

KCNQ2 CURE ALLIANCE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KCNQ2 CURE ALLIANCE, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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August 27, 2019

Independent Auditors' Report

Board of Directors
KCNQ2 Cure Alliance, Inc.
Denver, Colorado

We have audited the accompanying financial statements of **KCNQ2 Cure Alliance, Inc.** (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, 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 of 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 KCNQ2 Cure Alliance, 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.

Taylor, Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

KCNQ2 CURE ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	<u>2018</u>
<u>Assets</u>	
Cash and cash equivalents	<u>\$ 363,741</u>
Net assets	
Without donor restrictions	97,855
With donor restrictions (Note 3)	<u>265,886</u>
Total net assets	<u><u>\$ 363,741</u></u>

The accompanying notes are an integral part of these financial statements

KCNQ2 CURE ALLIANCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and other support</u>			
Contributions	\$ 89,510	\$ 24,874	\$ 114,384
Summit conference	31,497	-	31,497
Foundation grants	-	22,225	22,225
Interest income	165	-	165
Net assets released from restrictions (Note 4)	87,755	(87,755)	-
Total revenue and other support	208,927	(40,656)	168,271
<u>Expense</u>			
Program services	129,171	-	129,171
Supporting services			
Management and general	2,739	-	2,739
Fund-raising	599	-	599
Total expense	132,509	-	132,509
Change in net assets	76,418	(40,656)	35,762
Net assets, beginning of year	21,437	306,542	327,979
Net assets, end of year	\$ 97,855	\$ 265,886	\$ 363,741

The accompanying notes are an integral part of these financial statements

KCNQ2 CURE ALLIANCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018			
	Supporting Services			
	Program Services	Management and General	Fund- raising	Total
Research grant awards	\$ 87,755	\$ -	\$ -	\$ 87,755
Summit conference	31,106	-	-	31,106
Event location, food and beverage	8,595	-	-	8,595
Bank fees	-	1,193	-	1,193
Bookkeeping	-	1,160	-	1,160
Summit merchandise	939	-	-	939
Technology	478	238	80	796
Printing and copying	298	148	50	496
Fundraising	-	-	469	469
Travel and meetings	-	-	-	-
Total expenses	\$ 129,171	\$ 2,739	\$ 599	\$ 132,509

The accompanying notes are an integral part of these financial statements

KCNQ2 CURE ALLIANCE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
<u>Cash flows from operating activities</u>	
Change in net assets	<u>\$ 35,762</u>
Net increase(decrease) in cash and cash equivalents	35,762
Cash and cash equivalents, beginning of year	<u>327,979</u>
Cash and cash equivalents, end of year	<u><u>\$ 363,741</u></u>

The accompanying notes are an integral part of these financial statements

KCNQ2 CURE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - NATURE OF ACTIVITIES

KCNQ2 Cure Alliance, Inc. (the Organization) is a Colorado not-for-profit organization formed in 1987. The purpose of the Organization is to educate and to advance research leading to treatments or a cure for patients living with the genetic disorder KCNQ2 epileptic encephalopathy. The Organization is supported primarily through contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U. S. generally accepted accounting principles which require the Organization to report 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 board of directors.

Net assets with donor restrictions: Net assets that are 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, whereby the donor has stipulated that 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 statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a program. These restrictions expire when the assets are placed in service.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

4. Contributions

Contributions received 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. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

7. Functional Reporting 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 are assigned directly to the program or functional area benefited.

8. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958)—*Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

9. Subsequent Events

Management has evaluated subsequent events through August 27, 2019, the date the financial statements were available to be issued.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions to be used for the following purposes:

<u>Description</u>	<u>Amount</u>
Research	<u>\$ 265,886</u>

NOTE 4 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Research	<u>\$ 87,755</u>

NOTE 5 - IN-KIND CONTRIBUTIONS

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received 1,176 donated hours during the year from individuals who provided victim advocate support and event assistance valued at \$29,035. These services were not recognized in the financial statements because they did not meet the criteria for recognition.

NOTE 6 - AVAILABILITY AND LIQUIDITY

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

<u>Description</u>	<u>Amount</u>
Financial assets at year end:	
Cash and cash equivalents	<u>\$ 363,741</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 363,741</u>

The Organization considers donor restricted contributions that will be spent within one year to be available for general expenditures. The Organization's goal is generally to maintain financial assets to meet 2 ½ years of operating expenses, approximately \$331,000. As part of its liquidity plan, all cash is invested in a checking account.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization keeps its cash with one financial institution. As of year-end, the cash balance of \$363,741 in that account exceeds the \$250,000 Federal Deposit Insurance Corporation (FDIC) limit. Management has evaluated its banking needs and the strength of the financial institution and feels it is in the best long-term interest of the organization to continue its existing banking relationship.