

FRAXA Research Foundation, Inc.

**Financial Statements
December 31, 2020**

FRAXA Research Foundation, Inc.

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December 31, 2020

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FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
FRAXA Research Foundation, Inc.

We have audited the accompanying financial statements of FRAXA Research Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FRAXA Research Foundation, Inc. as of December 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FRAXA Research Foundation, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FRAXA Research Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FRAXA Research Foundation Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FRAXA Research Foundation Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Certified Public Accountants

Fitz O'Connell LLC

Newburyport, Massachusetts

July 30, 2021

FRAXA Research Foundation, Inc.

Statement of Financial Position

December 31, 2020

ASSETS

Current Assets	
Cash	\$ 1,906,894
Pledges Receivable	15,862
Investments	<u>1,296,062</u>
Total Current Assets	<u>3,218,818</u>
Total Assets	<u>\$ 3,218,818</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Grant Payable	\$ 112,500
Accounts Payable and Accrued Expenses	<u>6,843</u>
Total Current Liabilities	<u>119,343</u>
Total Liabilities	<u>119,343</u>
Net Assets	
Without Donor Restrictions	3,099,475
With Donor Restrictions	<u>-</u>
Total Net Assets	<u>3,099,475</u>
Total Liabilities and Net Assets	<u>\$ 3,218,818</u>

See accompanying notes to financial statements and independent auditor's report.

FRAXA Research Foundation, Inc.
Statement of Activities
For the year ended December 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions and Grants	\$ 1,148,030	\$ -	\$ 1,148,030
In-Kind Contributions - Web Technology	18,000	-	18,000
PPP Loan Forgiveness	71,500	-	71,500
Fundraising Events	203,972	-	203,972
Other	1,037	-	1,037
Realized Loss on Investments	(68,300)	-	(68,300)
Unrealized Gain on Investments	139,134	-	139,134
Investment Income	37,490	-	37,490
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total Revenue and Support	<u>1,650,863</u>	<u>(100,000)</u>	<u>1,550,863</u>
Expenses			
Research Program	589,943	-	589,943
Education Program	128,192	-	128,192
Fundraising	143,948	-	143,948
Administration	<u>50,396</u>	<u>-</u>	<u>50,396</u>
Total Expenses	<u>912,479</u>	<u>-</u>	<u>912,479</u>
Change in Net Assets	738,384	(100,000)	638,384
Net Assets – Beginning of Year	<u>2,361,091</u>	<u>100,000</u>	<u>2,461,091</u>
Net Assets – End of Year	<u>\$ 3,099,475</u>	<u>\$ -</u>	<u>\$ 3,099,475</u>

See accompanying notes to financial statements and independent auditor's report.

FRAXA Research Foundation, Inc.
Statement of Functional Expenses
For the year ended December 31, 2020

	Program Services		Total	Fund- raising	Management	2020 Total
	Research	Education	Program Services		and General	
Bank and credit fees	\$ 100	\$ -	\$ 100	\$ 9,289	\$ 73	\$ 9,462
Direct Fundraising	-	-	-	14,057	-	14,057
Employee Benefits	5,538	3,100	8,638	1,109	1,463	11,210
Grants	442,500	-	442,500	-	-	442,500
In-Kind Expense - Web	3,420	9,720	13,140	4,860	-	18,000
Insurance	-	-	-	-	3,235	3,235
Office Expense	113	1,690	1,803	359	982	3,144
Payroll Taxes	3,420	9,734	13,154	9,997	3,157	26,308
Postage	87	289	376	787	72	1,235
Printing	-	-	-	140	-	140
Professional Fees	-	11,000	11,000	3,005	12,712	26,717
Registration Fees	-	-	-	-	1,734	1,734
Rent	1,186	3,374	4,560	3,466	1,094	9,120
Salaries and Wages	132,275	88,615	220,890	96,261	24,180	341,331
Telephone	212	603	815	618	196	1,629
Travel	1,092	-	1,092	-	445	1,537
Miscellaneous	-	67	67	-	1,053	1,120
Total Expenses	\$ 589,943	\$ 128,192	\$ 718,135	\$ 143,948	\$ 50,396	\$ 912,479

See accompanying notes to financial statements and independent auditor's report.

FRAXA Research Foundation, Inc.
Statement of Cash Flows
For the year ended December 31, 2020

Operating Activities	
Change in net assets	\$ 638,384
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Net unrealized and realized gains/losses on investments	(70,834)
Changes in operating assets and liabilities:	
Pledges Receivable	147,696
Prepaid Expenses	500
Accounts Payable and Accrued Expenses	(1,001)
Grant Payable	<u>112,500</u>
Net Cash Provided by Operating Activities	<u>827,245</u>
Investing Activities	
Proceeds From Sale of Investments	258,830
Purchases of Investments	<u>(278,486)</u>
Net Cash Used in Investing Activities	<u>(19,656)</u>
Net increase in cash	807,589
Cash, beginning of year	<u>1,099,305</u>
Cash, end of year	<u>\$ 1,906,894</u>
Supplemental Data:	
Taxes paid	<u>\$ -</u>
Interest paid	<u>\$ -</u>

See accompanying notes to financial statements and independent auditor's report.

FRAXA Research Foundation, Inc.

Notes to Financial Statements

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

FRAXA Research Foundation, Inc. (“FRAXA” or “the Foundation”) was founded in 1994 by three parents of children affected with Fragile X. FRAXA’s mission is to accelerate progress toward effective treatments and ultimately a cure for Fragile X, by directly funding the most promising research through grants and fellowships at universities all over the world.

The Foundation maintains its accounts and prepares its financial statements on the accrual basis of accounting.

Cash and equivalents

For financial statement purposes, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The cash and cash equivalents balance as of December 31, 2020 was \$1,906,894.

Investments

Investments consist of publicly traded equities, mutual funds and debt securities. Investments with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. All investments are considered short-term as they can be readily converted into cash as needed.

Pledges Receivable

The Foundation had \$15,862 of pledges receivable as of December 31, 2020. All of the pledges receivable are collectible within one year. The Foundation has evaluated the pledges receivable and has determined that they are deemed fully collectible as of December 31, 2020. Accordingly, there is no provision for the allowance for doubtful accounts.

Property and Equipment

Property and equipment with useful lives greater than one year are carried at cost. Equipment is depreciated under the straight-line method using lives between 5 and 7 years. There is no property and equipment reported in these financial statements fitting these criteria.

Expenditures for maintenance and repairs are charged against operations as incurred. Renewals and betterments that materially extend the life of an asset are capitalized.

Grants Payable

Grants payable are recorded if the Organization approves a grant but the grant is not paid prior to year end. As of December 31, 2020, the Foundation had \$112,500 in Grants payable. See Note H for additional information on grants issued.

Leases

The Foundation leases the office space on a month to month basis at \$760 per month, which is expensed as incurred. Total lease expense was \$9,120 during the year ended December 31, 2020.

FRAXA Research Foundation, Inc.

Notes to Financial Statements

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contributions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions that are released from restriction in the same year received are recorded as net assets without donor restriction. The Foundation did not have any board designated funds during 2020.

Donated Services

Donated services are recognized if the services received create or enhance a non-financial asset or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The fair market value of donated license fees from Salesforce.com in the amount of \$18,000 has been reflected in the financial statements as in-kind contributions during 2020. A substantial number of unpaid volunteers donated significant amounts of their time in the Foundation's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as occupancy, which is allocated on a square footage basis. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Advertising Costs

Advertising costs are expensed as incurred. For the year ended December 31, 2020, there were no advertising expenses.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

Subsequent events have been evaluated through July 30, 2021, which is the date the financial statements were available to be issued.

Beginning in March 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Organization's operations and financial position. Any financial impact to the Organization, if any, cannot be reasonably estimated at this time. In April 2020 the Organization, as described in Note I, applied for and received a Payroll Protection Program loan from the U.S. Small Business Administration in the amount of \$71,500 to assist in funding operations.

FRAXA Research Foundation, Inc.

Notes to Financial Statements

December 31, 2020

NOTE B – CONCENTRATIONS OF RISK

The Foundation maintains its cash balances in several financial institutions. The FDIC insures balances up to \$250,000. As of December 31, 2020, the Foundation maintained \$1,762,377 of its total cash, excluding reconciling items, in banks that carry additional insurance through the Depositors Insurance Fund (DIF). DIF is a private, industry-sponsored insurance fund that insures all deposits above Federal Deposit Insurance Corporation limits at Massachusetts chartered savings banks. The Foundation's remaining cash balance at December 31, 2020 was within insurable limits with either the FDIC or Securities Investor Protection Corporation (SIPC). However, those accounts could from time to time exceed insurable limits.

The Foundation also maintains significant investments in securities which are subject to potential uninsured market losses.

NOTE C – RESTRICTIONS ON NET ASSETS

During 2020, \$100,000 of funds previously with donor restrictions were released to be utilized toward their intended program purposes. As of December 31, 2020, the balance of net assets with donor restrictions was \$0 as all contributions that had restrictions when they were given were utilized within year end.

The Foundation reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE D – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. As of December 31, 2020, all donor-restricted amounts are available for use within one year for their restricted purpose.

Financial assets at year-end:	\$3,218,818
Less those unavailable for general expenditures within one year:	_____ -
Financial assets available to meet cash needs for general expenditure within one year:	<u>\$3,218,818</u>

As part of the Foundation's liquidity management, it periodically invests cash in excess of estimated budgetary needs in its investment accounts. As of December 31, 2020, the Organization did not have any borrowing commitments.

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Management has adopted the criteria of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820, (formerly SFAS No. 157, "*Fair Value Measurements*"). FASB ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosure about fair value measurements. FASB ASC 820 establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework under FASB ASC 820 are as follows:

FRAXA Research Foundation, Inc.

Notes to Financial Statements

December 31, 2020

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs other than quoted market prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. At December 31, 2020, fair values of investments and cash equivalents were all measured on a recurring basis using level 1 of the hierarchy.

Net appreciation in the fair value of investments, which consist of the realized gains and losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. During 2020, the Foundation received donated stock with a total fair market value of \$5,275 at the date of contribution. The fair value of stocks received as donations are recorded to contribution revenue when received. The fair market value of these stocks at December 31, 2020, if not sold during the year, is included in the total investments at year end. The following is a summary of investments as of December 31, 2020:

Description	Cost	Fair Market Value	Unrealized Gain or (Loss)
StockCross – Equities/Options	\$ 53,654	\$ 59,838	\$ 6,184
StockCross – Mutual Funds	49,916	68,869	18,953
CIBC – Fixed Income	419,726	437,046	17,320
CIBC – Equities	531,221	729,805	198,584
CIBC – Real Estate (Funds)	392	504	112
	<u>\$1,054,909</u>	<u>\$1,296,062</u>	<u>\$ 241,153</u>

Investment income reported on the statement of activities includes interest, dividends and capital gain distributions, net of investment fees. Investment fees during the year ended December 31, 2020 totaled \$5,461.

NOTE F – RELATED PARTY TRANSACTIONS

There were no reportable related party transactions.

NOTE G – INCOME TAX STATUS

The Foundation is organized and operated exclusively for charitable purposes. Income related to its charitable purpose is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Foundation has adopted the application of the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48, "*Accounting For Uncertainty in Income Taxes*"). The primary tax positions made by the Organization are the existence/non-existence of Unrelated Business Income Tax and the Organization's status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation currently evaluates all tax positions and makes determinations regarding the likelihood of those positions being upheld under review. For the year presented, and as a result of adoption, the Foundation has not recognized any tax benefits or loss contingencies for uncertain tax positions based on its evaluations.

FRAXA Research Foundation, Inc.

Notes to Financial Statements

December 31, 2020

NOTE G – INCOME TAX STATUS, continued

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2017 through 2020 are subject to examination by the IRS, generally for 3 years after it is filed.

NOTE H – GRANTS ISSUED

The Foundation issues various grants to outside researchers as part of its program activities. The Foundation records grant expense when the grant is approved and issued as it considers the majority of grant conditions met at the time of approval. Occasionally, the full amount of grant funds are not fully utilized by the researcher prior to the grant deadline and the unused portion of the grant is returned to the Foundation. These amounts are typically immaterial and rarely occur. Any grant funds returned are netted with grant expense. There were no funds returned during the year ended December 31, 2020.

NOTE I – PAYROLL PROTECTION PROGRAM

Due to the on-going COVID-19 pandemic, the Organization applied for and received a Payroll Protection Program loan under the United States Small Business Administration's authority. The original loan amount was \$71,500. In accordance with *Accounting for Contributions Received and Contributions Made* found in FASB ASC 958-605 – Not-for-Profit Entities-Revenue Recognition, the Organization has recorded forgiveness revenue of \$71,500 as it has substantially met the conditions of forgiveness of the loan as of December 31, 2020.