

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

JUNE 30, 2018

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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 – cash basis as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets – cash basis, and functional expenses – 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 cash basis of accounting as described in Note 2; this includes determining that the 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 – cash basis of Choroideremia Research Foundation, Inc. as of June 30, 2018 and 2017, and the of activities and changes in net assets – cash basis, and functional expenses – 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 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
West Springfield Massachusetts
November 15, 2018

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION - CASH BASIS

JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash	\$ 691,757	\$ 636,138
Investments	<u>101,661</u>	<u>64,221</u>
Total current assets	<u>793,418</u>	<u>700,359</u>
Property and Equipment		
Office Equipment	2,195	2,195
Website	42,100	-
Less Accumulated Depreciation and Amortization	<u>(4,099)</u>	<u>(1,725)</u>
Total Property and Equipment- Net	<u>40,196</u>	<u>470</u>
Total assets	<u>\$ 833,614</u>	<u>\$ 700,829</u>

LIABILITIES AND NET ASSETS

Unrestricted net assets	<u>\$ 833,614</u>	<u>\$ 700,829</u>
Total net assets	<u>833,614</u>	<u>700,829</u>
Total liabilities and net assets	<u>\$ 833,614</u>	<u>\$ 700,829</u>

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

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CASH BASIS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<i>Support and Revenue</i>		
Direct public support	\$ 531,424	\$ 440,903
Net investment income	36,571	9,256
Interest income	484	445
Other income	<u>-</u>	<u>2,561</u>
 Total support and revenue	 <u>568,479</u>	 <u>453,165</u>
<i>Expenses</i>		
Management services	156,061	64,199
Program services	225,426	163,872
Fundraising	<u>54,206</u>	<u>98,558</u>
 Total expenses	 <u>435,694</u>	 <u>326,629</u>
 Change in net assets	 132,785	 126,536
 Net assets, beginning of year	 <u>700,829</u>	 <u>574,293</u>
 Net assets, end of year	 <u><u>\$ 833,614</u></u>	 <u><u>\$ 700,829</u></u>

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

CHOROIDEREMIA RESEARCH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Program	Management	Fundraising	2018	2017
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 653
Bank charges	-	-	7,861	7,861	6,270
Conference	-	78,362	-	78,362	21,493
Contracted personnel	2,363	12,743	12,250	27,355	59,290
Depreciation	-	3,043	-	3,043	259
Fundraiser Expenses	-	-	630	630	59,946
Insurance	-	2,445	-	2,445	1,089
Miscellaneous	-	1,687	-	1,687	1,609
Office supplies	-	3,727	-	3,727	1,909
Pay Pal Services	-	-	260	260	200
Payroll Fees	184	1,194	18	1,396	-
Payroll Taxes	686	4,452	69	5,207	-
Postage	-	668	668	1,336	930
Professional fees	6,500	2,941	-	9,441	8,055
Research	41,600	-	-	41,600	125,934
Research and grants	161,308	-	-	161,308	28,606
Salaries	6,906	44,800	692	52,398	-
Special Events	-	-	1,420	1,420	1,540
Travel	5,880	-	14,505	20,385	6,402
Website	-	-	15,833	15,833	2,444
Total expenses	\$ 225,426	\$ 156,061	\$ 54,206	\$ 435,694	\$ 326,629

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

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 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.

Financial Statement Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, “Financial Statements of Not-for-Profit Organizations.” Under ASC No. 958, financial information is required to be reported under three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has only unrestricted net assets.

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.

Depreciation – Depreciation is computed utilizing the straight-line method based upon the estimated useful lives of the respective assets from five to forty years. Depreciation expense for the years ending June 30, 2018 and 2017 was \$3,043 and \$259, 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 ASC 740-10-25, “Accounting for Uncertainty in Income Taxes.” ASC 740-10-25 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. The Organization’s open audit periods are 2014 – 2018.

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.

3. *INVESTMENTS*

ASC 820 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 ASC 820 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.

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

The adoption of ASC 820 was determined not to have any significant impact on the Organization's financial position and results of operation.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (continued)

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

Equities – These consist of common stocks. These funds are valued using readily available market prices in an active market making them Level 1 assets.

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

<u>Balance Sheet Line Item</u>	<u>Asset Category</u>	<u>Level 1</u>	<u>Net Balance 06/30/2017</u>
Investments	Equities	\$ 64,221	\$ 64,221
Total Investments		<u>\$ 64,221</u>	<u>\$ 64,221</u>

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 2018 and 2017, the Organization funded grants totaling \$202,908 and \$154,540, 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.

CHOROIDEREMIA RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2018 and 2017 were approximately \$60,587 and \$62,381, respectively.

7. *SUBSEQUENT EVENTS*

Management has evaluated subsequent events through November 15, 2018, the date which the financial statements were available to be issued.