

Accelerated Cure Project, Inc.

*Financial Statements as of and for the
Year Ended December 31, 2018 and
Independent Auditors' Report*

ACCELERATED CURE PROJECT, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Accelerated Cure Project, Inc.

We have audited the accompanying financial statements of Accelerated Cure Project, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, 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.

Auditors' 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 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 Accelerated Cure Project, Inc. as of December 31, 2018, 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.


October 30, 2019

ACCELERATED CURE PROJECT, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	397,865
Investments		25,406
Accounts receivable		171,702
Pledges receivable, current (Note 4)		100,000
Prepaid expenses		<u>12,926</u>
Total current assets		707,899

PROPERTY AND EQUIPMENT, net 4,544

PLEDGES RECEIVABLE, net (Note 4) 255,870

OTHER ASSETS 27,507

TOTAL ASSETS \$ 995,820

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	38,815
Accrued expenses and other current liabilities		<u>26,624</u>
Total liabilities		<u>65,439</u>

NET ASSETS:

Without donor restrictions		514,653
With donor restrictions		<u>415,728</u>
Total net assets		<u>930,381</u>

TOTAL LIABILITIES AND NET ASSETS \$ 995,820

See notes to financial statements.

ACCELERATED CURE PROJECT, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES:			
REVENUES AND OTHER SUPPORT:			
Grants and contributions revenue	\$ 437,376	\$ 232,590	\$ 669,966
Program fees	713,233	-	713,233
Special events:			
Special events revenue	17,943	-	17,943
Less direct event expenses	(70,344)	-	(70,344)
Special events, net	(52,401)	-	(52,401)
Net assets released from restrictions	374,896	(374,896)	-
Total revenues and other support	1,473,104	(142,306)	1,330,798
EXPENSES:			
Program services	1,117,563	-	1,117,563
Support services	280,658	-	280,658
Total expenses	1,398,221	-	1,398,221
Change in net assets from operating activities	74,883	(142,306)	(67,423)
NONOPERATING ACTIVITIES:			
Dividend income	174	-	174
Unrealized loss on investment	(6,909)	-	(6,909)
Total nonoperating activities	(6,735)	-	(6,735)
Change in net assets	68,148	(142,306)	(74,158)
NET ASSETS, DECEMBER 31, 2017, as previously reported	446,505	125,792	572,297
PRIOR PERIOD ADJUSTMENT (NOTE 7)	-	432,242	432,242
ADJUSTED NET ASSETS, JANUARY 1, 2018	446,505	558,034	1,004,539
NET ASSETS - DECEMBER 31, 2018	\$ 514,653	\$ 415,728	\$ 930,381

See notes to financial statements.

ACCELERATED CURE PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Program Services					Support Services			Total
	Repository	Scientific Collaboration	Education and Community		Total Program Services	Fundraising	General and Administrative		
			Building				Support Services		
Payroll and related costs	\$ 69,919	\$ 378,996	\$ 32,389	\$ 481,304	\$ 100,221	\$ 56,991	\$ 157,212	\$ 638,516	
Research and data collection	147,946	-	-	147,946	-	-	-	147,946	
Professional fees	-	95,589	609	96,198	609	65,116	65,725	161,923	
Facilities	5,280	30,760	2,434	38,474	7,912	8,684	16,596	55,070	
Program expenses	450	33,907	2,806	37,163	17,832	9,159	26,991	64,154	
Scientific program consulting	49,257	189,409	-	238,666	-	-	-	238,666	
Travel	1,597	65,715	-	67,312	559	361	920	68,232	
Office	1,046	7,268	484	8,798	4,145	5,971	10,116	18,914	
Depreciation	1,702	-	-	1,702	-	3,098	3,098	4,800	
Total expenses	\$ 277,197	\$ 801,644	\$ 38,722	\$ 1,117,563	\$ 131,278	\$ 149,380	\$ 280,658	\$ 1,398,221	

See notes to financial statements.

ACCELERATED CURE PROJECT, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (74,158)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	4,800
Unrealized loss on investments	6,909
Changes in operating assets and liabilities:	
Accounts receivable	(10,430)
Pledges receivable	107,622
Prepaid expenses	129,243
Accounts payable	(42,142)
Accrued expenses	<u>(397,939)</u>
Net cash used in operating activities	<u>(276,095)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	<u>(1,798)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS (277,893)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 675,758

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 397,865

See notes to financial statements.

ACCELERATED CURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

1. ORGANIZATION

Accelerated Cure Project, Inc. (the “Organization”), which also conducts business under the name Accelerated Cure Project for Multiple Sclerosis, is located in Waltham, Massachusetts. The Organization, founded in March 2001, is a patient-founded not-for-profit organization dedicated to accelerating research efforts to improve diagnoses, optimize treatment outcomes, and develop cures for multiple sclerosis (“MS”). The Organization promotes scientific collaboration and accelerates research by rapidly and cost-effectively providing researchers with the resources they need to explore novel research ideas that can lead to better health, healthcare, and quality of life for people affected by MS.

The Organization’s major programs consist of the following:

Repository program – a program that provides researchers with materials and data they need to explore novel research ideas based on a collection of biological specimens and data from people with and without MS.

Scientific collaboration – a program that stimulates and enables research and networking amongst MS stakeholders, especially through the input and data contributed by participants in the Organization’s IConquerMS™ People-Powered Research Network (“IConquerMS PPRN”), to accelerate research on what matters most to people affected by MS.

Education and community building – a program to enhance MS stakeholders’ knowledge about the repository program, the IConquerMS PPRN, and other MS-related topics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

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, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Accounting principle adoption – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The Organization was required to implement ASU 2016-14 as of January 1, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing activities working towards a cure for multiple sclerosis. Nonoperating activities are limited to resources that generate returns from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents – For purposes of the Statement of Cash Flows, the Organization considers all highly liquid deposits to be cash and cash equivalents. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced, nor does it anticipate, any losses in such accounts.

Investments – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities. Investment securities are exposed to various risks including, but not limited to, interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The Organization seeks to minimize market risk by diversifying its investment portfolio.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Pledges receivable – Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected or paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in grant and contribution revenue. Conditional promises to give are not included in revenues and other support until the conditions are met. Management believes all pledges receivable will be collected; therefore, no allowance for bad debt is recorded. Pledges receivable are written-off as bad debt after significant measures have failed to result in collection of such pledges.

Property and equipment, net – Property and equipment are recorded at cost. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments greater than \$1,500 with a useful life over one year are capitalized as additions to property and equipment. Depreciation is provided over the estimated useful lives of the assets, which range from 3-7 years, using the straight-line method.

Other assets – Other assets consist of security deposits paid for the Organization's office lease space.

Revenue recognition – The Organization recognizes program fees when the related services are performed. Grants and contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions when cash is received or acknowledgment of intent is received. Contributions of assets other than cash are recorded at their fair value at the date of the gift. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

Use of estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax status – The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional expenses – The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program and supporting services. Such allocations are determined by management on the basis of estimates of time and effort.

Subsequent events – Management has evaluated subsequent events through October 30, 2019, the date the financial statements were available to be issued.

3. INVESTMENTS

Investments consist of the following at December 31, 2018:

	Cost	Fair Value
Common stock	<u>\$ 9,297</u>	<u>\$ 25,406</u>

4. PLEDGES RECEIVABLE

The Organization anticipates collection of outstanding pledges receivable as follows at December 31, 2018:

Pledges receivable before unamortized discount	\$ 400,000
Less: unamortized discount	<u>44,130</u>
Net pledges receivable	<u>\$ 355,870</u>

Amounts due in:

Less than one year	\$ 100,000
One to four years	<u>300,000</u>
	<u>\$ 400,000</u>

Amounts presented above have been discounted to present value using a discount rate of 5.5% in 2018. The discount will be recognized as contribution income in years 2019-2022 as the pledges are received and using the same effective discount rate for each year.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Website development	\$ 105,733
Computer equipment	45,004
Other equipment	<u>29,510</u>
	180,247
Less: accumulated depreciation	<u>175,703</u>
Property and equipment, net	<u>\$ 4,544</u>

6. NET ASSETS

Net assets with donor restrictions are as follows as of and for the year ended December 31, 2018:

With donor restrictions – temporarily restricted net assets are available for the following purposes at December 31, 2018:

	2018
MS discovery forum	\$ 7,076
MS patient powered research network	52,782
Pledges receivable - time restriction	<u>355,870</u>
	<u>\$ 415,728</u>

Net assets released from net assets with donor restrictions are as follows for the year ended December 31, 2018:

	2018
Communications	\$ 11,667
OPT-UP	96,746
MS discovery forum	10,304
MS patient powered research network	156,179
Long-term pledges receivable - passage of time	<u>100,000</u>
	<u>\$ 374,896</u>

7. PRIOR PERIOD ADJUSTMENT

During 2018, management became aware of certain prior period adjustments that were required to present opening net assets as of January 1, 2018 in accordance with generally accepted accounting principles. Such adjustments were primarily related to the recognition of a pledge receivable of \$500,000 offset by the discount on the pledge of \$67,759. The adjustments in total resulted in an increase to opening with restrictions net assets as of January 1, 2018 of \$432,242.

8. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year-end:

Cash and cash equivalents	\$ 397,865
Investments	25,406
Accounts receivable	171,702
Pledges receivable, current	<u>100,000</u>
Total financial assets	<u>694,973</u>

Less net assets with purpose restrictions to be met in less than one year	<u>(59,858)</u>
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Financial assets available to meet general expenditures over the next twelve months	<u>\$ 635,115</u>
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The Organization has a goal to maintain financial assets to meet 90 days of normal operating expenses (approximately \$350,000).

9. CONCENTRATIONS

Two donors accounted for approximately 65% of accounts receivable at December 31, 2018. Two donors accounted for approximately 38% of grants and contributions revenue for the year ended December 31, 2018.

10. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Input prices quoted in an active market for identical financial assets or liabilities.
- Level 2: Inputs other than prices quoted in Level 1, such as prices quoted for similar financial assets and liabilities in active markets, prices for identical assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Input prices quoted that are significant to the fair value of the financial assets or liabilities which are not observable nor supported by an active market.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2018.

Common stock – valued at the closing price reported on the active market on which the individual securities are traded.

The following items are measured at fair value on a recurring basis at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 25,406	-	-	\$ 25,406

11. COMMITMENTS AND CONTINGENCIES

Operating leases – The Organization leases office space under a lease agreement that expires in March 2021 and storage space under a month-to-month agreement. Lease expense associated with the office and storage space for the year ended December 31, 2018 was \$38,584. A security deposit for the office space of \$27,500 is included in the accompanying statement of financial position in other assets.

The Organization has entered into additional lease agreements for various equipment. Equipment lease expense for the year ended December 31, 2018 was \$3,667.

The future minimum payments arising from the above operating leases are as follows:

2019	\$ 36,474
2020	37,617
2021	12,110
Total	<u>\$ 86,201</u>

Contingencies – The Organization may become involved in litigation or other claims in the ordinary course of business. Management is not aware of any claims that will have a material adverse effect on the financial statements.

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