

THE FAMILIESCN2A FOUNDATION, INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

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Independent Auditors' Report

To the Board of Directors
THE FAMILIESCN2A FOUNDATION, INC.

Opinion

We have audited the accompanying financial statements of The FamilieSCN2A Foundation, Inc. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The FamilieSCN2A Foundation, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Meloni Vribal Trator LLP

July 28, 2023

**THE FAMILIESCN2A FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
Current assets		
Cash	\$ 1,196,720	\$ 871,766
Contributions receivable	429,371	300,255
Refundable advances	127,998	58,756
Other assets	<u>3,561</u>	<u>1,216</u>
TOTAL ASSETS	<u>\$ 1,757,650</u>	<u>\$ 1,231,993</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 77,982	\$ 40,505
Accrued payroll and related costs	10,708	3,726
Refundable contributions	<u>36,151</u>	<u>51,061</u>
TOTAL LIABILITIES	<u>124,841</u>	<u>95,292</u>
 NET ASSETS		
Net assets without donor restrictions	1,190,725	923,010
Net assets with donor purpose restrictions	<u>442,084</u>	<u>213,691</u>
TOTAL NET ASSETS	<u>1,632,809</u>	<u>1,136,701</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,757,650</u>	<u>\$ 1,231,993</u>

See accompanying independent auditors' report and notes to financial statements.

THE FAMILIESCN2A FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Contributions and other income	\$ 1,014,588	\$ 539,060
In-kind contributions	30,198	55,590
Paycheck Protection Program grant	-	18,700
Net assets released from restriction	<u>213,691</u>	<u>233,411</u>
Total revenues and support	<u>1,258,477</u>	<u>846,761</u>
EXPENSES		
Program services	855,314	409,841
Supporting services:		
Fundraising	58,956	36,934
Management and general	<u>76,492</u>	<u>32,015</u>
Total expenses	<u>990,762</u>	<u>478,790</u>
Change in net assets without donor restrictions	<u>267,715</u>	<u>367,971</u>
CHANGE IN NET ASSETS WITH DONOR PURPOSE RESTRICTIONS		
Contributions	442,084	213,691
Net assets released from restriction	<u>(213,691)</u>	<u>(233,411)</u>
Change in net assets with donor purpose restrictions	<u>228,393</u>	<u>(19,720)</u>
CHANGE IN TOTAL NET ASSETS	496,108	348,251
NET ASSETS - beginning	<u>1,136,701</u>	<u>788,450</u>
NET ASSETS - ending	<u><u>\$ 1,632,809</u></u>	<u><u>\$ 1,136,701</u></u>

See accompanying independent auditors' report and notes to financial statements.

THE FAMILIESCN2A FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Program Services	Supporting Services			Program Services	Supporting Services		
		Fundraising	Management and General	Total Expenses		Fundraising	Management and General	Total Expenses
Research grants	\$ 298,568	\$ -	\$ -	\$ 298,568	\$ 291,461	\$ -	\$ -	\$ 291,461
Research and development	281,920	-	-	281,920	19,536	-	-	19,536
Biennial/summer conference	120,775	-	-	120,775	-	-	-	-
Salaries and wages	84,804	22,615	5,653	113,072	65,942	17,585	4,396	87,923
Accounting	-	-	33,883	33,883	-	-	17,128	17,128
Travel and meetings	13,387	-	13,387	26,774	2,857	-	2,857	5,714
Consulting expense	24,369	-	-	24,369	-	-	-	-
Office expense	-	6,940	13,107	20,047	-	600	2,863	3,463
Payroll taxes	14,521	3,872	968	19,361	5,591	1,491	373	7,455
Strategic planning	-	12,082	-	12,082	-	-	-	-
Assistance programs	8,536	-	-	8,536	11,760	-	-	11,760
Marketing	4,099	2,049	2,049	8,197	3,874	3,874	-	7,748
Merchandise expense	-	6,375	-	6,375	-	6,195	-	6,195
Bank charges and credit card fees	722	3,853	241	4,816	202	1,076	67	1,345
Supplies and materials	170	862	3,211	4,243	1,219	780	2,396	4,395
Postage and shipping	1,874	-	1,874	3,748	1,635	-	-	1,635
Insurance	-	-	1,193	1,193	-	-	1,193	1,193
Membership dues	1,084	-	-	1,084	500	-	-	500
Printing and copying	273	308	170	751	3,091	4,816	-	7,907
Fees and permits	-	-	544	544	-	-	375	375
Staff development	212	-	212	424	234	-	238	472
Other payroll related costs	-	-	-	-	1,939	517	129	2,585
TOTAL EXPENSES	<u>\$ 855,314</u>	<u>\$ 58,956</u>	<u>\$ 76,492</u>	<u>\$ 990,762</u>	<u>\$ 409,841</u>	<u>\$ 36,934</u>	<u>\$ 32,015</u>	<u>\$ 478,790</u>

See accompanying independent auditors' report and notes to financial statements.

THE FAMILIESCN2A FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 496,108	\$ 348,251
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Contributions receivable	(129,116)	(114,722)
Refundable advances	(69,242)	53,130
Other assets	(2,345)	(23)
Accounts payable and accrued expenses	37,477	1,628
Accrued payroll and related costs	6,982	3,726
Refundable contributions	<u>(14,910)</u>	<u>51,061</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	324,954	343,051
CASH - beginning	<u>871,766</u>	<u>528,715</u>
CASH - ending	<u><u>\$ 1,196,720</u></u>	<u><u>\$ 871,766</u></u>

See accompanying independent auditors' report and notes to financial statements.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The FamilieSCN2A Foundation, Inc. (the Organization) was incorporated under the laws of the State of Massachusetts as a 501(c)(3) not-for-profit public benefit organization in 2015. Its primary mission is to improve the lives of those affected by SCN2A related disorders through research, public awareness, family support and patient advocacy.

The Organization's goal is to find effective treatments and ultimately a cure for SCN2A related autism and epilepsy disorders. The Organization raises public awareness, provides patient advocacy and supports clinical research, genetic research and early detection.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Organization recognizes unconditional promises to give as revenue in the period received. Contributions with associated conditions are recorded as revenue when the conditions are met. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have been fulfilled.

Net assets with donor purpose restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. When the restriction is finally met on a contribution received in a prior year, the amount is shown as a reclassification of net assets with donor purpose restrictions to net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

As of December 31, 2022 and 2021, net assets with donor purpose restrictions are restricted for research activities and treatments sponsored by the Organization, a significant portion of which is restricted for certain research expenditures under an agreement (Agreement) with a third party research institute. The Organization incurred approximately \$282,000 and \$20,000 in research and development expenses under the Agreement for the years ended December 31, 2022 and 2021, respectively.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COVID-19 Pandemic Update

The spread of the novel 2019 coronavirus (COVID-19) and developments surrounding the global pandemic have had a significant impact on the Organization's financial performance in part of 2021. As a result, the Organization temporarily suspended its in-person fundraising efforts and created a new program to provide emergency financial relief to families struggling during the pandemic. In 2022, the Organization was able to resume in-person fundraising efforts.

In response to the pandemic, Congress passed a series of stimulus bills intended to provide relief across the American economy. In particular, the Organization has applied for and received, in 2021, approximately \$19,000 of grants under the provisions of the Paycheck Protection Program (PPP) enacted by Congress. The Organization has determined that the criteria for forgiveness had been met and the loans have been forgiven as of December 31, 2021. As a result, the loan balance has been reported as a PPP grant and included in revenues and support in the accompanying 2021 statement of activities and changes in net assets.

Contributions Receivable

Contributions receivable represents an unconditional pledge, recorded at fair market value, as of the pledge date. The Organization considers the contributions receivable fully recoverable and expects all amounts to be collected within one year of the statement of financial position date.

Revenues and Support Recognition

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received.

In-kind Contributions

The Organization may from time to time receive in-kind contributions, such as professional services, supplies, and securities. Contributions of supplies and securities are recognized at their fair market value.

The contribution of services is recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Revenues and expenses related to contributed professional services are recognized in equal amounts at their fair market value, as estimated by management.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind Contributions (continued)

For the years ended December 31, 2022 and 2021, donations of equity securities were received. The value of these securities has been reflected under in-kind contributions in the financial statements. Several individuals donated time to assist in the Organization's mission. The value of these services has not been reflected in the financial statements as the services performed do not meet the criteria discussed above.

Grant Expense and Refundable Advances

Grant expense is recognized in the period the grant is countersigned, provided the grant is not subject to future donor-imposed conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. For the years ended December 31, 2022 and 2021, the Organization awarded grants totaling approximately \$278,000 and \$241,000, respectively, the majority of which are conditioned on the grantees conducting certain research activities. For the years ended December 31, 2022 and 2021, the Organization advanced grant payments of approximately \$363,000 and \$280,000, respectively, to the grantees while the grantees incurred approximately \$299,000 and \$291,000, respectively, in research expenses. At December 31, 2022 and 2021, the Organization recognized refundable advances of approximately \$128,000 and \$59,000, respectively. The Organization also had accrued grant expense of approximately \$25,000 and \$17,000 at December 31, 2022 and 2021, respectively.

Tax-Exempt Status

The Organization is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and related state code sections. In addition, the Organization does not have any income which it believes would subject it to unrelated business income taxes. Accordingly, there is no provision for income taxes in the accompanying financial statements. Management of the Organization has processes presently in place to ensure the maintenance of its tax exempt statuses; to identify and report unrelated business income; to determine filing and tax obligations for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Management of the Organization has evaluated its tax positions and related income tax contingencies and does not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Functional Expenses

The costs of providing the Organization's various program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Majority of the expenses are directly charged to a specific function based on the nature of the expense; however, certain shared expenses, such as salaries and wages, payroll taxes, and travel and meetings are allocated between the program and supporting services benefited based on management's best estimate of time spent by function.

**THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and the footnotes related thereto. Accordingly, actual results may differ from those estimates.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, "Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)," which provides guidance for presenting and disclosing contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash and other financial assets. The guidance is effective for the Organization for years beginning after June 15, 2021. The Organization adopted this guidance effective January 1, 2022 with no material impact to the financial statements.

NOTE 2 - LIQUIDITY AND FUNDS AVAILABLE

The Organization's financial assets available to meet cash needs for general expenditures within one year of the dates of the statements of financial position include:

	2022	2021
Cash	\$ 1,196,720	\$ 871,766
Contributions receivable	429,371	300,255
Available financial assets	\$ 1,626,091	\$ 1,172,021

The Organization structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations come due. The Organization's available financial assets exclude certain assets that the Organization would not be able to liquidate within one year of the dates of the statements of financial position.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 - CONCENTRATIONS OF RISK AND RELATED PARTY TRANSACTIONS

Concentrations of risk arise when organizations engage in similar activities or activities in the same geographical region or have economic features that are affected by changes in economic conditions.

A board member of the Organization, and therefore, a related party, contributed approximately \$578,000 and \$281,000, respectively, for the years ended December 31, 2022 and 2021, which constituted approximately 39 and 34 percent, respectively, of the Organization's contributions. Contributions receivable from this related party was approximately \$378,000 and \$290,000, respectively, as of December 31, 2022 and 2021. One unrelated donor made 14 and 24 percent of all contributions in 2022 and 2021, while another unrelated donor made 17 percent of all contributions in 2022.

The treasurer of the Organization, and therefore, a related party, contributed approximately \$8,000 for each of the years ended December 31, 2022 and 2021.

The Organization maintains its cash with what it considers to be quality financial institutions. Cash in bank is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash balances may be in excess of the amounts insured by the FDIC, which constitutes a concentration of credit risk.

NOTE 4 - SUBSEQUENT EVENTS

Approximately \$392,000 of the contributions receivable at December 31, 2022 was subsequently collected in 2023 and prior to the date the financial statements were issued.

The date to which events occurring after December 31, 2022 have been evaluated for possible adjustment to the financial statements or disclosure is July 28, 2023, the date on which the financial statements were issued.