

THE FAMILIESCN2A FOUNDATION, INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019**

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FOR THE YEAR ENDED
DECEMBER 31, 2019

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Independent Auditors' Report

To the Board of Directors
THE FAMILIESCN2A FOUNDATION, INC.
East Longmeadow, Massachusetts

We have audited the accompanying financial statements of The FamilieSCN2A Foundation, Inc., a nonprofit organization (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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.


November 20, 2020

**THE FAMILIESCN2A FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019**

ASSETS

Current assets

Cash	\$ 410,048
Contribution receivable	171,793
Refundable advance	36,233
Other assets	<u>150</u>

Total current assets	618,224
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Contribution receivable	<u>15,564</u>
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TOTAL ASSETS	<u>\$ 633,788</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	\$ 26,675
Accrued payroll and related costs	<u>2,705</u>

TOTAL LIABILITIES	<u>29,380</u>
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NET ASSETS

Net assets without donor restrictions	401,225
Net assets with donor restrictions	<u>203,183</u>

TOTAL NET ASSETS	<u>604,408</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 633,788</u>
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See accompanying independent auditors' report and notes to financial statements.

**THE FAMILIESCN2A FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES AND SUPPORT

Contributions	\$ 356,954
Biennial conference	52,909
In-kind contributions	<u>246,816</u>

Total revenues and support	<u>656,679</u>
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EXPENSES

Program services	311,619
Biennial conference:	
Costs of direct benefits to donors	37,476
Other costs	<u>50,396</u>

87,872

Supporting services:	
Fundraising	33,764
Management and general	<u>11,003</u>

Total expenses	<u>444,258</u>
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Changes in net assets without donor restrictions	<u>212,421</u>
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CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

Contributions	187,357
In-kind contributions	<u>15,826</u>

Changes in net assets with donor restrictions	<u>203,183</u>
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CHANGES IN NET ASSETS	415,604
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NET ASSETS - beginning	<u>188,804</u>
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NET ASSETS - ending	<u>\$ 604,408</u>
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See accompanying independent auditors' report and notes to financial statements.

**THE FAMILIESCN2A FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services	Supporting Services		Total Expenses
		Fundraising	Management and General	
Research and development	\$ 244,437	\$ -	\$ -	\$ 244,437
Biennial conference	87,872	-	-	87,872
Grants	17,439	-	-	17,439
Salaries and wages	31,592	8,425	2,106	42,123
Travel and meetings	8,650	2,715	1,118	12,483
Strategic planning	-	13,000	-	13,000
Marketing	2,939	2,939	-	5,878
Office expense	-	3,416	677	4,093
Accounting	-	-	4,012	4,012
Payroll taxes	2,693	718	180	3,591
Other payroll related costs	946	252	64	1,262
Bank charges/credit card fees	431	2,299	144	2,874
Insurance	-	-	1,295	1,295
Office supplies	-	-	1,077	1,077
Community support	808	-	-	808
Staff development	330	-	330	660
Hospital gifts program	596	-	-	596
Memorial windchime program	315	-	-	315
Birthday program	243	-	-	243
Membership dues	200	-	-	200
TOTAL EXPENSES	<u>\$ 399,491</u>	<u>\$ 33,764</u>	<u>\$ 11,003</u>	<u>\$ 444,258</u>

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

**THE FAMILIESCN2A FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 415,604
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Contribution receivable	(187,357)
Refundable advance	(36,233)
Other assets	(150)
Accounts payable and accrued expenses	26,675
Accrued payroll and related costs	<u>2,705</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

221,244

CASH - beginning

188,804

CASH - ending

\$ 410,048

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

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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. Net assets and revenues, and gains and losses 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 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. 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, 2019, net assets with donor restrictions are restricted for certain research expenditures under an agreement (Agreement) with a third party research institute. The Organization incurred approximately \$244,000 in research and development expenses under the Agreement for the year ended December 31, 2019. Subsequent to year-end, the Organization has incurred approximately \$188,000 in research and development expenses through the date the financial statements were available to be issued and expects to incur the remaining amount of approximately \$16,000 by 2021.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Contribution Receivable

Contribution receivable represents an unconditional pledge, recorded at fair market value, as of the pledge date. The Organization considers the contribution receivable fully recoverable and expects all amounts to be collected within two years 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.

For the year ended December 31, 2019, 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

Grant expense is recognized in the period the grant is countersigned, provided the grant is not subject to future 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 year ended December 31, 2019, the Organization made conditional grants totaling \$100,000 that are conditioned on the grantees conducting certain research activities. For the year ended December 31, 2019, the Organization advanced \$50,000 to the grantees but only incurred approximately \$14,000 in grant expense; therefore, the Organization recognized a refundable advance of approximately \$36,000 as of December 31, 2019.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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 its 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.

Functional Expenses

The costs of providing the Organization's various program and supporting services have been summarized on a functional basis in the accompanying statement of activities and 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.

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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers" to supersede previous revenue recognition guidance under current accounting principles generally accepted in the United States of America (U.S. GAAP). The new guidance is intended to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP applicable to revenue transactions. The guidance has been extended and becomes effective for annual reporting periods beginning after December 15, 2019 with early adoption permitted. The Organization is currently evaluating this guidance and the impact it will have on its financial statements.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Recent Accounting Pronouncements (continued)

In June 2018, the FASB issued ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)" which provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. The guidance is effective for the Organization for years beginning after December 15, 2019. The Organization is currently evaluating this guidance and the impact it will have on its financial statements.

NOTE 2 - LIQUIDITY AND FUNDS AVAILABLE

The Organization's financial assets that are readily available within one year of December 31, 2019 to meet general expenditures include:

Cash	\$ 410,048
Contribution receivable	171,793
Refundable advance	36,233
Other assets	<u>150</u>
Available financial assets	<u>\$ 618,224</u>

The Organization structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations come due. The Board of Directors has designated a total of approximately \$103,000 for research purposes; however, these funds could be made available for general expenditures if necessary.

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.

For the year ended December 31, 2019, approximately \$448,000 or 52 percent of the Organization's contributions was received from one individual. Consequently, the Organization's activities may be subject to a greater risk of uncertainty in the event of any changes related to this individual. Management will continue its efforts to seek support from the general public.

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.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 - SUBSEQUENT EVENTS

In December 2019, a respiratory illness caused by a novel coronavirus (COVID-19) emerged and has subsequently spread worldwide. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. In response, the U.S. Government enacted the Coronavirus Aide, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. In May 2020, the Organization received \$16,500 in Paycheck Protection Program loan through the CARES act. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate impact of the CARES Act and other governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.

The date to which events occurring after December 31, 2019 have been evaluated for possible adjustment to the financial statements or disclosure is November 20, 2020, the date on which the financial statements were issued.