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Progeria Research Foundation

Financial Statements

For the Year Ended
December 31, 2014

Progeria Research Foundation, Inc.
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For the Year Ended December 31, 2014

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Independent Auditors' Report

To the Board of Directors
Progeria Research Foundation, Inc.
Peabody, Massachusetts

We have audited the accompanying financial statements of Progeria Research Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and the related statements 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Progeria Research Foundation, Inc. as of December 31, 2014 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.

LitmanGerson Associates, LLP

Woburn, Massachusetts
October 30, 2015

Progeria Research Foundation, Inc.
Statement of Financial Position
December 31, 2014

Assets		
Current assets:		
Cash and cash equivalents	**$**	**1,024,825**
Contributions receivable, net		**78,476**
Investments		**3,797,899**
Prepaid expenses		**13,084**
Total current assets		**4,914,284**
Property and equipment, net		**17,508**
Other assets:		
Patents, net		**69,195**
Contributions receivable - noncurrent ($83,334 face amount, non-interest bearing, less unamortized discount of $5,963)		**77,371**
Security deposit		**3,000**
Total other assets		**149,566**
Total assets	**$**	**5,081,358**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and other current liabilities	**$**	**418,323**
Due to donor		**15,000**
Total current liabilities		**433,323**
Net assets:		
Unrestricted		**4,512,331**
Temporarily restricted		**135,704**
Total net assets		**4,648,035**
Total liabilites and net assets	**$**	**5,081,358**

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

Progeria Research Foundation, Inc.

Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 1,927,652	$ 60,704	$ 1,988,356
In-kind contributions	198,527	-	198,527
Investment income, net	69,683	-	69,683
Net assets released from restrictions for timing	337,602	(337,602)	-
	2,533,464	(276,898)	2,256,566
Special events	854,235	-	854,235
Less: costs of direct benefits to donors	(170,642)	-	(170,642)
	683,593	-	683,593
Total support and revenue	3,217,057	(276,898)	2,940,159
Expenses			
Program services	2,328,782	-	2,328,782
Supporting services	325,655	-	325,655
Fundraising	82,299	-	82,299
Total expenses	2,736,736	-	2,736,736
Change in net assets	480,321	(276,898)	203,423
Net assets at beginning of year, as originally stated	4,032,010	-	4,032,010
Prior period adjustment	-	412,602	412,602
Net assets at beginning of year, as restated	4,032,010	412,602	4,444,612
Net assets at end of year	$ 4,512,331	$ 135,704	$ 4,648,035

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

Progeria Research Foundation, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services	Supporting Services	Fundraising	Total
Compensation:				
Salaries and wages	$ 213,391	$ 126,132	$ 24,987	$ 364,510
Payroll taxes	18,235	10,169	1,998	30,402
Employee benefits	11,496	6,219	1,331	19,046
	243,122	142,520	28,316	413,958
Other:				
Drug trial	822,516	-	-	822,516
Research grants and other assistance	819,551	-	-	819,551
Professional fees	128,415	32,478	-	160,893
Medical and research database	95,766	-	-	95,766
Consulting	19,000	16,903	53,983	89,886
Diagnostic testing	73,415	-	-	73,415
Printing	41,630	3,319	-	44,949
Cell and tissue bank	43,696	-	-	43,696
Occupancy	6,120	24,480	-	30,600
Online processing fees	-	24,891	-	24,891
Postage and shipping	11,662	11,958	-	23,620
Computer expenses	-	20,102	-	20,102
Office supplies	-	17,557	-	17,557
Media expense	15,217	-	-	15,217
Communications	2,401	7,054	-	9,455
Travel	3,262	4,962	-	8,224
Depreciation and amortization	2,913	4,791	-	7,704
Dues and subscriptions	-	6,172	-	6,172
Utilities	-	5,031	-	5,031
Insurance	-	2,937	-	2,937
Taxes - other	-	500	-	500
Patient handbooks	96	-	-	96
	2,085,660	183,135	53,983	2,322,778
Total expenses	$ 2,328,782	$ 325,655	$ 82,299	$ 2,736,736

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

Progeria Research Foundation, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2014

Cash flows from operating activities:	
Change in net assets	$ 203,423
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	7,704
Contributions of investments	(61,614)
Interest and dividends reinvested	(56,650)
In-kind service contributions relating to patents	(49,631)
Net realized gain on investments	(13,033)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Contributions receivable	257,613
Prepaid expenses	22,001
Increase (decrease) in:	
Accounts payable and other current liabilities	215,453
Net cash provided by operating activities	525,266
Cash flows from investing activities:	
Proceeds from sales of investments	152,858
Purchases of investments	(500,000)
Purchases of property and equipment	(13,353)
Net cash used in investing activities	(360,495)
Cash flows from financing activities:	
Advance from donor	15,000
Net cash provided by financing activities	15,000
Net increase in cash and cash equivalents	179,771
Cash and cash equivalents at beginning of year	845,054
Cash and cash equivalents at end of year	$ 1,024,825
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	$ -
Income taxes	$ -
Supplemental disclosure of non-cash investing activities:	
Investments received and recognized as contribution revenue	$ 61,614
In-kind service contributions relating to patents	$ 49,631
Interest and dividends reinvested	$ 56,650

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

1. Nature of Business

The Progeria Research Foundation, Inc. (the Organization) is a nonprofit organization established in 1999 in the Commonwealth of Massachusetts to discover treatments and the cure for Hutchinson-Gilford Progeria Syndrome and its aging-related disorders, including heart disease.

2. Summary of Significant Accounting Policies

Basis of Presentation
The financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) to ensure the statements of financial position, activities, functional expenses and cash flows are consistently reported. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (ASC).

Basis of Accounting
The Organization's financial statements have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the financial statements follows.

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

Financial Statement Presentation
Financial statement presentation follows the recommendations of the FASB ASC Topic No. 958 *Not-for-Profit Entities* (ASC 958). Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted
Unrestricted net assets include amounts that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted
Temporarily restricted net assets include amounts resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted
Permanently restricted net assets include amounts resulting from contributions and other inflows of assets whose use by the Organization is restricted by donor stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the Organization. There are no permanently restricted net assets held by the Organization at December 31, 2014.

Cash and Cash Equivalents
For the purposes of the statements of cash flows, the Organization considers all highly liquid instruments with original maturities of three months or less, when purchased, to be cash equivalents.

2. Summary of Significant Accounting Policies…continued

Contributions Receivable
Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed stipulations, if any, on the contribution. The Organization provides for losses on accounts using the allowance method. The allowance for doubtful accounts is based on experience and other circumstances which may affect the ability of contributors to meet their obligations. Receivables are considered uncollectible if full payments are not received in accordance with the terms of the pledge. At December 31, 2014, the Organization has determined contributions receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Investments
The Organization has adopted FASB ASC Topic No. 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations* (ASC 958-320). Under ASC 958-320, investments are reported at fair value. Related interest and dividends are recorded on the accrual basis. Investment income or loss, which consists of interest and dividend income, realized gains and losses, and unrealized gains and losses on those investments, is included in unrestricted revenue in the statement of activities.

Property and Equipment
Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line and accelerated methods over estimated useful lives ranging between five and fifteen years. The Organization capitalizes expenditures for property and equipment with a cost in excess of $1,000. Expenditures for maintenance and repairs are charged to expense as incurred and expenditures which significantly increase values or extend useful lives are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts and the gain or loss thereon is reflected in the statement of activities.

Patents
Patents are capitalized and amortized on a straight-line basis over their estimated useful life of 17 years.

2. Summary of Significant Accounting Policies…continued

Fair Value Measurements
The Organization discloses the fair value of investments (see Note 5) in accordance with FASB ASC Topic No. 820, *Fair Value Measurements* (ASC 820). The framework under ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's 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
Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

Certificates of Deposit
Certificates of deposit are valued at amortized cost plus accrued interest, which approximates fair value, and are classified as Level 2.

Annuity Contract
The annuity contract is reported at contract value, which approximates fair value. Contract value represents contributions made under the agreement, plus earnings, less withdrawals and administrative expenses. As this investment is contract-based, observable prices for identical or similar investments do not exist, and accordingly, the investment is valued using unobservable inputs and is classified as Level 3.

2. Summary of Significant Accounting Policies…continued

Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until they become unconditional, that is, at the time the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of property and equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support depending upon the condition(s) stipulated by the donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the amount is reported as unrestricted in the year received.

In-Kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the estimated fair value of contributed services if such services meet the following criteria:

- The services received either create or enhance nonfinancial assets, or
- The services received require special skills and are provided by individuals possessing those skills, and the services received would typically need to be purchased if not contributed.

During the year ended December 31, 2014, the Organization received donated accounting, legal, fund-raising and consulting services with estimated fair values of $148,896, which have been recognized as in-kind contributions and program or support expenses on the accompanying statement of activities. Certain donated legal services pertaining to the Organization's patents, with estimated fair values of $49,631, have been recognized as in-kind contributions on the accompanying statement of activities and were capitalized and included in patents, net on the accompanying statement of financial position.

In addition, many individuals volunteered their time and performed a variety of tasks to assist the Organization in carrying out its mission during the year ended December 31, 2014. These services did not meet the recognition criteria for contributed services. Accordingly, a value for these services has not been reflected in the accompanying statement of activities.

Functional Allocation of Expenses

The Organization allocates it expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification, while other expenses are allocated based on management's systematic and rational policy of estimating the percentage attributable to its program or support service.

2. Summary of Significant Accounting Policies…continued

Income Taxes
The Organization is a nonprofit organization, which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and is a public charity according to Section 509(a)(3) of the IRC. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization accounts for the uncertainty in income taxes in accordance with the provisions of FASB ASC Topic No. 740, *Income Taxes* (ASC 740), which prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements.

When necessary, the Organization accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. The Organization does not expect that unrecognized tax benefits arising from tax positions will change significantly within the next 12 months. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2011 through 2014.

3. Contributions Receivable

At December 31, 2014, contributions receivable are expected to be realized in the following periods:

In one year or less	$ 78,476
Between one year and five years	83,334
	161,810
Less: discount at 3.25%	(5,963)
	$ 155,847

4. Annuity Contract

The Organization has entered into a fixed annuity contract with Massachusetts Mutual Life Insurance Company (Mass Mutual). The Organization's contract investment balance is credited with earnings based upon contractually determined interest rates, and is charged for withdrawals and administrative expenses. Mass Mutual establishes an effective annual interest rate. In no event will such effective annual interest rate be less than the minimum interest rate as defined by the contract. The annuity contract is included in the statement of financial position at contract value as reported by Mass Mutual, which approximates fair value. There are no reserves against contract value for credit risk of the issuer or otherwise.

The minimum guaranteed interest rate is 1.75%. For the year ended December 31, 2014, the average yield was 2.05%.

The contract did not specify the circumstances under which the issuer may terminate the contract other than a written notice to the contract holder 30 days prior to the intended termination date. Currently, management believes that the occurrence of an event that would cause the Organization to receive less than contract value is not probable.

5. Investments

A comparison of the actual costs and fair values of investments at December 31, 2014 is as follows:

	Cost	Fair Value	Unrealized Gains (Losses)
Investments held at fair value:			
Certificates of deposit	$ 3,596,861	$ 3,596,861	$ -
Annuity contract	201,038	201,038	-
	$ 3,797,899	$ 3,797,899	$ -

The following schedule summarizes investment income for the year ended December 31, 2014:

Net realized gain	$ 13,033
Interest and dividends	56,650
	$ 69,683

6. Fair Value Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Fixed income securities:				
Certificates of deposit	$ -	$ 3,596,861	$ -	$ 3,596,861
Annuity contract	-	-	201,038	201,038
	$ -	$ 3,596,861	$ 201,038	$ 3,797,899

The following table summarizes the changes in the carrying value associated with Level 3 financial instruments carried at fair value during the year ended December 31, 2014:

Balance at beginning of year	$ 196,952
Investment income, net	4,086
Balance at end of year	$ 201,038

7. Property and Equipment

Property and equipment consisted of the following at December 31, 2014:

Furniture and equipment	$ 28,674
Leasehold improvements	7,132
	35,806
Less: accumulated depreciation	(18,298)
	$ 17,508

Depreciation expense totaled $4,791 for the year ended December 31, 2014.

8. Patents

Patent costs for the development of a Farnesyltransferase inhibitors (FTIs) drug treatment for children with Progeria totaled $72,789, net of accumulated amortization of $3,594, at December 31, 2014. Amortization expense totaled $2,913 for the year ended December 31, 2014. Amortization expense for the years ending December 31, 2015 through 2019 will be $4,464 per annum and $46,875 thereafter.

9. Prior Period Adjustment

Historically, the Organization has not received contributions from planned giving or other long-term, unconditional promises to give which would require recognition in the period received or pledged. However, during the year ended December 31, 2014, it was determined that the Organization had received unconditional promises to give during the year ended December 31, 2013, totaling $687,802, of which $412,602 remained unpaid at December 31, 2013. The cumulative effect of the correction increased temporarily restricted net assets at December 31, 2013 by $412,602 in the statement of financial position.

10. Net assets

At December 31, 2014, temporarily restricted net assets totaled $135,704 which have been restricted by donors for future periods.

11. Commitments

Office and Equipment Leases
The Organization leases office space under a non-cancelable operating lease, which expires in December 2017. The lease provides for annual increases in base rent amounts and an option to renew for an additional five-year term. Rent expense under this office lease totaled $30,600 for the year ended December 31, 2014.

The Organization leases office equipment under two non-cancelable operating leases, which expire at various times through October 2019. Rent expense under these equipment leases totaled $9,967 for the year ended December 31, 2014.

Future minimum lease payments required under these leases for the years ending December 31st are as follows:

2015	$ 46,056
2016	46,056
2017	45,104
2018	5,928
2019	4,940
	$ 148,084

11. Commitments…continued

Research Grants and Other Assistance
The Organization provides research grants and other assistance to qualified doctors and scientists to conduct research for the treatment and cure for Hutchinson-Gilford Progeria Syndrome and its aging-related disorders, including heart disease. These grants are awarded bi-annually and are subject to certain reporting and other requirements in accordance with the specific grant applications, which payment by the Organization may be withheld until the requirements have been met by the researcher. Payments under the grants are accrued quarterly in the accompanying statement of financial position.

Future payments committed to under these research grants for the years ending December 31st are as follows:

2015	$ 1,053,378
2016	693,429
2017	217,898
	$ 1,964,705

12. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and contributions receivable.

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

Contributions receivable due from two donors represented approximately 87% of the outstanding balance at December 31, 2014.

13. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through October 30, 2015, the date the financial statements were available to be issued.