended December 31, 2021, subject to penalties. The Organization also has other investments scheduled to mature during the year ended December 31, 2021 totaling \$4,838,837.

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 primarily in certificates of deposit. 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 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, 2020, 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, 2020 is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Investments held at fair value:			
Certificates of deposit	\$ 5,641,627	\$ 5,641,627	\$ -
Annuity contract	<u>528,259</u>	<u>528,259</u>	<u>-</u>
	<u>\$ 6,169,886</u>	<u>\$ 6,169,886</u>	<u>\$ -</u>

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

5. Investments...continued

The following schedule summarizes net investment income, including realized and unrealized gains and losses, for the year ended December 31, 2020:

Interest and dividends	\$ 123,095
Realized and unrealized losses on investments	<u>(70)</u>
	<u>\$ 123,025</u>

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities:				
Certificates of deposit	\$ -	\$ 5,641,627	\$ -	\$ 5,641,627
Annuity contract	<u>-</u>	<u>-</u>	<u>528,259</u>	<u>528,259</u>
	<u>\$ -</u>	<u>\$ 5,641,627</u>	<u>\$ 528,259</u>	<u>\$ 6,169,886</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, 2020:

Balance at beginning of year	\$ 511,136
Investment income, net	<u>17,123</u>
Balance at end of year	<u>\$ 528,259</u>

7. Property and Equipment

Property and equipment at December 31, 2020 consisted of the following:

Furniture and equipment	\$ 87,208
Leasehold improvements	<u>7,132</u>
	94,340
Less: accumulated depreciation	<u>(65,035)</u>
	<u>\$ 29,305</u>

Depreciation expense totaled \$16,856 for the year ended December 31, 2020.

8. Patents

Patent costs for the development of a Farnesyltransferase inhibitors (FTIs) drug treatment for children with Progeria totaled \$120,030, net of accumulated amortization of \$45,896, at December 31, 2020. Amortization expense totaled \$7,596 for the year ended December 31, 2020.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

8. Patents...continued

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

2021	\$	7,613
2022		7,613
2023		7,613
2024		7,613
2025		7,613
Thereafter		<u>36,069</u>
	\$	<u>74,134</u>

9. Website Development Costs

Website development costs capitalized totaled \$15,568, net of accumulated amortization of \$11,315, at December 31, 2020. Amortization expense totaled \$3,856 for the year ended December 31, 2020.

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

2021	\$	3,189
2022		<u>1,064</u>
	\$	<u>4,253</u>

10. PPP Loan

The Organization entered into a promissory note, dated April 15, 2020, with North Shore Bank, evidencing an unsecured loan with a principal amount of \$128,200 made to the Organization pursuant to the Paycheck Protection Program (PPP Loan) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The PPP Loan is guaranteed by the United States Small Business Administration.

The proceeds may be used to maintain payroll or make certain covered interest payments, lease payments utility payments, and other defined operating costs. Under the terms of the CARES Act, the Organization can be granted forgiveness for all or a portion of loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and other eligible costs.

The PPP Loan is expected to be payable over a two-year term, with monthly principal and interest payments deferred for at least 12 months from the end of the loan's covered period, as defined. At December 31, 2020, the outstanding loan balance was \$128,200, which has been reported as a long-term liability on the statement of financial position.

In March 2021, the full amount of the loan was forgiven (see Note 16).

11. Net Assets

Net assets with donor restrictions at December 31, 2020 are restricted for the purposes or periods as follows:

Subject to the passage of time:		
Unconditional promises to give	\$	<u>2,500</u>
	\$	<u>2,500</u>

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

11. Net Assets...continued

Net assets with donor restrictions were released from donor restrictions during the year ended December 31, 2020 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	\$ 19,996
	<u>\$ 19,996</u>

12. Revenue from Contracts with Customers

The Organization is a research foundation established to discover treatments and the cure for Hutchinson-Gilford Progeria Syndrome and its aging-related disorders, including heart disease. The Organization's revenue from the exchange element of special events is recognized at a point in time. Revenue from contracts with customers in the current fiscal year totaled \$96,439.

The Organization evaluated the following economic factors that affect the nature, amount, timing and uncertainty of its revenue and cash flows. Revenue is generated primarily by special events for fundraising. The special events are not seasonal or cyclical, but occur sporadically over the fiscal year.

Description of the Organization's Performance Obligations with Customers

The Organization's performance obligations are met at a point in time, when the event occurs. The Organization becomes aware that it has met the performance obligation based upon the occurrence of the event. Payment for charity auction items or event ticket sales are due at the point of sale. None of the Organization's contracts contained a significant financing component.

13. 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 \$52,200 for the year ended December 31, 2020.

The Organization leases office equipment under two non-cancelable operating leases, which expire at various times through December 2025. Rent expense under these equipment leases totaled \$9,673 for the year ended December 31, 2020.

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

2021	\$ 61,984
2022	62,293
2023	2,028
2024	2,028
2025	<u>1,859</u>
	<u>\$ 130,192</u>

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

13. Commitments...continued

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:

2021	\$ 441,837
2022	<u>81,231</u>
	<u>\$ 523,068</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, 2020. See Note 16 for sale of Priority Review Voucher subsequent to year end.

14. Concentrations of Credit Risk

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

Contributions receivable from three donors represented 92% of the total balance outstanding at December 31, 2020.

15. Coronavirus Pandemic

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.

The Progeria Research Foundation, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2020

16. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through September 8, 2021 the date the financial statements were available to be issued.

On March 16, 2021, the Organization received full forgiveness of the \$128,200 PPP loan by the United States Small Business Administration (see Note 10).

In January 2021, pursuant to the collaboration and supply agreement entered into by the Organization (see Note 13), the Organization and an unrelated party reached an agreement with a third party for the sale of an U.S. Food and Drug Administration priority review voucher. The Organization's share of the proceeds was \$47,400,000 and has not been included in the statement of financial position at December 31, 2020.