

Accelerated Cure Project, Inc.

*Financial Statements as of and for the Years
Ended December 31, 2019 and 2018 and
Independent Auditors' Report*

ACCELERATED CURE PROJECT, INC.

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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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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 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 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 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 Accelerated Cure Project, Inc. as of December 31, 2019 and 2018, 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.


October 16, 2020

ACCELERATED CURE PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS:		
Cash, cash equivalents and restricted cash	\$ 822,130	\$ 397,865
Investments	-	25,406
Accounts receivable	433,410	171,702
Pledges receivable, current (Note 4)	100,000	100,000
Prepaid expenses	12,005	12,926
Total current assets	1,367,545	707,899
PROPERTY AND EQUIPMENT, net	10,612	4,544
PLEDGES RECEIVABLE, net (Note 4)	175,007	255,870
OTHER ASSETS	2,507	27,507
TOTAL ASSETS	\$ 1,555,671	\$ 995,820
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 263,864	\$ 38,815
Accrued expenses and other current liabilities	28,602	26,624
Total liabilities	292,466	65,439
NET ASSETS:		
Without donor restrictions	413,185	514,653
With donor restrictions	850,020	415,728
Total net assets	1,263,205	930,381
TOTAL LIABILITIES AND NET ASSETS	\$ 1,555,671	\$ 995,820

See notes to financial statements.

ACCELERATED CURE PROJECT, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES:			
REVENUES AND OTHER SUPPORT:			
Grants and contributions revenue	\$ 265,465	\$ 1,091,652	\$ 1,357,117
Program fees	544,998	-	544,998
Special events:			
Special events revenue	27,020	-	27,020
Less direct event expenses	(4,006)	-	(4,006)
Special events, net	23,014	-	23,014
Net assets released from restrictions	657,360	(657,360)	-
Total revenues and other support	1,490,837	434,292	1,925,129
EXPENSES:			
Program services	1,316,344	-	1,316,344
Support services	285,774	-	285,774
Total expenses	1,602,118	-	1,602,118
Change in net assets from operating activities	(111,281)	434,292	323,011
NONOPERATING ACTIVITIES:			
Dividend and interest income	2,720	-	2,720
Unrealized gain on investment	7,093	-	7,093
Total nonoperating activities	9,813	-	9,813
Change in net assets	(101,468)	434,292	332,824
NET ASSETS - BEGINNING OF YEAR	514,653	415,728	930,381
NET ASSETS - END OF YEAR	\$ 413,185	\$ 850,020	\$ 1,263,205

See notes to financial statements.

ACCELERATED CURE PROJECT, INC.

STATEMENT OF ACTIVITIES FOR THE 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 - BEGINNING OF YEAR	446,505	558,034	1,004,539
NET ASSETS - END OF YEAR	\$ 514,653	\$ 415,728	\$ 930,381

See notes to financial statements.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

See notes to financial statements.

ACCELERATED CURE PROJECT, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 332,824	\$ (74,158)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,592	4,800
Unrealized (gain) loss on investments	(7,093)	6,909
Changes in operating assets and liabilities:		
Accounts receivable	(261,708)	(10,430)
Pledges receivable	80,863	107,622
Prepaid expenses	921	129,243
Other assets	25,000	-
Accounts payable	225,049	(42,142)
Accrued expenses and other current liabilities	1,978	(397,939)
Net cash provided by (used in) operating activities	401,426	(276,095)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(9,660)	(1,798)
Investment sales	32,499	-
Net cash provided by (used in) investing activities	22,839	(1,798)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	424,265	(277,893)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	397,865	675,758
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 822,130	\$ 397,865

See notes to financial statements.

ACCELERATED CURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 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 – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, the first day of the Organization’s fiscal year, using the full retrospective method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting principle adoption (continued) – Effective January 1, 2019, the Organization adopted ASU No. 2016-18, *Statement of Cash Flows* (Topic 230). The ASU requires presentation of the total change in cash, cash equivalents, and restricted cash for the period in the statement of cash flows.

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, cash equivalents and restricted cash – 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. Total restricted cash in 2019 and 2018 amounted to \$505,013 and \$59,858, respectively, and is included with donor restriction – temporarily restricted net assets at December 31, 2019 and 2018.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition – The adoption of ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) did not have a significant impact on the Organization’s financial statements. The majority of the Organization’s revenue arrangements generally consist of a single performance obligation to transfer promised services. Based on the Organization’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

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.

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.

3. INVESTMENTS

The Organization did not have any investments at December 31, 2019. Investments at December 31, 2018 consisted of common stock with a fair value of \$25,406 and historical cost of \$9,297.

4. PLEDGES RECEIVABLE

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

	2019	2018
Pledges receivable before unamortized discount	\$ 300,000	\$ 400,000
Less: unamortized discount	<u>24,993</u>	<u>44,130</u>
Net pledges receivable	<u>\$ 275,007</u>	<u>\$ 355,870</u>
Amounts due in:		
Less than one year	\$ 100,000	\$ 100,000
One to four years	<u>200,000</u>	<u>300,000</u>
	<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 2019 and 2018. The discount will be recognized as contribution income in years 2020-2022 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:

	2019	2018
Website development	\$ 105,733	\$ 105,733
Computer equipment	46,952	45,004
Other equipment	<u>37,222</u>	<u>29,510</u>
	189,907	180,247
Less: accumulated depreciation	<u>179,295</u>	<u>175,703</u>
Property and equipment, net	<u>\$ 10,612</u>	<u>\$ 4,544</u>

6. NET ASSETS

Net assets – with donor restrictions consist of temporarily restricted assets that are available for the following purposes at December 31:

	2019	2018
MS discovery forum	\$ 4,817	\$ 7,076
MS patient powered research network	295,872	52,782
Pledges receivable - time restriction	275,006	355,870
Diversity, equity and inclusion	159,325	-
Repository/iConquerMS	<u>115,000</u>	<u>-</u>
	<u>\$ 850,020</u>	<u>\$ 415,728</u>

6. NET ASSETS (CONTINUED)

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

	2019	2018
Communications	\$ 20,000	\$ 11,667
OPT-UP	-	96,746
MS discovery forum	2,258	10,304
MS patient powered research network	470,427	156,179
Long-term pledges receivable - passage of time	100,000	100,000
Diversity, equity and inclusion	64,675	-
	<u>\$ 657,360</u>	<u>\$ 374,896</u>

7. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019:

Financial assets at year-end:

Cash, cash equivalents and restricted cash	\$ 822,130
Accounts receivable	433,410
Pledges receivable, current	<u>100,000</u>
Total financial assets	<u>1,355,540</u>

Less net assets with purpose restrictions to be met in less than one year	<u>(575,013)</u>
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Financial assets available to meet general expenditures over the next twelve months	<u>\$ 780,527</u>
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The Organization has a goal to maintain financial assets to meet 90 days of normal operating expenses (approximately \$400,000).

8. CONCENTRATIONS

Four donors accounted for approximately 77% of accounts receivable at December 31, 2019 and two donors accounted for approximately 65% of accounts receivable at December 31, 2018. Four donors accounted for approximately 62% of grants and contributions revenue for the year ended December 31, 2019 and two donors accounted for approximately 38% of grants and contributions revenue for the year ended December 31, 2018.

9. 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, 2019 and 2018.

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

The Organization did not have any investments at December 31, 2019. Investments at December 31, 2018 consisted of \$25,406 in common stock and measured at fair value on a recurring basis as level 1 in the fair value hierarchy.

10. 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 years ended December 31, 2019 and 2018 was \$38,413 and \$38,584, respectively. A security deposit for the office space of \$2,500 and \$27,500 is included in the accompanying statement of financial position in other assets for 2019 and 2018, respectively.

The Organization has entered into additional lease agreements for various equipment. Equipment lease expense for the years ended December 31, 2019 and 2018 was \$3,153 and \$3,667, respectively.

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

2020	\$	37,617
2021		<u>12,110</u>
Total	\$	<u>49,727</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.

11. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact change in net assets. Other financial impact could occur though such potential impact is unknown at this time. The Organization received a Paycheck Protection Program (PPP) loan of \$91,733 on April 12, 2020. The loan is secured by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to the loan forgiveness provisions of the CARES Act and SBA interim final rule dated April 2, 2020. Management expects the entire loan principal and any accrued interest to be forgiven as loan funds were spent in such manner that they will qualify for loan forgiveness.

Management has evaluated subsequent events through October 16, 2020, the date the financial statements were available to be issued.

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