

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

JUNE 30, 2019

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NICHOLAS LAPIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Choroideremia Research Foundation, Inc.
Springfield, Massachusetts

We have audited the accompanying financial statements of Choroideremia Research Foundation, Inc., which comprise the statements of financial position – modified cash basis as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets – modified cash basis, and statement of functional expenses – modified cash basis for the years 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of Choroideremia Research Foundation, Inc. as of June 30, 2019 and 2018, and the related statement of activities and changes in net assets – modified cash basis, and functional expenses – modified cash basis for the year then ended in accordance with accounting principles described in Note 2 to the financial statements.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Nicholas LaPier CPA, PC.

Nicholas LaPier, CPA, PC
November 15, 2019

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash	\$ 549,376	\$ 691,757
Investments	<u>313,838</u>	<u>101,661</u>
Total current assets	<u>863,214</u>	<u>793,418</u>
Property and Equipment		
Office Equipment	2,195	2,195
Website	42,100	42,100
Less Accumulated Depreciation and Amortization	<u>(13,335)</u>	<u>(4,099)</u>
Total Property and Equipment- Net	<u>30,960</u>	<u>40,196</u>
Total assets	<u>\$ 894,174</u>	<u>\$ 833,614</u>

LIABILITIES AND NET ASSETS

Net assets without donor restrictions	<u>\$ 894,174</u>	<u>\$ 833,614</u>
Total net assets	<u>894,174</u>	<u>833,614</u>
Total liabilities and net assets	<u>\$ 894,174</u>	<u>\$ 833,614</u>

The accompanying notes are an integral part of these financial statements.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS**

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<i>Support and Revenue</i>		
Direct public support	\$ 409,797	\$ 531,424
Net investment income	48,198	36,571
Interest income	364	484
Other income	<u>1,195</u>	<u>-</u>
 Total support and revenue	 <u>459,554</u>	 <u>568,479</u>
<i>Expenses</i>		
Management services	47,597	156,061
Program services	290,825	225,427
Fundraising	<u>60,572</u>	<u>54,206</u>
 Total expenses	 <u>398,994</u>	 <u>435,694</u>
 Change in net assets	 60,560	 132,785
 Net assets, beginning of year	 <u>833,614</u>	 <u>700,829</u>
 Net assets, end of year	 <u>\$ 894,174</u>	 <u>\$ 833,614</u>

The accompanying notes are an integral part of these financial statements.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>2019</u>	<u>2018</u>
Advertising	\$ 1,125	\$ -	\$ -	\$ 1,125	\$ -
Amortization	-	8,420	-	8,420	-
Bank charges	-	-	7,017	7,017	7,861
Conference	20,466	-	-	20,466	78,362
Contracted personnel	-	-	-	-	27,355
Depreciation	-	147	-	147	3,043
Fundraiser Expenses	-	-	627	627	630
Insurance	-	2,414	-	2,414	2,445
Miscellaneous	1,110	-	-	1,110	1,687
Office supplies	6,259	2,086	2,086	10,432	3,727
Pay Pal Services	-	-	240	240	260
Payroll Fees	1,059	390	783	2,232	1,396
Payroll Taxes	5,133	1,890	3,793	10,816	5,207
Postage	334	324	324	982	1,336
Professional fees	13,466	11,609	-	25,075	9,441
Research	651	-	-	651	41,600
Research and grants	111,050	-	-	111,050	161,308
Salaries	55,173	20,317	40,773	116,263	52,398
Special Events	34,651	-	2,945	37,596	1,420
Travel	31,347	-	-	31,347	20,385
Website	9,000	-	1,984	10,984	15,833
Total expenses	<u>\$ 290,825</u>	<u>\$ 47,597</u>	<u>\$ 60,572</u>	<u>\$ 398,994</u>	<u>\$ 435,694</u>

The accompanying notes are an integral part of these financial statements.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. *ORGANIZATION*

Nature of Activities – Choroideremia Research Foundation, Inc. is an international, not-for-profit charitable organization whose membership is comprised of persons with Choroideremia, their families and concerned friends. The primary goal of the Foundation is to raise funds to hasten medical research for a cure or treatment of Choroideremia as well as promote greater understanding of this inherited degenerative eye condition to those affected, the medical and research communities, and the public at large.

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Basis of Accounting – The Organization’s policy is to prepare its financial statements on the modified cash basis of accounting; consequently contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Investments are stated at their current market value.

Financial Statement Presentation – The Organization has adopted Accounting Standards Codification, “Financial Statements of Not-For-Profit Organizations.” Under Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: assets without donor restrictions and net assets with donor restrictions. There were no net assets with donor restrictions as of June 30, 2019 and 2018.

Cash and Cash Equivalents – The Organization considers all short-term investments with an original maturity date of 90 days or less to be cash equivalents.

Concentration of Credit Risks – The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property and equipment – Property and equipment is stated at cost on the date of acquisition or, in the case of gifts, fair value at the date of receipt less accumulated depreciation. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from their respective accounts and the resulting gain or loss is included in changes in net assets.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

Routine maintenance, repairs and replacement costs are expensed as incurred. Expenditures which materially increase asset values or extend their useful lives are capitalized.

Amortization and Depreciation – Amortization and depreciation is computed utilizing the straight-line method based upon the estimated useful lives of the respective assets from five to forty years. Amortization expense for the years ending June 30, 2019 and 2018 was \$8,420 and \$3,807, respectively. Depreciation expense for the years ending June 30, 2019 and 2018 was \$147 and \$236, respectively.

Revenue Recognition – All public support and revenue are considered to be available for unrestricted use unless specifically restricted by the donor. At its discretion, the Board of Directors may designate funds for specific purposes.

Investments – Investments are stated at fair value. Publicly traded securities are valued based upon quoted market prices at the close of business on the last day of the fiscal year. Unrealized gains (losses) are included in the change in net assets. Realized investment gains and losses are determined by using the average cost of the investment. Purchases and sales of investments are recorded as of the trade date.

Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities and changes in net assets.

Securities received as gifts are recorded at fair value at the date of the gift. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Income Taxes – The Organization is exempt from federal and state income taxes as a public charity under the authority of Internal Revenue Code Section 501(c)(3). Accordingly, no provision has been made for income tax expense.

The Organization has adopted Accounting Standards Codification, “Accounting for Uncertainty in Income Taxes.” Accounting Standards Codification prescribes a comprehensive model for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. Management has not identified any uncertain tax positions and, therefore, no liability has been recorded in the financial statements.

The Organization’s income tax filings are subject to audit by the Internal Revenue Service.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

Functional Expense Allocation – The costs of providing program services and other activities have been summarized on a functional basis. Expenses associated with a particular program are charged directly to that program.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – Management has evaluated subsequent events through November 15, 2019, the date which the financial statements were available to be issued.

3. *INVESTMENTS*

Accounting Standards Codification provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements.) The three levels of the fair value hierarchy under Accounting Standards Codification are described as follows:

- Level 1 valuations reflect quoted market or exchange prices for the actual or identical assets or liabilities in active markets.
- Level 2 valuations reflect inputs other than quoted prices in Level 1 which are observable. The inputs can include some or all of the following into a valuation model:
 - quoted prices on similar assets in active markets
 - quoted prices on actual assets that are not active
 - inputs other than quoted prices such as yield curves, volatilities, prepayments speeds inputs derived from market data
- Level 3 valuations reflect valuations in which one or more of the significant valuation inputs are not observable in an active market, there is limited if any market activity, and/or are based on management inputs into valuation model.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

3. *INVESTMENTS (continued)*

The Organization maintains policies and procedures to value instruments using the best and most relevant data available.

The adoption of Accounting Standards Codification was determined not to have any significant impact on the Organization's financial position and results of operation.

The following section describes the valuation methodologies the Organization uses to measure the financial instruments at fair value.

The fair value of investment securities, as described below, is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. The Organization's investments are the only assets measured at fair value on a recurring basis. The fair values of such investments are entirely Level 1 values as defined above as of June 30, 2019 and 2018.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019 and June 30, 2018.

Balance Sheet <u>Line Item</u>	<u>Asset Category</u>	<u>Level 1</u>	<u>Net Balance 06/30/2019</u>
Investments	Equities	\$ 145,712	\$ 145,712
	Mutual Funds	<u>168,126</u>	<u>168,126</u>
Total Investments		<u>\$ 313,838</u>	<u>\$ 313,838</u>

Balance Sheet <u>Line Item</u>	<u>Asset Category</u>	<u>Level 1</u>	<u>Net Balance 06/30/2018</u>
Investments	Equities	<u>\$ 101,661</u>	<u>\$ 101,661</u>
Total Investments		<u>\$ 101,661</u>	<u>\$ 101,661</u>

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

4. *DONATED SERVICES*

From time to time, Board members and staff donate their time and services to support the Organization's programs. Throughout the year, Board members voluntarily put on fundraising events throughout the country to help spread awareness, offer support, and raise funds for the Organization. Board members donate their time and money to put on these events to benefit the Organization. The value of Board and other volunteers contributed services has not been reflected in the accompanying statements in as much as no objective basis is available to measure the value of such services.

5. *GRANTS*

During fiscal years 2019 and 2018, the Organization funded grants totaling \$111,701 and \$202,908, respectively. Grant proposals and possible subsequent awards occur on an irregular basis. The grants were awarded to doctors performing research work towards cures and treatments of Choroideremia.

6. *RELATED PARTY TRANSACTIONS*

Due to the nature of the Organization's mission, there are numerous members who donate annually to the Organization. Essentially, the majority of direct public support comes from officers, the Board of Directors, and the Organization's membership.

Board and staff member contributions for the years ended June 30, 2019 and 2018 were approximately \$23,001 and \$60,587, respectively.

7. *LIQUIDITY AND AVAILABILITY OF RESOURCES*

The Organization has approximately \$863,214 of financial assets available within one year of the statement of financial position date to meet its cash needs for general expenditures. These financial assets consist of cash and savings and time deposits of \$549,376 and investments of \$313,838. Cash and savings and time deposits and investments are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

8. *COMMITMENTS*

As of June 30, 2019, the Organization awarded grants totally \$225,000 to be paid out subsequent to year end..