

THE FAMILIESCN2A FOUNDATION, INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

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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, 2021 and 2020, and the related statements of activities, 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, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the ongoing effects of COVID-19 on the Organization's operations have had, and might continue to have, a material negative impact on the Organization's financial results. Management's evaluation of these events and conditions and management's plans to mitigate these matters are also described in Note 1. Our opinion is not modified with respect to this matter.

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 Tribel Trator LLP

October 11, 2022

THE FAMILIESCN2A FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash	\$ 871,766	\$ 528,715
Contributions receivable	300,255	185,533
Refundable advances	58,756	111,886
Other assets	<u>1,216</u>	<u>1,193</u>
TOTAL ASSETS	<u>\$ 1,231,993</u>	<u>\$ 827,327</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 40,505	\$ 38,877
Accrued payroll and related costs	3,726	-
Refundable contributions	<u>51,061</u>	<u>-</u>
TOTAL LIABILITIES	<u>95,292</u>	<u>38,877</u>
NET ASSETS		
Net assets without donor restrictions	923,010	555,039
Net assets with donor purpose restrictions	<u>213,691</u>	<u>233,411</u>
TOTAL NET ASSETS	<u>1,136,701</u>	<u>788,450</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,231,993</u>	<u>\$ 827,327</u>

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

THE FAMILIESCN2A FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Contributions and other income	\$ 539,060	\$ 281,719
In-kind contributions	55,590	105,721
Paycheck Protection Program grant	18,700	16,700
Net assets released from restriction	<u>233,411</u>	<u>187,619</u>
Total revenues and support	<u>846,761</u>	<u>591,759</u>
EXPENSES		
Program services	409,841	369,814
Supporting services:		
Fundraising	36,934	34,061
Management and general	<u>32,015</u>	<u>34,070</u>
Total expenses	<u>478,790</u>	<u>437,945</u>
Change in net assets without donor restrictions	<u>367,971</u>	<u>153,814</u>
CHANGE IN NET ASSETS WITH DONOR PURPOSE RESTRICTIONS		
Contributions	213,691	217,847
Net assets released from restriction	<u>(233,411)</u>	<u>(187,619)</u>
Change in net assets with donor purpose restrictions	<u>(19,720)</u>	<u>30,228</u>
CHANGE IN TOTAL NET ASSETS	348,251	184,042
NET ASSETS - beginning	<u>788,450</u>	<u>604,408</u>
NET ASSETS - ending	<u>\$ 1,136,701</u>	<u>\$ 788,450</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, 2021 AND 2020

	2021				2020			
	Program Services	Supporting Services		Total Expenses	Program Services	Supporting Services		Total Expenses
		Fundraising	Management and General			Fundraising	Management and General	
Research grants	\$ 291,461	\$ -	\$ -	\$ 291,461	\$ 49,579	\$ -	\$ -	\$ 49,579
Salaries and wages	65,942	17,585	4,396	87,923	65,682	17,515	4,379	87,576
Research and development	19,536	-	-	19,536	187,619	-	-	187,619
Accounting	-	-	17,128	17,128	-	-	24,623	24,623
Assistance programs	11,760	-	-	11,760	23,528	-	-	23,528
Printing and copying	3,091	4,816	-	7,907	1,766	-	-	1,766
Marketing	3,874	3,874	-	7,748	4,460	4,460	-	8,920
Payroll taxes	5,591	1,491	373	7,455	5,302	1,414	353	7,069
Merchandise expense	-	6,195	-	6,195	2,626	875	-	3,501
Travel and meetings	2,857	-	2,857	5,714	11	-	-	11
Supplies and materials	1,219	780	2,396	4,395	15,841	-	-	15,841
Office expense	-	600	2,863	3,463	-	600	1,858	2,458
Other payroll related costs	1,939	517	129	2,585	3,703	987	247	4,937
Postage and shipping	1,635	-	-	1,635	8,929	-	-	8,929
Bank charges and credit card fees	202	1,076	67	1,345	227	1,210	76	1,513
Insurance	-	-	1,193	1,193	-	-	1,193	1,193
Membership dues	500	-	-	500	300	-	-	300
Staff development	234	-	238	472	241	-	241	482
Fees and permits	-	-	375	375	-	-	1,100	1,100
Strategic planning	-	-	-	-	-	7,000	-	7,000
TOTAL EXPENSES	<u>\$ 409,841</u>	<u>\$ 36,934</u>	<u>\$ 32,015</u>	<u>\$ 478,790</u>	<u>\$ 369,814</u>	<u>\$ 34,061</u>	<u>\$ 34,070</u>	<u>\$ 437,945</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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 348,251	\$ 184,042
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Contributions receivable	(114,722)	1,824
Refundable advances	53,130	(75,653)
Other assets	(23)	(1,043)
Accounts payable and accrued expenses	1,628	12,202
Accrued payroll and related costs	3,726	(2,705)
Refundable contributions	<u>51,061</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	343,051	118,667
CASH - beginning	<u>528,715</u>	<u>410,048</u>
CASH - ending	<u><u>\$ 871,766</u></u>	<u><u>\$ 528,715</u></u>

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

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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. 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 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, 2021 and 2020, 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 \$20,000 and \$188,000 in research and development expenses under the Agreement for the years ended December 31, 2021 and 2020, respectively.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 2020 and part of 2021, and may potentially thereafter. In response to the COVID-19 pandemic, government health officials have recommended and mandated precautions to mitigate the spread of the virus, including shelter-in-place orders, prohibitions on public gatherings, temporary closure of entertainment venues, and other similar measures. 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. Whereas most state and local governments have begun to ease restrictions on public gatherings, it is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions. As a result, the ultimate impact on the Organization's financial position cannot be reasonably estimated at this time.

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 and 2020, approximately \$19,000 and \$17,000 of grants, respectively, under the provisions of the Paycheck Protection Program (PPP) enacted by Congress. The Organization has determined that the criteria for forgiveness have been met and the loans have been forgiven as of December 31, 2021. As a result, the loan balances have been reported as a PPP grant and included in revenues and support in the accompanying statements of activities. Management continues to evaluate and seek available relief to mitigate any impact on future operations.

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, 2021 AND 2020

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

In-kind Contributions (continued)

For the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the Organization awarded conditional grants totaling approximately \$241,000 and \$481,000, respectively, that are conditioned on the grantees conducting certain research activities. For the years ended December 31, 2021 and 2020, the Organization advanced grant payments of approximately \$280,000 and \$125,000, respectively, to the grantees while the grantees incurred approximately \$291,000 and \$50,000, respectively, in research expenses. At December 31, 2021 and 2020, the Organization recognized refundable advances of approximately \$59,000 and \$112,000, respectively. The Organization also had accrued grant expense of approximately \$17,000 at December 31, 2021.

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; currently, the 2020 tax year is in the preliminary stage of examination by the Internal Revenue Service.

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, 2021 AND 2020

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. The full extent to which the effects of COVID-19 will directly or indirectly impact the Organization's operations, results of operations and financial condition will depend on future developments that are highly uncertain. Accordingly, actual results may differ from those estimates.

Reclassification

Certain 2020 amounts have been reclassified to conform to 2021 presentation. These reclassifications have no effect on previously reported net assets, change in net assets, functional expenses, or cash flows.

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 Organization adopted the provisions of this new guidance during the year ended December 31, 2020. The new guidance applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Analysis of various provisions of this guidance resulted in no significant changes in the way that the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of this guidance had no effect on change in net assets or net assets in total.

In June 2018, the FASB issued ASU 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made," which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. The ASU is effective for annual periods beginning after December 15, 2018 for resource recipients, and after December 15, 2019 for resource providers, with early adoption permissible. As a resource recipient, the Organization adopted a portion of the guidance effective January 1, 2019, with no significant impact to its financial statements. As a resource provider, the Organization adopted the remaining guidance effective January 1, 2020. Under this new guidance, conditional grants are not recorded until grantees meet the terms of the conditions. Implementation of this guidance resulted in no significant impact to the financial statements. The Organization had unfunded commitments related to conditional grant agreements of approximately \$391,000 that were not included in grants payable as of December 31, 2021.

THE FAMILIESCN2A FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Recent Accounting Pronouncements (continued)

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 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 available to meet cash needs for general expenditures within one year of the dates of the statements of financial position include:

	2021	2020
Cash	\$ 871,766	\$ 528,715
Contributions receivable	<u>300,255</u>	<u>185,533</u>
Available financial assets	<u>\$ 1,172,021</u>	<u>\$ 714,248</u>

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.

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 \$281,000 and \$145,000, respectively, for the years ended December 31, 2021 and 2020, which constituted approximately 34 and 25 percent, respectively, of the Organization’s contributions. Contributions receivable from this related party was approximately \$290,000 and \$156,000, respectively, as of December 31, 2021 and 2020. One unrelated donor made 24 percent of all contributions in 2021, while two unrelated donors made 31 percent of all contributions in 2020.

The treasurer of the Organization, and therefore, a related party, contributed approximately \$8,000 for each of the years ended December 31, 2021 and 2020.

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, 2021 AND 2020**

NOTE 4 - SUBSEQUENT EVENTS

All of the contributions receivable at December 31, 2021 was subsequently collected in 2022 and prior to the date the financial statements were issued.

The date to which events occurring after December 31, 2021 have been evaluated for possible adjustment to the financial statements or disclosure is October 11, 2022, the date on which the financial statements were issued.